Port of Salalah

2019

ANNUAL REPORT

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www.salalahport.com

Port of Salalah

Key Performance Indicators

Port of Salalah	2014	2015	2016	2017	2018	2019
Key Operational Data						
Crane Capacity in TEUs ('000s)	5,000	5,000	5,000	5,000	5,000	5,000
TEUs ('000s)	3,034	2,569	3,325	3,946	3,385	4,109
Tonnes ('000s)	10,314	12,543	13,037	13,587	16,201	16,278
Container Terminal Vessel calls	1,439	1,336	1,501	1,475	1,218	1,300
General Cargo Terminal Vessel calls	1,326	1,520	1,527	1,387	1,427	1,556
Headcount	2,137	2,057	2,249	2,218	2,210	2,230
Operational Ratio Analysis						
TEUs handled per employees	1,420	1,249	1,478	1,779	1,532	1,842
TEUs/meter of quay p.a.	1,176	996	1,289	1,529	1,312	1,592
Cranes in operation	25	25	25	25	25	25
TEUs/quay crane p.a.	121,349	102,741	133,002	157,840	135,387	164,343
Capacity Utilization	61%	51%	67%	79%	68%	82%
Key Financial Data (Figures in RO ' 000)						
Revenue	53,533	49,508	54,872	57,028	56,330	64,616
Gross profit	22,605	19,474	20,487	19,999	18,950	24,210
Cash profit	14,444	13,923	14,963	16,695	15,264	17,814
Net profit / (loss)	5,262	5,182	5,726	5,211	5,303	5,604
Equity capital	17,984	17,984	17,984	17,984	17,984	17,984
Net worth before minority interest	48,471	51,647	54,025	56,000	58,631	61,387
Term debt obligations	41,235	26,786	17,858	8,929	-	-
Financial Ratio Analysis						
Operating Profit Ratio	42%	39%	37%	35%	34%	37%
Net profit margin	9.8%	10.5%	10.4%	9.1%	9.4%	8.7%
Cash Earnings per share (RO)	0.080	0.077	0.083	0.093	0.085	0.099
Earnings per share (RO)	0.029	0.029	0.032	0.029	0.029	0.031
Book value per share(RO)	0.270	0.287	0.300	0.311	0.326	0.341


Port of Salalah

Directors' Report

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

Directors' Report

The Board of Directors, the Management Team and the Employees express their heartfelt condolences to His Majesty Sultan Haitham bin Tarik, The Royal family, Government and the People of Oman on the passing away of our beloved leader His Majesty Sultan Qaboos bin Said. We pray to the Almighty Allah to bless his soul and grant him peace in heaven, and to give us patience to bear with this loss.

Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting the annual report of your company, Salalah Port Services Co SAOG ("the Company") along with the audited financial statements for the year ended 31st December 2019.

Despite uncertain global economic circumstances and geopolitical tensions, the year 2019 has ended on a positive note with both the Container Terminal and the General Cargo Terminal showing growth over the previous years.

Company Performance

During the year 2019 the Container Terminal handled record breaking volume of 4.109 million TEUs (2018: 3.385 million TEUs), a growth of 21% in TEU terms compared to the Cyclone Mekunu impacted year 2018. The company has retained all major customers and Maersk's share of business has increased by 18% compared to 2018. As previously reported the Salalah Port suffered from Cyclone Mekunu during May 2018 impacting the results for that year. Recovery efforts continued and by end of June 2019, restored its Container Terminal capacity to the pre cyclone levels, whereas the General Cargo Terminal was restored during Quarter One 2019.

The Port of Salalah General Cargo Terminal has handled 16.278 million tons during 2019, thus maintaining the volumes achieved during the corresponding period last year. 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 multipurpose terminal facility.

The Company also took a further step towards digitalization by joining the Tradelens Platform, an industry neutral platform underpinned by Block Chain technology, which provides better visibility to the supply chain network for various end users. The Company expects to continue on the path of digitalization to simplify process and enhance overall customer experience.

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 risks to their safety. The Company continues to focus improvements through various initiatives to maintain operations of a world-class terminal and has maintained consistent productivity levels.

Financial Overview

2019 consolidated revenues are RO 64.724 million, an increase of 14% over 2018. 2019 consolidated EBITDA was RO 18.141 million at a margin of 28%, (2018: RO 16.076 million, 28%).

2019 consolidated Net Profit was RO 5.673 million (2018 RO 5.341 million). During 2018 on account payment of OMR 14.808 million was received towards the Company's Mekunu insurance claim. No insurance receipts have been received during the year 2019. Settlement has been reached with insurance company at OMR 26.060 million (USD 67.75 million) out of which RO 14.808 million (USD 38.50 million) has been already received and recognized in the income, the balance amount of OMR 11.250 million (USD 29.25 million) to be received and recognized as income in 2020.

Cyclone related expenses amounting to RO 2.827 million incurred during 2019 (2018 RO 10.212 million) is included under total expenses. Cyclone Mekunu claims led to insurers demanding higher premium rates for the renewal of the Company's port package policy on April 1, 2019 increasing the annual premium to RO 1.730 million.

During 2019, the Company distributed 15 baiza per share annual dividend pertaining to year 2018. Taking into account the proposed capital expenditure plans of RO 12.343 million to meet the equipment life cycle management and improvement needs and uncertain market conditions for international trade the Board of Directors are pleased to recommend the distribution of dividend of 20 baiza per share on the paid-up equity share capital of the company, resulting in a total cash disbursal of RO 3.597 million.

Dividend history for the last 5 years

	2014	2015	2016	2017	2018
Dividend %	15%	20%	20%	15%	15%
Cash outlay (RO'000)	2,698	3,597	3,597	2,698	2,698

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 concept of sustainability and is fundamental to our business. The company has invested RO 84,510 in CSR initiatives during 2019 contributing to the local Dhofar region in which it operates 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

Global growth is projected to rise from an estimated 2.9 % in 2019 to 3.3 % in 2020 and 3.4 percent for 2021, which is a slight downward revision compared to estimates in the World Economic Outlook published in October 2019. (Source: IMF World Economic Outlook January 2020).

The downward revision primarily reflects negative sentiment relating to economic activity in a few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years. On the positive side however, market sentiment has been boosted by tentative signs that manufacturing activity and global trade are bottoming out, a broad-based shift toward accommodative monetary policy, intermittent favorable news on USA-China trade negotiations, and diminished fears of a no-deal Brexit.

According to Drewry's (a leading shipping consultancy) outlook, the container industry is expected to remain 'soft', despite the good news of the phase one trade agreement signed between USA and China. According to its predictions, the world container port throughput is set to rise by 3.3% this year.

In Port of Salalah, the Container Terminal volumes have consistently been around or higher than Safe Operating Capacity (the Company's concept to safeguard consistent high level productivity) for the last few months of 2019. Management continuously endeavors to increase Safe Operating Capacity and continued reliability and efficiency in operations thus attracting additional volumes.

The General Cargo volumes showed a dip in the 3rd quarter of 2019 due to tensions between Iran and USA but had a strong rebound which ensured overall volumes at the end of the year were in line with expectations. The Port of Salalah is now a regular port of call for RORO vessels from the Far East catering to the second vehicle market of Yemen. However, challenges about resource availability need to be addressed if current volumes are expected to continue in 2020. There has been success in the strategy to anchor Aid & Relief agencies in Salalah with four agencies already using Salalah with a potential interest from two more UN agencies. This will support the ongoing strategy of customer diversification.

With changes in the global dynamics of mineral exports (e.g. diminishing supply and reserves in certain geographies), there is a strong potential for growth of volumes from Salalah especially gypsum. However, the challenge related to space for dry bulk stockpiles has increased due to the growth of the business. Stable and well performing ship loader operations will therefore be critical to increase stockpile turnover and capacity.

There continues to be a significant interest in tank farms development which will be one of the future revenue and cargo drivers. However, to pursue these opportunities the port needs to make land available in the port area, by reducing for example the amount of land currently occupied by dry bulk stockpiles in the port area.

Going forward, the Company's focus will be to sustain the gains made in volumes over the last year and improve customer experience while simultaneously working with other stakeholders including ASYAD and Salalah Free Zone to diversify customer and commodity portfolios.

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 Haitham bin Tarik, for his strategic vision, leadership and his continued support. I also thank our customers, investors, lenders and the members of the government we work together with daily.

Lastly, but certainly not the least, I place on record our appreciation for the contributions made by our employees in achieving the level of performance in 2019. Our consistent growth was possible by their hard work, solidarity, cooperation and support.

On behalf of the Board of Directors,

Sheikh Braik Musallam Al Amri

Deputy Chairman of Board of Directors,

Salalah Port Services Co. SAOG

February 12, 2020

Mark Hardiman
Chief Executive Officer

Management Discussion & Analysis Report

Port of Salalah

Business of the company

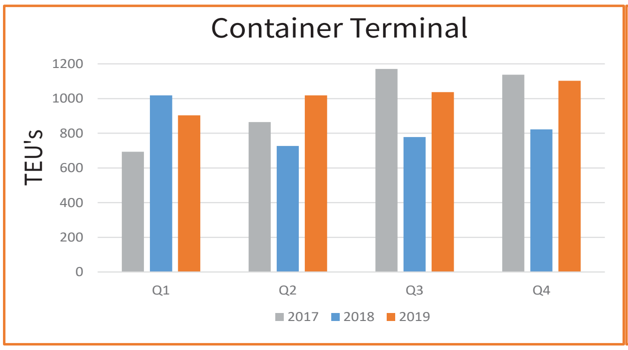
The Port of Salalah ("the Port") is one of the largest multi-purpose ports in the Middle East. It is one of the region's leading container transshipment ports and the gateway port for containerized, bulk and general cargo for the Dhofar region. With the country's focus to optimize non-oil economic growth the port is a key driver in lifting global trade in the region.

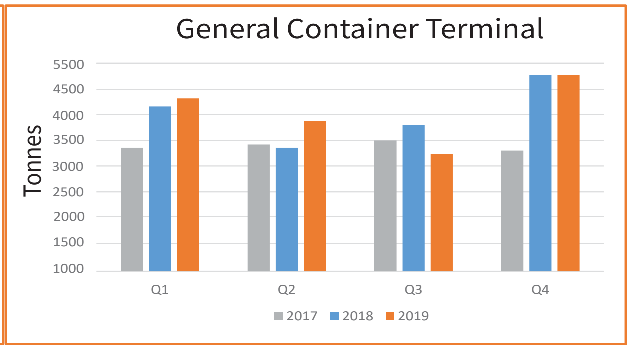
This world-class port was created under a 30-year concession agreement with the Government of Oman. The Port is managed by APM Terminals, a leading port developer and operator with a global network of 78 terminals, employing more than 22,000 professionals. APM Terminals is a part of the A.P. Moller-Maersk group and serves all major shipping lines and has a global throughput of 40 million TEUs.

In its bid to become the port of choice in Oman, the Port 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.

2019 was an eventful year for the Port with a sharp recovery from the Cyclone Mekunu dominated 2018. Adequate measures to restore operational capabilities together with strong customer support allowed the company to end the year with record breaking volumes both on the container and the general cargo terminal handling 4.109 Million TEUS and 16.278 Million MT respectively.

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





Container Industry structure and developments

In 2019 the container shipping industry faced continued challenging circumstances with a persistent supply-demand imbalance between container trade demand and fleet capacity with the delivery of new Ultra Large Container Vessels, rising trade tensions and increased protectionism, as well as changing environmental regulations. Despite these unfavorable global industry developments, the Port has been able to grow its container throughput benefiting from strong support from Maersk, the largest container shipping line in the world. To retain this, support the Port will continue to have a strong focus on productivity enhancement and cost efficiency which will enable the port to offer attractive transshipment and gateway products to its customers.

Container Terminal volumes have been close to Safe Operating Capacity (the Company's concept to safeguard consistent high level productivity), especially in the second half of 2019. Growth going forward will be contingent on the Company's ability to increase in Safe Operating Capacity either via operational efficiencies (short term) and equipment and infrastructure investments (longer term). Equally important will be the capabilities of the container handling equipment and port infrastructure to accommodate the growing vessel sizes of the Port's customer base. There are a number of short term and longer term initiatives on going aimed at increasing Safe Operating Capacity as well as eliminating limitations in capabilities. As the additional capacity also needs to be filled, maintaining and strengthening our strategic partnerships with our customers will remain a top priority.

During 2019 the Port also took further steps towards digitalization by joining the Tradelens Platform an industry neutral platform, underpinned by Block Chain technology. Management expects to continue in the path of digitilsiaiton to simplify process and enhance overall customer experience.

General Cargo Terminal

General cargo volumes recovered relatively quickly after Cyclone Mekunu. However, the 3rd quarter of 2019 showed a dip in throughputs mainly due to increased tensions in the Middle East region, but rebounded in the 4th quarter ensuring overall volumes for 2019 were in line with expectations. Export of minerals, locally-mined limestone and gypsum, remains the largest commodity for the General Cargo Terminal followed by methanol, fuel and bagged material (mainly cement). With changing dynamics in global gypsum trade, there is a strong potential for growth of export of this commodity from Salalah.

With the commissioning of new general cargo handling equipment (ship loaders) in the 4th quarter of 2019 the Port is well positioned to accommodate further growth in dry bulk in the short term. The Port is currently sourcing new mobile harbour cranes further improving its general cargo handling capabilities. Stability of the ship loader operations will be a key focus area in 2020 in order to deliver on the Company's promises to its customers.

Longer term growth in this segment will depend on the ability to find sufficient space in or outside the port operational area for dry bulk stockpiles, including a stock-pile-to-quay transportation solution.

In 2019 the Port has made progress in other general cargo segments. The Port is now a regular port of call for RORO vessels from the Far East catering to the second hand vehicle market of Yemen. Also, the strategic location makes the Port an attractive location for Aid and Relief agencies, with four agencies currently using the Port for their logistic operations. This will support the Port's ongoing strategy of customer diversification.

Safety

The Company remains committed to and prioritizes the cause of safety. The Company has taken several measures, including training, and creating and improving awareness not only amongst its employees but also among third party personnel to further improve safety compliance and will continue to do so over the upcoming year.

Human Resources, welfare and training

At the close of 2019 the Port employed 2,210 people. 77% of all white collar jobs are filled by nationals. The Port remains committed to developing key skills throughout its workforce through on-the-job training, facilitating study courses at university and tuition by in-house experts. Further, various language and soft skills development training sessions were conducted during the year by in-house experts.

Financial review

Consolidated revenues for 2019 are RO 64.724 million (2018: RO 56.615 million). No insurance claims associated with Cyclone Mekunu were received during the year ended 31st December 2019. Settlement has been reached with insurance company at OMR 26.060 million (USD 67.75 million) out of which RO 14.808 million (USD 38.50 million) has been already received and recognized in the income, the balance amount of OMR 11.250 million (USD 29.25 million) to be received and recognized as income in 2020.

Consolidated EBITDA for 2019 was RO 18.141 million at an EBITDA margin of 28% (2018: RO 16.076, 28%).

Consolidated Net Profit for 2019 was RO 5.673 million (2018: RO 5.341 million).

Cyclone Mekunu expenses amounting to RO 2.827 million– in 2019 (2018: RO 10.212 million) is included under total expenses.

Direct operating costs comprises manpower costs, repairs and maintenance costs, energy costs, marine costs and operating systems and communication costs show an increase of 8% over 2018 on account of annual increments in manpower costs & higher power & fuel consumption to meet the additional volumes and fluctuating prices.

Depreciation in 2019 was 8% higher than 2018 on account of investments made during the year in necessary operational equipment.

The management fee was in line with the change in revenues and volumes.

General and administration costs were higher by 23% compared to 2018 mainly due to IFRS 16 accounting of lease costs which are now charged to depreciation based on the present value of assets until the end of the concession agreement. There was increase in Indirect personal cost by 4%.

Financing costs increased by 135% over 2018 on account of IFRS 16 accounting treatment of lease costs to be partially accounted under finance cost.

Internal Control Systems and their Adequacy

The Company has internal control systems and processes that provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

The Management receives independent feedback from the reports issued by Internal Audit and Statutory Auditors on the adequacy of the internal controls and continues to strengthen the internal control weaknesses. Also, as part of the internal control, the company has a defined authority manual and processes, which are followed across the organization. Internal controls are generally adequate for established activities and services.

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 near future. 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 port is going into 2020 with a number of factors that may impact the shipping industry in different ways. Increasingly shipping lines will need to compete to win business and fill their vessels as overcapacity, unstable fuel rates, and global economic uncertainty continues, along with a spike in political instability which could worsen the overall economic outlook. As the Company proceeds into 2020, it will to do so cautiously and continue to monitor the situation. The Container Terminal remains very reliant on container transshipment business primarily from Maersk. Maintaining and strengthening our strategic partnerships with our customers will therefore remain top priority.

For the General Cargo Terminal, the outlook remains optimistic due to the unique position of Salalah being the largest single global exporter of gypsum.

Overall, the Port enjoys some diversity in its portfolio of activities. Historically, the Port has weathered times of economic uncertainty rather well and is expected to do so moving forward. The focus continues to be strengthening relationships with existing customers to leverage more business, operational excellence, deploying new and innovative logistics solutions for our customers and ensuring the sustainability of the business.

Conclusion

The Company would like take this opportunity to express sincere thanks to its employees, its customers, suppliers and the Government of Oman for their support during 2019. The Company and its Management look forward to working with you and further developing the Port of Salalah in the year ahead.

Mark Hardiman

Chief Executive Officer

Salalah Port Services Co. SAOG

February 12, 2020

FACTUAL FINDINGS REPORT

TO THE SHAREHOLDERS OF SALALAH PORT SERVICES COMPANY SAOG

1. We have performed the procedures agreed with you pursuant to the Capital Market Authority (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 2019 and application of the corporate governance practices in accordance with amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the 'Code').

2. Our engagement was undertaken in accordance with the 'International Standard on Related Services 4400', applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in complying with the requirement of the Code issued by the CMA.

3. We have performed the following procedures:

   a) We have checked that the corporate governance report issued by the Board of Directors includes as a minimum, all items suggested by 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 the Annexure 3; and

   b) We obtained the detailed list of areas of non-compliance identified by the company's Board of Directors with the Code, included in the report together with the reasons for such non-compliance and agreed these to the discussions in the Board minutes and/or a checklist prepared by the Board of Directors to identify any non-compliance.

4. As a result of performing the above procedures, we have no exceptions to report.

5. 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 accompanying corporate governance report.

6. Had we performed additional procedures or had we performed an audit or review 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.

7. 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 Board of Directors' corporate governance report included in its Annual Report for the year ended 31 December 201٩ and does not extend to any other areas of the Annual Report or to the financial statements of Salalah Port Services Company SAOG taken as a whole.

PricewaterhouseCoopers LLC
C.R. No 1230865

Husam Elnaili

Muscat, Sultanate of Oman
16 February 2020

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Chartered Accountants Licence No. L1065369, Management Consultants Licence No. L1065290, Commercial Register No. 1230865

Corporate Governance Report

Corporate Governance Report

Corporate Governance Report

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

The Company's philosophy relating to Corporate Governance is aimed at maximizing the shareholders' value and protecting the interest of other stakeholders. The Company aims to achieve this through adequate and appropriate disclosure of the material facts and the 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 down, are able to act in the best interest of the shareholders. The Company is committed to comply with the Capital Market Authority guidelines on corporate governance and disclosure practices.

Board of Directors ("Board")

The Board comprises 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

The composition of the Board of Directors as on December 31, 2019 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. Rolf Nielsen	Non-executive, non-independent & elected
Mr. Soren Sjostrand Jakobsen	Non-executive, non-independent & elected
Mr. Ahmed Salem Al Busaidi	Non-executive, independent & elected
Mr. David Michael Guy	Non-executive, non-independent & elected

Board of Directors profile

H.E. Ahmed Bin Nasser Al Mahrizi is the Chairman of the Company and joined the Board in August, 2013. He is the Minister of Tourism Government of Oman and previously held the 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 having had previous experience with the Port of Salalah in an executive capacity. He has a Master's in Business Administration and has 24 years of management experience. He is an Engineer and holds a diploma from Lloyds Maritime Academy. He has a very good exposure of the business and international practices, presently engaged with financial services sector.

Mr. Rolf Nielsen joined the Company's Board in November, 2018 and currently is the Vice President and Head of Hub Terminals in APM Terminals, the Netherlands. He holds an Executive MBA (GEMBA) from INSEAD. He is an international business executive with over 21 years of leadership experience in the maritime industry (Inland operations, liner operations cluster, terminal operations, network strategy, development of sophisticated analytical tools/network optimization customer service, and supply chain management).

Mr. Soren Sjostrand Jakobsen joined the Board in January 2017 and holds the position as Executive Director and portfolio manager for APM Terminals' Russia Portfolio and Global Joint Venture Management. He furthermore holds a number of board positions in other joint venture terminals where APM Terminals are partners, including two other stock listed companies. Prior to taking up the portfolio management position in Dubai in 2003, Soren was Global Head of Project Implementation based in the APM Terminals Headquarters 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 39 years and has worked with most business units in the Group, the last 15 years in APM Terminals. He has spent about 21 years outside of Denmark including postings in Panama, USA, The Netherlands and Dubai.

Mr. Ahmed Salem Al Busaidi joined the Board in March 2019. Presently he is working as General Manager of Ministry of Defence Pension Fund. He holds a Master's Degree in Finance & Economics from Southampton University in UK. For the past 28 years he has held many positions within Ministry of Defence in Treasury, Accounts and Contracts and Ministry of Finance.

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 22 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. Having then completed an Initial Public Offering in the Oman power sector he joined the ASYAD Group in 2015.

Management profile

Mr. Mark Hardiman the Chief Executive Officer of the Company since January 2019, and has a total of 25 years' experience in shipping and ports, having worked in six different countries across three continents - specifically South Africa, Nigeria, Egypt, Belgium, Bahrain and the U.A.E. Mr. Hardiman has been influential in driving growth and enhancing business performance across various businesses and functions.

He has spearheaded various major initiatives that involved substantial investments in information technology systems and terminal equipment, seeking to further enhance the performance of the terminal and setting challenging goals for the future.

Mr. Roeland Van Beers joined Port of Salalah in September, 2019 as Chief Financial Officer. Prior to his current position, he has served as Deputy Chief Financial Officer of the Port of Tanjung Pelepas, Malaysia and has held various financial leadership positions in APM Terminals from 2011-2019 and Dutch Real Estate Company Multi Corporation from 2001-2011. Roeland holds an MSc in Economics from the Erasmus University Rotterdam and is a member of the Dutch Association of Register Controllers (VRC).

Mr. Sunil Joseph recently joined the Company as Chief Commercial Officer. Sunil has over 26 years' experience in shipping with 17 of those in GCC countries – UAE, Qatar, Saudi Arabia, Bahrain as well as Oman. Part of this experience has been heading up a commercial team in a multiport. Sunil's comes from a position of Chief Commercial Officer at APM Terminals, Bahrain where he drove revenue improvement plans, was instrumental in the development and implementation of customer e-solutions, developed customer centric value propositions (including marine) and diversified cargo and customer bases.

Mr. Ahmed Suhail Ali Qatan has been the Chief Operating Officer – GCT of the Company since January, 2016. He joined as Employment Manager with Port in 2005 and has held various Senior Manager positions. He holds an MBA from Luton University in UK. He has working experience of 29 years in the public sector that includes a director of field studies, director of coordination and director of hygiene in the local government in the 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 20 years Mohammed has worked in logistics and HSE at PDO and Aromatics Oman. During his previous years at the 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 General Manager Human Resources. He has been associated with Port since 2003. He is a Bachelor of Port Management and Operations from the Arab Academy for Science and Technology. He has varied experience in port operations, commercial and training and brings vast industry knowledge.

Mr. Scott Selman joined in September 2018 as Chief Operating Officer of the Container Terminal. He is responsible for the day to day business of the Container Terminal as well as port wide services of Maintenance & Repair, Marine services and IT. Scott brings diverse operations and leadership experience from his work for APM Terminals in The United States, Nigeria, Egypt, Singapore/ APAC region and has previously served as COO of Cai Mep International Terminal in Vietnam. Scott holds a BSc in Business Administration from The University of Southern California.

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 2019 five Board meetings were held on the following dates:

- February 14, 2019
- March 31, 2019
- May 9, 2019
- August 7, 2019
- November 13, 2019

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	4	No	3,200	0
Sheikh Braik Musallam Al Amri	5	Yes	4,000	0
Mr. Jens Rolf Nielsen	3	No	2,400	0
Mr. Soren Sjostrand Jakobsen	3	No	2,400	0
Mr. David Michael Guy	4	No	3,200	0
Brig. Sultan Saif Saud Al Akhzami	1	Yes	800	0
Mr. Ahmed Salem Al Busaidi*	4	N/A	3,200	0

**Mr. Ahmed Salem Al Busaidi was elected as a Board member in the AGM held in March, 2019.*

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 ("AC") terms of reference:

Terms of reference of the AC 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 the internal audit function and discussion with Internal Auditor and external auditors on significant findings.

The members of the AC are governed by the provisions of liability stipulated in the Commercial Companies Law, without prejudice to their liabilities resulting from their membership of the Board of Directors. The following Directors are the members of the AC:

- Sheikh Braik Musallam Al Amri – Chairman
- Mr. Ahmed Salem Al Busaidi*
- Mr. Jens Rolf Nielsen

The majority of the AC members are independent and have knowledge of finance, accounts, company law and the shipping industry. The quorum for the AC is majority of independent directors of its membership are presented.

During the year 2019, four AC meetings were held. Attendance and sitting fees by member is as follows:

Member	No of meetings	Sitting fees (in RO)
Sheikh Braik Musallam Al Amri	4	2,000
Brig. Sultan Saif Saud Al Akhzami	1	500
Mr. Ahmed Salem Al Busaidi*	3	1,500
Mr. Jens Rolf Nielsen	4**	2,000

**Mr. Ahmed Salem Al Busaidi was elected as a Board member in the AGM held in March, 2019.*
***One meeting attended by Mr. Soren as a proxy.*

The AC reviews and recommends for the Board's approval the quarterly un-audited and annual audited financial statements. The AC, on behalf of the Board has regularly reviewed the internal control environment of the Company. It meets the internal auditor on a regular basis to review the internal audit reports, recommendations and management comments thereupon. The AC has also met the external auditors to review audit findings and the management letter if applicable. The AC has met the internal and external auditors in absence of Management as required under the Code of Corporate Governance for Public listed companies issued by Capital Market Authority Oman in July 2015 ("the Code"). The AC also briefs the Board about the effectiveness of internal controls in the Company. The AC 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"):

The 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 the Code.
The TNRC is responsible for the following:

- For recommending all the guidelines for negotiating tariff rates with the customers of the Container Terminal facility and General Cargo Terminal facility (the "facilities") 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 facilities) ("port charges")
- The TNRC aims to assist the board in selecting the appropriate and necessary executives for the executive management and other related matters as per the Code.

The following Directors are members of the TNRC:

- Mr. Jens Rolf Nielsen – Chairman
- Mr. Ahmed Salem Al Busaidi
- Mr. Soren Sjostrand Jakobsen
- Mr. David Michael Guy

During 2019, two TNRC meetings were held on 7th August and 13th November as detailed below:

Member	No of meetings	Sitting fees (in RO)
Mr. Jens Rolf Nielsen – Chairman	2	1,000
Mr. Ahmed Salem Al Busaidi	2	1,000
Mr. Soren Sjostrand Jakobsen	1	500
Mr. David Michael Guy	2	1,000

Evaluation of the Board of Directors performance

KPMG was appointed by the shareholders of the Company at the last annual general meeting to evaluate performance of the Board and its members in accordance with the approved criteria for the year 2019. 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 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 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 exercises its power to nominate a Board member it shall also not be entitled to vote on the appointment of any other director.

General Shareholders' information

AGM: Date Time Venue	**March 24, 2020** 3:00 PM Hilton Salalah Resort, Salalah
Financial Year	2019
Date of Book Closure	**March 24, 2020**
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 Clearing & Depository Company (SAOC)
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 2019
Shares price (RO)													
High	0.600	-	-	0.590	0.580	-	-	0.592	-	0.598	-	0.590	0.600
Low	0.600	-	-	0.590	0.580	-	-	0.592	-	0.598	-	0.590	0.580
Opening	0.600	-	-	0.590	0.580	-	-	0.592	-	0.598	-	0.590	0.600
Closing	0.600	-	-	0.600	0.600	-	-	0.600	-	0.600	-	0.600	0.600
Volume	975	-	-	125	20	-	-	25	-	105	-	80	1,330
Trade Value (RO)	582	-	-	75	12	-	-	15	-	63	-	47	794
Shariah Index													
Opening	565	561	531	535	538	541	517	528	544	541	557	538	565
Closing	562	561	532	534	536	541	517	529	541	541	550	536	536

Table 2 – Distribution of shareholding as on December 31, 2019

No of Equity Shares held	No. of Shares Held	% of Total Shares	No. of Shareholders	% of Total Shareholders
01 to 100	31,108	0.02%	658	52.68%
101 to 500	93,993	0.05%	397	31.79%
501 - 1,000	38,148	0.02%	47	3.76%
1001 - 10,000	322,914	0.18%	99	7.93%
10,001 - 100,000	1,098,327	0.61%	31	2.48%
100,000 and above	178,252,910	99.12%	17	1.36%
Grand Total	**179,837,400**	**100.00%**	**1,249**	**100.00%**

Table 3 – Top 10 Shareholders as on December 31, 2019

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	20.08%
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	13,238,046	7.36%
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	**175,780,022**	**97.74%**

Annual General Meeting/Extra-ordinary General meeting

The details of AGMs and EGMs held by the Company during the previous 10 years are as follows:

Year	Meeting	Location	Date	Time
2009	EGM	Hilton, Salalah	March 25, 2010	10.00 AM
2009	AGM	Hilton, Salalah	March 25, 2010	10.10 AM
2010	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
2017	AGM	Hilton ,Salalah	March 22, 2018	03.00 PM
2018	AGM	Hilton ,Salalah	March 31, 2019	03.00 PM

The shareholders passed all the resolutions 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 newspapers both in Arabic and English. These results can be obtained by shareholders either from the Company's website http://www.salalahport.com / or from MSM website.
- The Company has made no presentations to 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 150,000 for the year 2019 (Year 2018 – OMR 150,000).

Details of the remuneration paid to top 5 officers

During 2019 gross salary and compensation paid to the top five executives of the Company including variable components is RO 539,277 (Year 2018 – RO 553,633).

Professional profile of Statutory Auditor

During the year 2019, PwC rendered audit services to the Company at fees of RO 24,400 plus out of pocket expenses.

PwC is a global network of firms operating in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, tax and advisory services. PwC also provides corporate training and professional financial qualifications through PwC's Academy.

Established in the Middle East for over 40 years, PwC Middle East has firms in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates, with around 5,600 people. (www.pwc.com/me).

PwC has been established in Oman for over 40 years and comprises seven partners, including one Omani national, and over 180 professionals and support staff. PWC’s experts in assurance, tax and advisory professionals are able to combine internationally acquired specialist consulting and technical skills with relevant local experience.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Compliances

Details of non-compliance 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 are as follows:

Year	Particulars
2017	None
2018	None
2019	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.

Sheikh Braik Musallam Al Amri
Deputy Chairman of Board of Directors,
Salalah Port Services Co. SAOG

February 12, 2020

Independent auditor's report to the shareholders of Salalah Port Services Company SAOG

Report on the audit of the financial statements

Our opinion

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

What we have audited

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

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

Basis for opinion

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

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

Independence

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

Independent auditor's report to the shareholders of Salalah Port Services Company SAOG (continued)

Our audit approach

Overview

Key Audit Matter
- Implementation of IFRS 16 "Leases" (*Parent Company and Group)*

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

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Implementation of IFRS 16 "Leases" (Parent Company and Group) IFRS 16 became effective for the current reporting period. The Company changed its accounting policies and made adjustments under the modified retrospective approach. The Group's and Company's leases mainly relate to concession agreements to Salalah Port Container Terminal Facilities and General Cargo Terminal Facilities with similar terms as well as leasing of automobiles and office premises. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate ("IBR") as of 1 January 2019. The ("IBR") method has been adopted where the implicit rate of interest in a lease is not readily determinable. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. We focused on the implementation of IFRS 16 because the calculation of the lease liability and right-of-use asset involves new rules, new processes for collecting data and management judgement related to the discount rate. The accounting policy for leases is set out in note 4 (w). Additional disclosures pertaining to leases are included in note 23.	Our audit procedures included the following: - We held discussions with management and understood the Group's process in identifying lease contracts. - Evaluated the accounting policies applied as permitted by the standard. - Assessed the appropriateness of the discount rates applied in determining lease liabilities with input from our valuation specialists. - Verified the accuracy and completeness of the underlying lease data by agreeing all leases to original contract or other supporting information and checked the integrity and mathematical accuracy of the IFRS 16 calculations for each lease through recalculation of the expected IFRS 16 adjustment. - Assessed whether the disclosures within the financial statements are appropriate in light of the requirements of IFRS 16 *Leases* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Independent auditor's report to the shareholders of Salalah Port Services Company SAOG (continued)

Other information

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

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

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

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

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

Responsibilities of directors for these financial statements

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

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

Independent auditor's report to the shareholders of Salalah Port Services Company SAOG (continued)

Auditor's responsibilities for the audit of these financial statements

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

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

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

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

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

Independent auditor's report to the shareholders of Salalah Port Services Company SAOG (continued)

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers

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C.R. No 1230865
PricewaterhouseCoopers LLC

Husam Elnaili
Muscat, Sultanate of Oman

16 February 2020

Port of Salalah

Audited consolidated and parent statement of financial position

As at 31 December 2019

Parent Company 31-Dec-18 US $ '000	Parent Company 31-Dec-19 US $ '000	Consolidated 31-Dec-18 US $ '000	Consolidated 31-Dec-19 US $ '000		Notes	Parent Company 31-Dec-19 RO'000	Parent Company 31-Dec-18 RO'000	Consolidated 31-Dec-19 RO'000	Consolidated 31-Dec-18 RO'000
				ASSETS					
				Non Current Assets					
166,956	**158,398**	167,869	**158,670**	Property and equipment	13	**60,921**	64,214	**61,027**	64,565
369	**330**	369	**330**	Intangible assets	14	**127**	142	**127**	142
-	**32,734**	-	**32,734**	Right of use of Assets	23.a	**12,590**	-	**12,590**	-
312	**312**	-	**-**	Investments in Subsidiary	15	**120**	120	**-**	-
167,637	**191,774**	168,238	**191,734**			**73,758**	64,476	**73,744**	64,707
				Current Assets					
5,259	**4,616**	5,259	**4,616**	Inventories	16	**1,775**	2,022	**1,775**	2,022
11,650	**23,552**	11,650	**23,552**	Trade receivables	17.a	**9,055**	4,481	**9,055**	4,481
6,068	**3,676**	6,526	**3,676**	Other financial assets at amortised cost	17.b	**1,414**	2,334	**1,414**	2,510
2,740	**4,724**	2,740	**4,724**	Other current assets	17.c	**1,817**	1,054	**1,817**	1,054
33,800	**52,000**	33,800	**52,000**	Short term deposits	17.d	**20,000**	13,000	**20,000**	13,000
34,788	**11,240**	34,946	**11,240**	Cash and cash equivalents	17.d	**4,323**	13,380	**4,323**	13,441
94,305	**99,808**	94,922	**99,808**	**Total current assets**		**38,384**	36,271	**38,384**	36,508
1,323	**900**	1,323	**900**	Non Current Asset held for Sale	13	**346**	508	**346**	508
95,628	**100,708**	96,245	**100,708**			**38,730**	36,779	**38,730**	37,016
263,265	**292,482**	264,483	**292,442**	**TOTAL ASSETS**		**112,489**	101,255	**112,474**	101,723
				EQUITY					
46,758	**46,758**	46,758	**46,758**	Share capital	18.a	**17,984**	17,984	**17,984**	17,984
7,666	**7,666**	7,666	**7,666**	Share premium	18.b	**2,949**	2,949	**2,949**	2,949
15,586	**15,586**	15,584	**15,584**	Legal reserve	18.c	**5,994**	5,994	**5,994**	5,994
82,038	**89,600**	82,435	**90,136**	Retained earnings		**34,460**	31,553	**34,666**	31,704
152,048	**159,610**	152,443	**160,144**	Equity attributable to equity holders of the parent company		**61,387**	58,480	**61,593**	58,631
-	**-**	131	**171**	Non controlling interests	18.d	**-**	-	**64**	49
152,048	**159,610**	152,574	**160,315**	**TOTAL EQUITY**		**61,387**	58,480	**61,657**	58,680
				LIABILITIES					
				Non Current Liabilities					
16,312	**14,188**	16,310	**14,178**	Deferred tax	25	**5,457**	6,273	**5,453**	6,273
7,883	**8,681**	7,883	**8,681**	Employees' end of service benefits	22	**3,339**	3,032	**3,339**	3,032
-	**29,481**	-	**29,482**	Lease Liabilities	23.b	**11,339**	-	**11,339**	-
24,195	**52,350**	24,193	**52,341**			**20,135**	9,305	**20,131**	9,305
				Current Liabilities					
66,730	**52,864**	66,726	**52,128**	Trade and other payables	24	**20,329**	25,397	**20,048**	25,665
20,292	**22,942**	20,990	**22,942**	Contract liabilities	6.b	**8,824**	8,073	**8,824**	8,073
-	**4,716**	-	**4,716**	Lease Liabilities	23.b	**1,814**	-	**1,814**	-
87,022	**80,522**	87,716	**79,786**			**30,967**	33,470	**30,686**	33,738
111,217	**132,872**	111,909	**132,127**	**TOTAL LIABILITIES**		**51,102**	42,775	**50,817**	43,043
263,265	**292,482**	264,483	**292,442**	**TOTAL EQUITY AND LIABILITIES**		**112,489**	101,255	**112,474**	101,723
0.85	**0.89**	0.85	**0.89**	**Net assets per share (US $ / RO)**	21	**0.34**	0.33	**0.34**	0.33

These audited consolidated financial statements were approved and authorised for issue by the Board of Directors on 12 February 2020 and were signed on its behalf by:

Deputy Chairman

Chief Executive Officer

Chief Financial Officer

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

Port of Salalah

Audited consolidated and parent statement of comprehensive income

For the year ended 31 December 2019

Parent Company 31-Dec-18 US $ '000	Parent Company 31-Dec-19 US $ '000	Consolidated 31-Dec-18 US $ '000	Consolidated 31-Dec-19 US $ '000		Notes	Parent Company 31-Dec-19 RO'000	Parent Company 31-Dec-18 RO'000	Consolidated 31-Dec-19 RO'000	Consolidated 31-Dec-18 RO'000
146,915	**168,001**	147,198	**168,282**	Revenue	6.a	**64,616**	56,505	**64,724**	56,615
(97,187)	**(105,048)**	(97,187)	**(105,048)**	Direct operating costs	7	**(40,406)**	(37,380)	**(40,406)**	(37,380)
(25,243)	**(18,061)**	(25,298)	**(18,118)**	Other operating expenses	8	**(6,947)**	(9,709)	**(6,969)**	(9,730)
(21,216)	**(25,754)**	(21,269)	**(25,773)**	Administration and general expenses	9	**(9,902)**	(8,160)	**(9,911)**	(8,181)
(56)	**(524)**	(56)	**(524)**	Impairment Loss of Financial Assets	9	**(202)**	(22)	**(202)**	(22)
53	**5,571**	53	**5,571**	Other Income	10	**2,143**	20	**2,143**	20
3,266	**24,185**	3,441	**24,390**	**Profit / (Loss) from operations**		**9,302**	1,254	**9,379**	1,322
(26,550)	**(7,350)**	(26,551)	**(7,350)**	Cyclone related expenses	29.d	**(2,827)**	(10,212)	**(2,827)**	(10,212)
38,501	-	38,501	-	Insurance Compensation	29.d	-	14,808	-	14,808
2,035	**2,369**	2,035	**2,369**	Finance income	11	**911**	783	**911**	783
(1,006)	**(2,363)**	(1,006)	**(2,363)**	Finance costs	11	**(909)**	(387)	**(909)**	(387)
16,246	**16,841**	16,419	**17,046**	**Profit / (Loss) for the period before tax**		**6,477**	6,246	**6,554**	6,314
(2,598)	**(2,269)**	(2,629)	**(2,290)**	Income tax	25	**(873)**	(999)	**(881)**	(1,011)
13,648	**14,572**	13,790	**14,756**	**Profit / (Loss) for the period**		**5,604**	5,247	**5,673**	5,303
				Other comprehensive income					
				Items that are or may be reclassifed to profit or loss					
97	-	97	-	Net movement in cash flow hedges		-	38	-	38
97	-	97	-			-	38	-	38
97	-	**97**	-	Other comprehensive income for the period, net of tax		-	**38**	-	**38**
13,745	**14,572**	**13,887**	**14,756**	**Total comprehensive income for the period, net of tax**		**5,604**	**5,285**	**5,673**	**5,341**
				Profit attributable to :					
13,648	**14,572**	**13,753**	**14,752**	Equity holders of the parent		**5,604**	**5,247**	**5,672**	**5,290**
-	**-**	**37**	**4**	Non-controlling interests		**-**	**-**	**1**	**14**
				Total comprehensive income attributable to :					
13,745	**14,572**	13,850	**14,752**	Equity holders of the parent		**5,604**	**5,285**	**5,672**	5,327
-	-	37	**4**	Non-controlling interests		-	-	**1**	14
13,745	**14,572**	13,887	**14,756**			**5,604**	5,285	**5,673**	5,341
0.08	**0.08**	**0.08**	**0.08**	**Basic earnings per share (US $ / RO)**	19	**0.03**	0.03	**0.03**	**0.03**

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

Audited consolidated statement of changes in equity

For the year ended 31 December 2019

	Attributable to equity shareholders of the consolidated company								
	Share capital RO '000	Share premium RO '000	Legal reserve RO '000	Hedging surplus/ (deficit) RO '000	Fair value reserve RO '000	Retained earnings RO '000	Total RO '000	Non - Controlling interests RO '000	Total RO '000
Balance 1 January 2018	17,984	2,949	5,994	(38)	-	29,111	56,000	35	56,035
Net profit for the period	-	-	-	-	-	5,289	5,289	14	5,303
Other comprehensive income	-	-	-	38	-		38	-	38
Total comprehensive income	-	-	-	38	-	5,289	5,327	14	5,341
Dividend Paid (note20)	-	-	-	-	-	(2,696)	(2,696)	-	(2,696)
31 Dec 2018	17,984	2,949	5,994	(0)	-	31,704	58,631	49	58,680
Balance 1 January 2019	17,984	2,949	5,994	(0)	-	31,704	58,631	49	58,680
Net profit for the period	-	-	-	-	-	5,672	5,672	1	5,673
Total comprehensive income	-	-	-	-	-	5,672	5,672	1	5,673
Dividend paid (note20)	-	-	-	-	-	(2,697)	(2,697)	-	(2,697)
Transfer	-	-	-	-	-	(14)	(14)	14	(0)
31 Dec 2019	**17,984**	**2,949**	**5,994**	**(0)**	**-**	**34,665**	**61,592**	**64**	**61,657**

	Attributable to equity shareholders of the consolidated company								
	Share capital US $ '000	Share premium US $ '000	Legal reserve US $ '000	Hedging surplus/ (deficit) US $ '000	Fair value reserve US $ '000	Retained earnings US $ '000	Total US $ '000	Non - Controlling interests US $ '000	Total US $ '000
Balance 1 January 2018	46,758	7,666	15,584	(99)	(0)	75,691	145,600	94	145,694
Net profit for the period	-	-	-	-	-	13,754	13,754	37	13,791
Other comprehensive income	-	-	-	99	-	-	99	-	99
Total comprehensive income	-	-	-	99	-	13,754	13,853	37	13,890
Dividend Paid (note20)	-	-	-	-	-	(7,010)	(7,010)	-	(7,010)
31 Dec 2018	46,758	7,666	15,584	-	(0)	82,435	152,443	133	152,574
Balance 1 January 2019	46,758	7,666	15,584	-	(0)	82,435	152,443	133	152,574
Net profit for the period	-	-	-	-	-	14,747	14,747	4	14,751
Total comprehensive income	-	-	-	-	-	14,747	14,747	4	14,751
Dividend paid (note20)	-	-	-	-	-	(7,012)	(7,012)	-	(7,012)
Transfer	-	-	-	-	-	(36)	(36)	35	(2)
31 Dec 2019	**46,758**	**7,666**	**15,584**	**-**	**-**	**90,134**	**160,144**	**171**	**160,315**

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

Audited parent statement of changes in equity

For the year ended 31 December 2019

	Attributable to equity shareholders of the parent company							
	Share capital	Share premium	Legal reserve	Hedging surplus/ (deficit)	Fair value reserve	Retained earnings	Total	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Balance 1 January 2018	17,984	2,949	5,994	(38)	-	29,003	55,892	55,892
Net profit for the period	-	-	-	-	-	5,247	5,247	5,247
Other comprehensive income	-	-	-	38	-	-	38	38
Total comprehensive income	-	-	-	38	-	-	38	38
Dividend Paid (note20)	-	-	-	-	-	(2,697)	(2,697)	(2,697)
31 Dec 2018	17,984	2,949	5,994	(0)	-	31,553	58,480	58,480
Balance 1 January 2019	17,984	2,949	5,994	(0)	-	31,553	58,480	58,480
Net profit for the period	-	-	-	-	-	5,604	5,604	5,604
Total comprehensive income	-	-	-	-	-	5,604	5,604	5,604
Dividend paid (note20)	-	-	-	-	-	(2,697)	(2,697)	(2,697)
Transfer	-	-	-	-	-	-	-	-
31 Dec 2019	**17,984**	**2,949**	**5,994**	**(0)**	**-**	**34,460**	**61,387**	**61,387**

	Attributable to equity shareholders of the parent company							
	Share capital	Share premium	Legal reserve	Hedging surplus/ (deficit)	Fair value reserve	Retained earnings	Total	Total
	US $ '000	US $ '000	US $ '000	US $ '000	US $ '000	US $ '000	US $ '000	US $ '000
Balance 1 January 2018	46,758	7,666	15,586	(99)	(0)	75,411	145,322	145,322
Net profit for the period	-	-	-	-	-	13,642	13,642	13,642
Other comprehensive income	-	-	-	99	-	-	99	99
Total comprehensive income	-	-	-	99	-	13,642	13,741	13,741
Dividend Paid (note20)	-	-	-	-	-	(7,015)	(7,015)	(7,015)
31 Dec 2018	46,758	7,666	15,586	-	(0)	82,042	152,048	152,048
Balance 1 January 2019	46,758	7,666	15,586	-	(0)	82,042	152,048	152,048
Net profit for the period	-	-	-	-	-	14,570	14,570	14,570
Total comprehensive income	-	-	-	-	-	14,570	14,570	14,570
Dividend paid (note20)	-	-	-	-	-	(7,012)	(7,012)	(7,012)
Transfer	-	-	-	-	-	-	-	-
31 Dec 2019	**46,758**	**7,666**	**15,586**	**-**	**-**	**89,600**	**159,610**	**159,610**

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

Audited consolidated and parent statement of cash flows

For the year ended 31 December 2019

Parent Company 31-Dec-18 US $ '000	Parent Company 31-Dec-19 US $ '000	Consolidated 31-Dec-18 US $ '000	Consolidated 31-Dec-19 US $ '000		Parent Company 31-Dec-19 RO'000	Parent Company 31-Dec-18 RO'000	Consolidated 31-Dec-19 RO'000	Consolidated 31-Dec-18 RO'000
				Operating activities				
16,241	**16,841**	16,412	**17,044**	Profit / (Loss) for the year before tax	**6,477**	6,246	**6,554**	6,313
				Adjustments for:				
23,244	**29,247**	23,270	**29,276**	Depreciation and amortisation	**11,249**	8,940	**11,260**	8,950
1,222	**1,263**	1,222	**1,263**	Accrual for employees' end of service benefits	**486**	470	**486**	470
57	**526**	57	**525**	Allowance for expected credit loss	**202**	22	**202**	22
193	**257**	195	**257**	Inventory obsolescence	**99**	75	**99**	75
161	**122**	161	**122**	Unrealised foreign exchange loss, net	**47**	62	**47**	62
-	**(268)**	-	**(268)**	(Gain)/loss on sale of assets	**(103)**	-	**(103)**	-
(2,036)	**(2,369)**	(2,036)	**(2,369)**	Interest income	**(911)**	(783)	**(911)**	(783)
741	**2,363**	741	**2,363**	Finance cost	**909**	285	**909**	285
1,105	**(421)**	1,105	**(421)**	Impairment of Fixed Asset	**(162)**	425	**(162)**	425
40,928	**47,563**	**41,127**	**47,792**	**Operating profit before working capital changes**	**18,293**	**15,742**	**18,381**	**15,819**
149	**385**	151	**385**	Change in inventories	**148**	57	**148**	58
8,996	**(11,669)**	8,823	**(11,489)**	Change in receivables	**(4,488)**	3,460	**(4,417)**	3,392
19,754	**(12,551)**	19,755	**(13,088)**	Change in payables	**(4,827)**	7,597	**(5,035)**	7,598
				Operating profit after working capital changes				
(5,065)	**(4,101)**	(5,097)	**(4,133)**	Tax paid	**(1,577)**	(1,948)	**(1,590)**	(1,960)
(806)	**(467)**	(806)	**(467)**	Employees' end of service benefits paid	**(180)**	(310)	**(180)**	(310)
63,956	**19,160**	**63,953**	**19,000**	**Net cash from operating activities**	**7,369**	**24,598**	**7,308**	**24,597**
				Investing activities				
(24,905)	**(17,359)**	(24,905)	**(17,359)**	Acquisition of property and equipment	**(6,677)**	**(9,579)**	**(6,677)**	**(9,579)**
-	**268**	-	**268**	Proceeds from sale of property and equipment	**103**	**-**	**103**	**-**
3,712	**(410)**	3,712	**(410)**	Disposal of property and equipment (Assets held for sale, net)	**(158)**	**1,428**	**(158)**	**1,428**
770	**2,369**	770	**2,369**	Interest received	**911**	**297**	**911**	**296**
(7,800)	**(18,200)**	(7,800)	**(18,200)**	Decrease/(Increase) in other term deposits	**(7,000)**	**(3,000)**	**(7,000)**	**(3,000)**
(28,223)	**(33,332)**	**(28,223)**	**(33,332)**	**Net cash used in investing activities**	**(12,820)**	**(10,854)**	**(12,820)**	**(10,855)**
				Financing activities				
(23,214)	**-**	(23,214)	**-**	Repayment of loans and borrowings	**-**	(8,929)	**-**	(8,929)
(7,010)	**(7,012)**	(7,010)	**(7,012)**	Dividend paid	**(2,697)**	(2,696)	**(2,697)**	(2,696)
(741)	**(2,363)**	(741)	**(2,363)**	Finance cost	**(909)**	(285)	**(909)**	(285)
(30,965)	**(9,377)**	**(30,965)**	**(9,375)**	**Net cash used financing activities**	**(3,606)**	**(11,910)**	**(3,606)**	**(11,910)**
4,768	**(23,548)**	**4,765**	**(23,707)**	Net change in cash and cash equivalents	**(9,057)**	1,834	**(9,118)**	1,833
30,020	**34,788**	30,181	**34,946**	**Cash and cash equivalents at 1 Jan**	**13,380**	11,546	**13,441**	11,608
34,788	**11,240**	**34,946**	**11,240**	**Cash and cash equivalents at 31 Dec**	**4,323**	**13,380**	**4,323**	**13,441**

The attached notes 1 to 33 and schedules form part of these audited 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 2019 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 financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS IC), the requirements of the Commercial Companies Law of the Sultanate of Oman, 2019 and comply with the disclosure requirements set out in the 'Rules and Guidelines on Disclosure by issuer of Securities and Insider Trading' issued by the Capital Market Authority (CMA) of the Sultanate of Oman.

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

This is the first set of annual consolidated financial statements, in which IFRS 16 has been applied. Changes to accounting policies relating to IFRS16 is described in note 5.

(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.

Notes (Continued)

(Forming part of the consolidated financial statements)

2 Basis of Preparation (continued)

(d) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments. The Company also elected to adopt the following amendments early.
- Definition of Material – Amendments to IAS 1 and IAS 8

The impact of the adoption of IFRS 16 and the new accounting policies are disclosed in note 5.

(e) New standards and interpretations not yet adopted

A number of new standards, amendments and interpretations to existing standards have been published and are mandatory for the annual accounting periods beginning on or after 1 January 2020 or later periods, but the Group has not early applied the following new or amended standards in preparing these financial statements.

The following new or amended standards are not expected to have a significant impact on the Group's financial statements.

- IFRS 17 Insurance contracts. Effective date of this standard is 1 January 2021;
- Definition of Material – Amendments to IAS 1 and IAS 8. Effective date of this standard is 1 January 2020;
- Definition of a Business – Amendments to IFRS 3. Effective date of this standard is 1 January 2020;
- Revised Conceptual Framework for Financial Reporting. Effective date of this standard is 1 January 2020;
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28. The application date of this amendment has been deferred until such time as the IASB has finalised its research project on the equity method.

There are no other IFRS standards, amendments or interpretations that are expected to have a material impact on the Group.

Notes (Continued)
(Forming part of the consolidated financial statements)

3 Significant agreements

The Company has entered into the following significant agreements:

(a) 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 a 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 Land Lease agreement covering (Berth 1-4), increasing at the rate of 3% per annum; and
- A fixed rental fee of USD 744,184 per annum is payable for Land Lease agreement covering (Berth 1-4), increasing at the rate of 3% per annum
- 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.

(b) 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 depending on the operating revenue of the Container Terminal.

(c) 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.

(d) 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, unless otherwise stated.

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 Company 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) 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.

(c) End of service benefits and leave entitlements

Government Social Security scheme under Royal Decree 72 / 91 for Omani employees.

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 as amended and in accordance with IAS 19 "Employee Benefits". Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services up to the reporting date. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non – current liability.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurances Law of 1991, are recognised as an expense in the consolidated statement of comprehensive income as incurred.

Notes (Continued)

(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(d) 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 the translation of monetary assets and liability are recognised in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated 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.

(e) 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 the 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 as 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.

(f) 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 (k)]. 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).

Notes (Continued)
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(g) 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 (w)]. 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 (Continued)
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(g) 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.

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

(i) 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.

(j) 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.

(k) 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 (Continued)
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(k) 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.

(l) 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.

(m) 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 2019 of the Sultanate of Oman, as amended.

(n) 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.

(o) 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 that 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.

(p) Lease payments **(Until 31st December 2018)**
Payments made under 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 (Continued)
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(q) 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.

(r) 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.

(s) 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 (Continued)

(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(s) Fair value (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial 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 identical assets or 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 significant to the fair 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-assessing 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.

(t) Royalty

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

Notes (Continued)

(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(u) Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

Notes (Continued)
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(u) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group does not have any such instruments.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group does not have any such instruments as of reporting date.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Notes (Continued)
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(u) Financial assets (continued)

Impairment of financial assets
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience as adjusted for forward-looking factors.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group considers a financial asset in default when contractual payment is 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

(v) Revenue recognition

The revenue is recognized net of credit notes and rebate and at a point in time when the Group satisfies a performance obligation by transferring service to the customer. The amount of revenue recognized is the amount of the transaction price allocated to each satisfied performance obligation. The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised services. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on stand-alone selling prices.

Group revenue includes income from container, general cargo and marine services.

- Container services represent the activities relating to stevedoring (import, export, and transshipment containers), yard handling, reefer electricity, storage, and other related activities.
- General cargo services represent the activities relating to handling general cargo vessels, including stuffing and un-stuffing, equipment rental and storage of non-containerized/ bulk cargo.
- Marine services represent activities relating to berth rental, pilotage, anchorage, towage and other related activities.

No element of financing is deemed present as the sales are made with a credit term, which is consistent with market practice. Thus, the Group does not adjust any of the transaction prices for the time value of money.

A receivable is recognised when the goods are delivered and services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Contract liabilities include advances received from customers.

4 Significant accounting policies (continued)

(w) Lease

(i) Group as a lessee

Effective 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract.
The lease term is considered to be the non-cancellable period for which the Group has the right to use an underlying asset. The lease term is adjusted for periods covered by an option to extend; if it is reasonably certain that the option will be exercised as well as periods covered by an option to terminate the lease; if it is reasonably certain that the option will not be exercised.

(ii) The Group as lessor

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to the ownership of an underlying asset. Lease payments from operating lease are recognised as income on a straight-line basis unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Costs incurred in earning the lease income, including depreciation are recognised as an expense. Initial direct cost incurred in obtaining lease, are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income. Modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued leased payments relating to the original lease as part of the lease payments for the new lease. The respective leased assets are included in the statement of fnancial position based on their nature.

Notes (Continued)

(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(w) Lease (continued)

Finance lease receivables and finance income

Finance leases, which transfer from the Group substantially all of the risks and rewards incidental to ownership of the leased item, are recognised as a disposal of asset at the inception of the lease and are presented as receivables under a finance lease at an amount equal to the net investment in the finance lease. Lease receivables are apportioned between finance income and reductions of the receivables under a finance lease so as to achieve a constant periodic rate of return on the lessor's net investment in the finance lease. Finance income earned is recognised within profit and loss in the statement of comprehensive income. Lease receivables due within one year are disclosed as current assets.

5 Change in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

The Group has adopted IFRS 16 'Leases' retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.3%.

	1 January 2019
	RO'000
Operating lease commitments	17,146
Discounting effect using incremental borrowing rate @ 6.3%	(3,993)
Lease liability recognized	13,153

The associated right-of-use assets were measured at the amount equal to the lease liability.

6 (a) Revenue

Disaggregation of revenue from contracts with customers

All revenue is represented by revenue from contracts with customers. All revenue is generated at port Salalah port services Co. SOAG and represented by revenue contracts with customers. The revenue is recognized net of credit notes and rebate and at a point in time when the Group satisfies a performance obligation by transferring service to the customer.

The group derives revenue from the provision of services at a point in time in the following category of services (revenue streams):

Parent Company		Consolidated		Particulars	Parent Company		Consolidated	
31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
US $ '000	US $ '000	US $ '000	US $ '000		RO'000	RO'000	RO'000	RO'000
103,238	118,802	103,238	118,802	Stevedoring Revenue (net of rebates)	45,693	39,707	45,693	39,707
25,805	20,900	25,802	20,901	Yard Service Revenue	8,039	9,924	8,039	9,924
16,156	16,227	16,156	16,227	Marine Services Revenue	6,241	6,214	6,241	6,214
1,716	12,072	2,002	12,352	Other Revenue	4,643	660	4,751	770
146,915	**168,001**	**147,198**	**168,282**	**Total Revenue**	**64,616**	**56,505**	**64,724**	**56,615**

Notes (Continued)

(Forming part of the consolidated financial statements)

6 (b) Assets and liabilities related to contracts with customers

The group has recognised the following liabilities related to contracts with customers:

Parent Company		Consolidated		Particulars	Parent Company		Consolidated	
31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19		31-Dec-19	31-Dec-18	31-Dec-18	31-Dec-19
US $ '000	US $ '000	US $ '000	US $ '000		RO'000	RO'000	RO'000	RO'000
11,357	17,677	11,357	17,677	Contract liabilities - rebates group	6,799	4,368	4,368	6,799
9,633	5,265	9,633	5,265	Contract liabilities - rebates others	2,025	3,705	3,705	2,025
20,990	**22,942**	**20,990**	**22,942**	Total	**8,824**	**8,073**	**8,073**	**8,824**

7 Direct operating costs

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
50,838	**55,662**	50,838	**55,662**	Staff costs (note12)	**21,410**	19,553	**21,410**	19,553
21,690	**22,839**	21,690	**22,839**	Depreciation (note 13)	**8,785**	8,343	**8,785**	8,343
9,457	**11,178**	9,457	**11,178**	Repair and maintenance	**4,300**	3,637	**4,300**	3,637
10,557	**13,148**	10,557	**13,148**	Power and fuel	**5,057**	4,060	**5,057**	4,060
702	**619**	702	**619**	Equipment Leasing Costs	**238**	271	**238**	271
2,617	**573**	2,617	**573**	Marine Services	**220**	1,006	**220**	1,006
1,326	**1,029**	1,326	**1,029**	System & Communications	**396**	510	**396**	510
97,187	**105,048**	97,187	**105,048**		**40,406**	37,380	**40,406**	37,380

8 Other operating expenses

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
15,656	**3,198**	15,656	**3,198**	Ground rent and royalty	**1,230**	6,022	**1,230**	6,022
5,379	**5,861**	5,408	**5,889**	Management fees	**2,254**	2,069	**2,265**	2,080
1,360	**2,012**	1,386	**2,041**	Depreciation (note 13)	**774**	523	**785**	533
1,272	**1,546**	1,272	**1,546**	Terminal Maintenance	**595**	489	**595**	489
1,545	**5,405**	1,545	**5,405**	Insurance	**2,079**	594	**2,079**	594
31	**39**	31	**39**	Amortization (note 14)	**15**	12	**15**	12
25,243	**18,061**	25,298	**18,118**		**6,947**	9,709	**6,969**	9,730

Notes (Continued)

(Forming part of the consolidated financial statements)

9 Administration and general expenses

Parent Company 31-Dec-18 US $ '000	Parent Company 31-Dec-19 US $ '000	Consolidated 31-Dec-18 US $ '000	Consolidated 31-Dec-19 US $ '000		Parent Company 31-Dec-19 RO'000	Parent Company 31-Dec-18 RO'000	Consolidated 31-Dec-19 RO'000	Consolidated 31-Dec-18 RO'000
16,505	**17,237**	16,505	**17,237**	Staff costs (note12)	**6,629**	6,349	**6,629**	6,349
162	**4,356**	162	**4,356**	Depreciation (note 13)	**1,675**	62	**1,675**	62
265	**333**	265	**333**	Sales and marketing	**128**	102	**128**	102
187	**221**	187	**221**	Corporate Social Responsibility	**85**	72	**85**	72
692	**773**	692	**773**	Systems and communications	**297**	266	**297**	266
265	**786**	271	**793**	Legal and professional fees	**302**	102	**305**	104
897	**861**	897	**861**	Travelling Expenses	**331**	345	**331**	345
139	**96**	139	**96**	Postage, Printing & Stationery	**37**	53	**37**	53
320	**308**	335	**321**	Office Rent & Maintenance Costs	**118**	123	**123**	128
126	**61**	159	**62**	General Admin. Expenses	**24**	49	**24**	62
468	**463**	468	**463**	Directors Remuneration & Sitting Fees	**178**	180	**178**	180
193	**258**	193	**257**	Inventory Obsolescence / (write back) /provided (note 16)	**99**	75	**99**	75
56	**524**	56	**524**	Provision for impairment of receivables (note 17.a)	**202**	22	**202**	22
998	**-**	998	**-**	Other Claims	**-**	383	**-**	383
21,273	**26,278**	21,325	**26,297**		**10,104**	8,182	**10,113**	8,203

Other claims represents write-back of provision made in earlier years not required.

10 Other income

Parent Company 31-Dec-18 US $ '000	Parent Company 31-Dec-19 US $ '000	Consolidated 31-Dec-18 US $ '000	Consolidated 31-Dec-19 US $ '000		Parent Company 31-Dec-19 RO'000	Parent Company 31-Dec-18 RO'000	Consolidated 31-Dec-19 RO'000	Consolidated 31-Dec-18 RO'000
-	**268**	-	**268**	Gain/(Loss) on sale property and equipment	**103**	-	**103**	-
-	**848**	-	**848**	Other Claims	**326**	-	**326**	-
-	**4,261**	-	**4,261**	Writeback/income of provision made in prior years	**1,639**	-	**1,639**	-
31	**101**	31	**101**	Miscellaneous income	**39**	12	**39**	12
22	**93**	22	**93**	Other finance Income	**36**	8	**36**	8
53	**5,571**	53	**5,571**		**2,143**	20	**2,143**	20

11 Finance costs

Parent Company 31-Dec-18 US $ '000	Parent Company 31-Dec-19 US $ '000	Consolidated 31-Dec-18 US $ '000	Consolidated 31-Dec-19 US $ '000		Parent Company 31-Dec-19 RO'000	Parent Company 31-Dec-18 RO'000	Consolidated 31-Dec-19 RO'000	Consolidated 31-Dec-18 RO'000
2,035	**2,369**	2,035	**2,369**	Interest income	**911**	783	**911**	783
2,035	**2,369**	2,035	**2,369**	**Total Finance Income**	**911**	783	**911**	783
(741)	**-**	(741)	**0**	Term loan interest	**0**	(285)	**0**	(285)
(265)	**(200)**	(265)	**(200)**	Other finance charges	**(77)**	(102)	**(77)**	(102)
0	**(2,163)**	0	**(2,163)**	IFRS 16 Interest expense	**(832)**	0	**(832)**	0
(1,006)	**(2,363)**	(1,006)	**(2,363)**	**Total Finance Cost**	**(909)**	(387)	**(909)**	(387)

12 Staff costs

Parent Company 31-Dec-18 US $ '000	Parent Company 31-Dec-19 US $ '000	Consolidated 31-Dec-18 US $ '000	Consolidated 31-Dec-19 US $ '000		Parent Company 31-Dec-19 RO'000	Parent Company 31-Dec-18 RO'000	Consolidated 31-Dec-19 RO'000	Consolidated 31-Dec-18 RO'000
55,250	**60,016**	55,250	**60,016**	Wages and salaries	**23,084**	21,256	**23,084**	21,256
7,421	**8,031**	7,421	**8,031**	Other benefits	**3,089**	2,855	**3,089**	2,855
1,239	**1,263**	1,239	**1,263**	Un-funded defined benefit retirement plan	**486**	471	**486**	471
3,433	**3,589**	3,433	**3,589**	Contributions to defined contribution retirement plan	**1,380**	1,320	**1,380**	1,320
67,343	**72,899**	67,343	**72,899**		**28,039**	25,902	**28,039**	25,902

Notes (Continued)

(Forming part of the consolidated financial statements)

13 Property and equipment

Details of property and equipment are set out in pages 79, 80, 81 and 82.

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

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18 US $ '000	**31-Dec-19 US $ '000**	31-Dec-18 US $ '000	**31-Dec-19 US $ '000**		**31-Dec-19 RO'000**	31-Dec-18 RO'000	**31-Dec-19 RO'000**	31-Dec-18 RO'000
21,690	**22,839**	21,690	**22,839**	Direct operating costs	**8,785**	8,343	**8,785**	8,343
1,360	**2,012**	1,386	**2,041**	Other operating expenses	**774**	523	**785**	533
162	**4,356**	162	**4,356**	Administration expenses	**1,675**	62	**1675**	62
23,211	**29,207**	23,238	**29,236**		**11,234**	8,928	**11,245**	8,938

14 Intangible assets

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18 US $ '000	**31-Dec-19 US $ '000**	31-Dec-18 US $ '000	**31-Dec-19 US $ '000**		**31-Dec-19 RO'000**	31-Dec-18 RO'000	**31-Dec-19 RO'000**	31-Dec-18 RO'000
1,105	**1,105**	1,105	**1,105**	1 January	**425**	425	**425**	425
				Cumulative amortisation				
(705)	**(736)**	(705)	**(736)**	1 January	**(283)**	(271)	**(283)**	(271)
(31)	**(39)**	(31)	**(39)**	Additions	**(15)**	(12)	**(15)**	(12)
(736)	**(775)**	(736)	**(775)**	31-Dec	**(298)**	(283)	**(298)**	(283)
				Carrying amount				
400	**369**	400	**369**	1 January	**142**	154	**142**	154
(31)	**(39)**	(31)	**(39)**	Amortisation	**(15)**	(12)	**(15)**	(12)
369	**330**	369	**330**	31-Dec	**127**	142	**127**	142

15 Investments in Subsidiary

Parent Company		Consolidated		**Available for sale - Investments**	Parent Company		Consolidated	
31-Dec-18 US $ '000	**31-Dec-19 US $ '000**	31-Dec-18 US $ '000	**31-Dec-19 US $ '000**		**31-Dec-19 RO'000**	31-Dec-18 RO'000	**31-Dec-19 RO'000**	31-Dec-18 RO'000
312	**312**	0	**0**	Ordinary Shares - Quoted	**120**	120	**0**	0
312	**312**	0	**0**		**120**	120	**0**	0

16 Inventories

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18 US $ '000	**31-Dec-19 US $ '000**	31-Dec-18 US $ '000	**31-Dec-19 US $ '000**		**31-Dec-19 RO'000**	31-Dec-18 RO'000	**31-Dec-19 RO'000**	31-Dec-18 RO'000
7,570	**7,184**	7,570	**7,184**	Spares and consumables	**2,763**	2,911	**2,763**	2,911
(2,311)	**(2,568)**	(2,311)	**(2,568)**	Less: Provision for slow moving inventories	**(988)**	(889)	**(988)**	(889)
5,259	**4,616**	5,259	**4,616**		**1,775**	2,022	**1,775**	2,022

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

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18 US $ '000	**31-Dec-19 US $ '000**	31-Dec-18 US $ '000	**31-Dec-19 US $ '000**		**31-Dec-19 RO'000**	31-Dec-18 RO'000	**31-Dec-19 RO'000**	31-Dec-18 RO'000
2,118	**2,311**	2,118	**2,311**	1 January	**889**	814	**889**	814
193	**257**	193	**257**	Provided during the year	**99**	75	**99**	75
2,311	**2,568**	2,311	**2,568**	31-Dec	**988**	889	**988**	889

Notes (Continued)

(Forming part of the consolidated financial statements)

17.a Trade receivables

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
0	**12,394**	0	**12,394**	Receivables from related parties	**4,767**	0	**4,767**	0
12,270	**12,289**	12,269	**12,300**	Trade receivables	**4,728**	4,719	**4,728**	4,719
(619)	**(1,142)**	(619)	**(1,142)**	Less : Provision for impairment	**(440)**	(238)	**(440)**	(238)
11,651	**23,541**	11,650	**23,552**	Total Trade Receivables	**9,055**	4,481	**9,055**	4,481

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
702	**619**	702	**619**	1 January	**238**	270	**238**	270
57	**525**	57	**525**	Increase in loss allowance recognised in profit or loss during the year	**202**	22	**202**	22
(140)	**-**	(140)	**-**	Bad debts written off	**-**	(54)	**-**	(54)
619	**1,142**	619	**1,142**	31-Dec	**440**	238	**440**	238

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

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. These receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised fair value.

The Group holds these receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 30.

(ii) Carrying and fair values of trade receivables

The carrying amounts of the Group's trade receivables are denominated in Rial Omani. Due to the short-term nature of the current receivables, their carrying amount approximate their fair value.

(iii) Impairment and risk exposure

Information about the impairment of trade receivables and Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 30.

Notes (Continued)

(Forming part of the consolidated financial statements)

17.b Other financial assets at amortized cost

(iv) Classification of financial assets at amortized cost

The Group classifies its financial assets as at amortized cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortized cost include the following:

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
1,389	**1,412**	1,389	**1,412**	Receivables from the Government of Sultanate of Oman	**543**	534	**543**	534
2,618	**554**	3,078	**554**	Other receivables	**212**	1,008	**212**	1,184
1,269	**1,154**	1,269	**1,154**	Accrued Bank interest income	**444**	488	**444**	488
790	**556**	790	**556**	Due from Employees	**215**	304	**215**	304
6,066	**3,676**	6,526	**3,676**		**1,414**	2,334	**1,414**	2,510

(v) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

(vi) Carrying and fair values of other receivables

The carrying amounts of the Group's other receivables are denominated in Rial Omani. Due to the short-term nature of the current receivables, their carrying amount approximates to their fair value

(vii) Impairment and risk exposure

Information about the impairment of other receivables and Group's exposure to foreign currency risk, and interest rate risk and credit risk can be found in note 4 (k).

17.c Other current assets

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
1,030	**1,698**	1,030	**1,698**	Advance to Suppliers	**653**	396	**653**	396
1,710	**3,026**	1,710	**3,026**	Prepaid expenses	**1,164**	658	**1,164**	658
2,740	**4,724**	2,740	**4,724**		**1,817**	1,054	**1,817**	1,054

Notes (Continued)

(Forming part of the consolidated financial statements)

17.d Cash and bank balances

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
33,800	**52,000**	33,800	**52,000**	Short term deposits	**20,000**	13,000	**20,000**	13,000
33,800	**52,000**	33,800	**52,000**		**20,000**	13,000	**20,000**	13,000

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
5,162	**1,519**	5,320	**1,518**	Cash and bank balances	**584**	1,985	**584**	2,046
29,626	**9,721**	29,626	**9,722**	Call deposit accounts	**3,739**	11,395	**3,739**	11,395
34,788	**11,240**	34,946	**11,240**		**4,323**	13,380	**4,323**	13,441

At 31 December 2019, call and deposits are placed in US$ and RO with local commercial banks in Oman. Term deposits carry effective annual interest rates of 4.489% (2018: 4.25% to 4.50%) on RO deposits and call deposits carry an effective annual interest rate of 1.00% (2018: 0.50%) on US$ and 3.429% (2018: 3.0%) on RO.

18 Equity

(a) Share capital

	Authorized		Issued and fully paid	
	31-Dec-19	31-Dec-18	**31-Dec-19**	31-Dec-18
No.of.Shares of RO 0.100 each	**200,000,000**	200,000,000	**179,837,400**	179,837,400

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:

	31-Dec-19		31-Dec-18	
	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
	===========		===========	

(c) Legal reserve

The Commercial Companies Law of 2019 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 (Continued)

(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:

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
13,745	**14,572**	13,887	**14,756**	Net profit for the year (US $ '000 / RO '000)	**5,604**	5,285	**5,673**	5,341
179,837	**179,837**	179,837	**179,837**	Weighted average number of shares outstanding at the end of the period ('000)	**179,837**	179,837	**179,837**	179,837
0.08	**0.08**	**0.08**	**0.08**	Basic earnings per share (US $ / RO)	**0.03**	0.03	**0.03**	0.03

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 0.020 (2018: RO 0.015) [USD 0.052 (2018: USD 0.0039)] per share totalling to amount of approximately RO 3.597 (2018: RO 2.696 million) [USD 9.352 (2018: USD 7.010 million)] for the year ended 31 December 2019, 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 0.015 (USD 0.0039) per share for 2018 totalling to RO 2,696 (USD 7,010 million) approving the board’s proposal of RO 0.015 (USD 0.0039) amounting to RO 2,696 (USD 7,010 million) in the Company’s annual general meeting held in March 2019.

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 2019, total amount of unclaimed dividend amounted to RO 43,422.085. Any outstanding unpaid dividend more than six months has been transferred to the Investors’ Trust Fund during October 2019.

Notes (Continued)

(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:

31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
152,574	**159,610**	152,574	**160,142**	Net assets (US $ '000 / RO '000)	**61,387**	58,631	**61,593**	58,631
179,837	**179,837**	179,837	**179,837**	Weighted average number of shares outstanding at the end of the period ('000)	**179,837**	179,837	**179,837**	179,837
0.85	**0.89**	0.85	**0.89**	Net assets per share (US $ / RO)	**0.34**	0.33	**0.34**	0.33

22 Employees' end of service benefits

End of service benefits for Omani employees is covered by the Public Authority for Social Insurance (PASI) scheme in accordance with the terms of the Social Securities Law 1991 to which employees and employer contribute monthly on a fixed percentage of basic salaries. The Company's share of contributions to this funded scheme, which is defined contribution scheme under IAS 19- Employee Benefits is recognized as an expense in profit and loss.

Non Omani employees are entitled to leaving indemnities payable under the Oman Labor Law based on the length of service and final salary and other allowances paid. Provision for this un-funded commitment, which represents a defined scheme under IAS 19- Employee Benefits, has been made by calculating a notional liability had all employees left at the reporting date is recognized as an expense in the profit and loss account.

The accruals are disclosed as the end of service benefits under non-current liability.
Movements in the liability recognised in the consolidated statement of financial position are as follows:

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18 US $ '000	**31-Dec-19 US $ '000**	31-Dec-18 US $ '000	**31-Dec-19 US $ '000**		**31-Dec-19 RO'000**	31-Dec-18 RO'000	**31-Dec-19 RO'000**	31-Dec-18 RO'000
7,468	**7,884**	7,468	**7,884**	1 January	**3,033**	2,872	**3,033**	2,872
1,222	**1,263**	1,222	**1,263**	Accruals during the year	**486**	470	**486**	470
(807)	**(466)**	(807)	**(466)**	End of service benefit paid	**(180)**	(310)	**(180)**	(310)
7,883	**8,681**	7,883	**8,681**	31-Dec	**3,339**	3,032	**3,339**	3,032

Notes (Continued)
(Forming part of the consolidated financial statements)

23 Leases

(a) Right of use of Assets:

The Company has adopted IFRS 16 'Leases' from 1 January 2019. In line with IFRS 16 requirement, the Company recognized right of use assets.
The Company has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard and therefore comparative information has not been presented.

(i) Amount recognized in the statement of financial position

Right of use of Assets

Particulars	Closing balance as on 31st December 2019	Opening balance as on 1st January 2019
	RO'000	RO'000
Government Lease	12,081	13,430
Vehicle lease	451	586
Muscat office lease	58	86
	12,590	14,102

Amounts recognised in statement of Comprehensive Income:

Depreciation charge of Right of use of Assets:

Particulars	Acc Depreciation
	RO'000
Government Lease	(1,349)
Vehicle lease	(134)
Muscat office lease	(29)
Total	(1,512)

Movement of Right of use of Assets during the year:

Particulars	2019
	RO'000
Balance as at beginning of year	14,102
Depreciation for the year	(1,512)
Closing Balance as at end of year	**12,590**

The right of use of asset is depreciated on a straight line basis which is shorter of the asset's useful life and the lease term.

Notes (Continued)
(Forming part of the consolidated financial statements)

23 Leases (continued)

(b) Lease Liabilities
On adoption of IFRS 16, the Company recognized lease liabilities in relation to Government lease, vehicles and office which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate 6.3% as of 1 January 2019. The balance as at 31 December 2019 was as follows :

(i) Movement of Lease Liabilities during the year

Particulars	**Closing balance as on 31st December 2019 RO'000**	Opening balance as on 1st January 2019 RO'000
Balance as at beginning of year	14,102	14,102
Add : Finance charge	832	-
Less : Lease payments made during the year	1,781	-
Closing Balance as at end of year	**13,153**	-

(ii) Obligations under lease arrangement:

Particulars	**Minimum lease payment RO'000**	Present value of minimum lease payment RO'000
Due within one year	1,814	1,623
Due after one year to five years	9,329	6,859
Due after five years	6,003	4,671
Total Minimum lease payments	17,146	13,153
Less : Amount representing finance charge	3,993	-
Present value of minimum lease payments	13,153	13,153

Particulars	**2019**	**2018**
Lease Liabilities	13,153	-
Less : current portion of lease liabilities	(1,814)	-
Total of Long Term Lease Liabilities	**11,339**	**-**

24 Trade and other payables

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
6,630	**8,694**	5,931	**7,890**	Trade payables	**3,344**	2,282	**3,036**	2,282
1,078	**1,027**	1,078	**1,027**	Amounts due to Government of Sultanate of Oman	**395**	415	**395**	415
5,606	**6,076**	5,635	**6,104**	Amounts due to related parties (note 27)	**2,337**	2,156	**2,348**	2,167
3,825	**4,113**	3,825	**4,144**	Current Tax Payable	**1,582**	1,471	**1,594**	1,471
49,591	**32,954**	50,257	**32,961**	Accrued expenses and other liabilities	**12,671**	19,073	**12,675**	19,330
66,730	**52,864**	66,726	**52,128**		**20,329**	25,397	**20,048**	25,665

Notes (Continued)

(Forming part of the consolidated financial statements)

25 Taxation

The Parent Company and its subsidiary are assessed separately for taxation. The tax rate applicable is 15% (2018: 15%). 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% (2018: 15%).

Deferred tax has been computed at the tax rate of 15% (2018: 15%).

The assessment of Group for the years from 2014 to 2017 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 2019.

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
				Statement of comprehensive income statement				
3,684	**3,814**	3,715	**3,845**	Current tax - current year	**1,467**	1,417	**1,479**	1,429
(1,086)	**(1,545)**	(1,087)	**(1,555)**	Deferred tax - current year	**(594)**	(418)	**(598)**	(418)
2,598	**2,269**	2,629	**2,290**	Tax Expense	**873**	999	**881**	1,011
				Tax provision				
5,230	**3,825**	5,202	**3,825**	1 January	**1,471**	2,002	**1,471**	2,002
(5,091)	**(4,101)**	(5,091)	**(4,133)**	Paid during the year	**(1,577)**	(1,948)	**(1,590)**	(1,960)
3,736	**4,389**	3,714	**4,452**	Movement during the period	**1,688**	1,417	**1,713**	1,429
3,875	**4,113**	3,825	**4,144**	At end of period	**1,582**	1,471	**1,594**	1,471

Deferred tax liability comprises the following temporary differences:

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
19,290	**16,310**	17,397	**16,310**	1 January	**6,273**	7,419	**6,273**	6,691
(2,978)	**(2,122)**	(1,087)	**(2,132)**	Movement for the year	**(816)**	(1,146)	**(820)**	(418)
16,312	**14,188**	16,310	**14,178**		**5,457**	6,273	**5,453**	6,273

Deferred tax adjustments relates to the following:

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
(16,246)	**(15,039)**	(17,743)	**(15,029)**	Net book value of property and equipment	**(5,784)**	(6,249)	**(5,781)**	(6,249)
512	**855**	440	**849**	Provisions & losses	**327**	197	**327**	197
(17,303)	**(14,184)**	(17,303)	**(14,180)**		**(5,458)**	(6,052)	**(5,454)**	(6,052)

26 Derivative financial instruments and hedging deficit

Based on the interest rates gap over the life of the IRS on tranche 3 and 4, the indicative loss as at 31 December 2019 was nil as Company has settled the same [2018: RO 0.04 million (US$ 0.1 million)] by the counter parties to IRS.

Notes (Continued)

(Forming part of 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:

	31-Dec-19			31-Dec-18		
	Purchases	**Sales**	**Others**	Purchases	Sales	Others
	RO '000	**RO '000**	**RO '000**	RO '000	RO '000	RO '000
Associated companies	**136**	**33,710**	**3,792**	159	28,465	3,268
	136	**33,710**	**3,792**	159	28,465	3,268
	USD '000	**USD '000**	**USD '000**	USD '000	USD '000	USD '000
Associated companies	**354**	**87,646**	**9,858**	412	74,009	8,496
	354	**87,646**	**9,858**	412	74,009	8,496

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

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
1,396	**1,342**	1,396	**1,342**	Short term benefits	**516**	536	**516**	536
44	**60**	44	**60**	End of service benefits	**23**	17	**23**	17
390	**390**	390	**390**	Remuneration of directors	**150**	150	**150**	150
77	**72**	77	**72**	Sitting fees of directors	**28**	30	**28**	30
1,907	**1,863**	1,907	**1,863**		**717**	733	**717**	733

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

	31-Dec-19		31-Dec-18	
	Trade and other receivables	**Trade and other payables**	Trade and other receivables	Trade and other payables
	RO '000	**RO '000**	RO '000	RO '000
Associated companies	**4,767**	**2,348**	-	2,167
	US $ '000	**US $ '000**	US $ '000	US $ '000
Associated companies	**12,394**	**6,104**	-	5,635

Amounts due from and due to the related parties are disclosed in notes 17 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.

Notes (Continued)
(Forming part of the consolidated financial statements)

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 including the conversion of a berth to come under Container Terminal Concession Agreement for which in principle approval was received, and awaiting endorsement from a government authority to complete documentation. 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.

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	
	31-Dec-19 RO'000	31-Dec-18 RO'000	**31-Dec-19 RO'000**	31-Dec-18 RO'000	**31-Dec-19 RO'000**	31-Dec-18 RO'000
Revenue	**46,825**	38,513	**17,899**	18,101	**64,724**	56,615
Depreciation and amortisation	**(9,901)**	(8,230)	**(1,359)**	(720)	**(11,260)**	(8,950)
Net Profit	**1,140**	763	**4,533**	4,540	**5,673**	5,303
Operating Assets	**76,053**	66,503	**35,768**	34,824	**111,821**	101,327
Operating Liabilities	**76,053**	66,503	**35,768**	34,824	**111,821**	101,327
Other disclosures						
Capital Expenditure	**4,184**	9,577	**2,493**	-	**6,677**	9,579

	Container Terminal		General Cargo Terminal		Total	
	31-Dec-19 US $ '000	31-Dec-18 US $ '000	**31-Dec-19 US $ '000**	31-Dec-18 US $ '000	**31-Dec-19 US $ '000**	31-Dec-18 US $ '000
Revenue	**121,745**	100,134	**46,537**	47,062	**168,282**	147,198
Depreciation and amortisation	**(25,743)**	(21,398)	**(3,533)**	(1,880)	**(29,276)**	(23,278)
Net Profit	**2,966**	1,985	**11,786**	11,806	**14,752**	13,791
Operating Assets	**197,739**	172,915	**92,996**	90,542	**290,743**	263,457
Operating Liabilities	**197,739**	172,915	**92,996**	90,542	**290,743**	263,457
Other disclosures						
Capital Expenditure	**10,878**	24,899	**6,481**	-	**17,359**	24,899

Notes (Continued)

(Forming part of the consolidated financial statements)

28 Operating Segment information *(Continued)*

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.

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:

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
57,744	**62,574**	57,895	**62,855**	Oman	**24,067**	22,203	**24,175**	22,268
88,382	**102,682**	88,514	**102,682**	Europe	**39,493**	34,004	**39,493**	34,044
789	**2,015**	789	**2,015**	Other asia	**775**	298	**775**	303
0	**730**	0	**729**	Africa	**280**	-	**280**	-
146,915	**168,001**	147,198	**168,282**		**64,616**	56,505	**64,724**	56,615

29 Commitments and contingencies

29.a 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.

During the year 2019, State Audit Institution has initated the audit for the period from 2014 onwards.

29.b Capital expenditure commitments

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $'000	**US $'000**	US $'000	**US $'000**		**RO'000**	RO'000	**RO'000**	RO'000
15,632	**8,499**	15,632	**8,499**	Capital expenditure commitments	**3,269**	6,012	**3,269**	6,012
15,632	**8,499**	15,632	**8,499**		**3,269**	6,012	**3,269**	6,012

Notes (Continued)
(Forming part of the consolidated financial statements)

29 Commitments and contingencies *(Continued)*

29.c 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 2.33 million (USD 6.06 million). The Company's management does not believe that the outcome of these claims will have a material impact on the Company's income or financial position.

29.d Note on Cyclone Mekunu

Cyclone Mekunu ("Mekunu") was a category 3 tropical cyclone that resulted in landfalls on the coastal areas of Oman, near the city of Salalah on 25th May 2018.

Recovery efforts continued well into 2019. The General Caro Terminal was restored to full operational capacity during Q1 2019 and by June 2019, the Port restored its container terminal capacity and capabilities to the pre cyclone levels.

The Mekunu related cost impact amounting to RO 2,827k incurred during Jan - Dec 2019 (YTD Dec 2018 RO 10,212k) is disclosed under 'cyclone related expenses'.

The Port assets were covered under the "Port Package Policy" insurance against the cyclone, including business interruption. During 2018 on account payment of RO 14,808k was received related to the Mekunu insurance claim. No insurance receipts have been recognized 2019.

The Group has reached an agreement on February 12, 2020 with the insurance parties regarding the damages of the 2018 Cyclone Mekunu.. A settlement of RO 26.06 million (USD 67.75 million) for property damages, increased cost of working and business interruption has been agreed. RO 14.81 million (USD 38.50 million) of the total settlement amount of RO 26.06 million (USD 67.75 million) has been recognized already as income in 2018. The balance amount of RO 11.25 million (USD 29.25 million) will be recognized as income in 2020.

Notes (Continued)

(Forming part of the consolidated financial statements)

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.

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.

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

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
6,739	**11,513**	6,739	**11,513**	Oman	**4,428**	2,592	**4,428**	2,592
5,386	**14,473**	5,386	**14,473**	Europe	**5,567**	2,072	**5,567**	2,072
144	**113**	144	**113**	Other & Asia	**43**	55	**43**	55
12,269	**26,099**	12,269	**26,099**		**10,038**	4,719	**10,038**	4,719

Notes (Continued)

(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:

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
US $ '000	US $ '000	US $ '000	US $ '000		RO'000	RO'000	RO'000	RO'000
5,468	14,511	5,468	14,511	Shipping Lines	5,581	2,103	5,581	2,103
6,801	11,588	6,801	11,588	Others	4,457	2,616	4,457	2,616
12,269	26,099	12,269	26,099		10,038	4,719	10,038	4,719

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

Parent Company		Consolidated		Particulars	Parent Company		Consolidated	
31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
US $ '000	US $ '000	US $ '000	US $ '000		RO'000	RO'000	RO'000	RO'000
7,199	19,342	7,199	19,342	Not past due	7,439	2,769	7,439	2,769
3,679	0	3,679	0	Due upto 90 days	0	1,415	0	1,415
1,391	6,757	1,391	6,757	More than 90 days	2,599	535	2,599	535
12,269	**26,099**	**12,269**	**26,099**		**10,038**	**4,719**	**10,038**	**4,719**

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Group deals with reputed banks. Management does not expect any losses from non-performance by these counterparties.

Cash at banks including deposits

Parent Company		Consolidated		Particulars	Parent Company		Consolidated	
31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19		31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
US $ '000	US $ '000	US $ '000	US $ '000		RO'000	RO'000	RO'000	RO'000
21,692	26,927	21,700	26,927	UR &Ba1	10,356	8,343	10,356	8,346
18,175	1,523	18,324	1,524	Baa2	586	6,990	586	7,048
28,722	34,790	28,722	34,790	Baa3	13,381	11,047	13,381	11,047
68,588	**63,240**	**68,746**	**63,241**		**24,323**	**26,380**	**24,323**	**26,441**

The rest of the statement of financial position item is cash on hand. The stated rating is as per the global bank ratings by Moody's Investors Service.

Impairment of financial assets

The Group has trade receivables and other financial assets at amortized cost as financial assets that are subject to IFRS 9's expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been Grouped based on shared credit risk characteristic and the days past due.

The expected loss rates are based on payment profiles of the trade receivables over a period of 36 months before 1 January 2019 and corresponding historical credit loss experience which are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Gross Domestic Product of Oman to be the most relevant factors and accordingly, adjust the historical loss rates based on expected changes in the factor.

Notes (Continued)

(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

Movement of ECL during the year :

Parent Company		Consolidated			Parent Company		Consolidated	
31-Dec-18	**31-Dec-19**	31-Dec-18	**31-Dec-19**		**31-Dec-19**	31-Dec-18	**31-Dec-19**	31-Dec-18
US $ '000	**US $ '000**	US $ '000	**US $ '000**		**RO'000**	RO'000	**RO'000**	RO'000
702	**619**	702	**619**	1 January	**238**	270	**238**	270
57	**525**	57	**525**	Increase in loss allowance recognised in profit or loss during the year	**202**	22	**202**	22
(140)	-	(140)	-	Bad debts written off	-	(54)	-	(54)
619	**1,142**	619	**1,142**	31-Dec	**440**	238	**440**	238

On that basis, the loss allowance as at 31 December 2019 was determined as follows for both trade receivables (refer note 17 (a)).

	Not due	0 - 30 days	31 - 60 days	61 - 90 days	Above 90 days
31 December 2019					
Trade receivables	2.03%	9.69%	20.86%	47.28%	100%
1 January 2019					
Trade receivables	1.84%	5.90%	10.42%	17.35%	100%

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on financial assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. Other financial assets at amortised cost are considered to have low credit risk, and the loss allowance considered during the year was therefore limited to 12 months expected losses. Management believes that the expected credit loss on the above category of financial assets is not material and hence no loss allowance was made for such financial assets at 1 January 2019 and at 31 December 2019.

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.

Notes (Continued)

(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

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

	31-Dec-19					31-Dec-18				
	Less than 3 months	3 to 6 months	6 to 12 months	more than 12 months	Total	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	RO'000	RO'000	RO'000	RO'000	RO'000
Trade and Other Payables	13,743	1,815	2,144	-	17,702	18,526	4,958	14	-	23,498
Amount due to related Parties	2,348	-	-	-	2,348	2,167	-	-	-	2,167
	16,091	1,815	2,144	-	20,050	20,693	4,958	14	-	25,665
	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000
Trade and Other Payables	35,726	4,718	5,575	-	46,019	48,164	12,890	37	-	61,091
Amount due to related Parties	6,104	-	-	-	6,104	5,635	-	-	-	5,635
	41,830	4,718	5,575	-	52,123	53,798	12,890	37	-	66,726

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 2019, nil affect of interest as the Port has become debt free.

Financial risk management *(continued)*

Investments: The Company generally does not invest in stock markets. The Company has no investments as of reporting date.

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 2019 of the Sultanate of Oman, as amended.

Notes (Continued)
(Forming part of the consolidated financial statements)

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:

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.
- 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.

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

Notes (Continued)
(Forming part of the consolidated financial statements)

32 Critical account estimate

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.

Allowance for slow moving or obsolete 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 2.76 million (US$ 7.18 million) [Dec 2018 – RO 2.91 million (US$ 7.57 million)] and provisions for old and obsolete inventories was RO 0.99 million (US$ 2.57 million) [Dec 2018 – RO 0.89 million (US$ 2.31 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.

Impairment of financial assets at amortised cost
The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

33 Comparative amounts

Certain corresponding figures for year ended 31 December 2018 have been reclassified in order to confirm to the presentation for the current year viz Vendor advances as the same were having debit balances and reclassified accordingly. Such reclassifications were made within the same notes to the financial statements and do not affect previously reported profit or shareholder's equity.

Notes (Continued)
(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment ***for the year ended 31 December 2019***

	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	Furniture, fixtures and equipment RO '000	Capital work in progress RO '000	Total RO '000
Cost											
1 January 2019	7,630	68,593	38,277	6,151	2,778	21,534	220	3,701	4,412	6,459	159,755
Transfers	561	4,282	-	5,675	612	374	80	252	719	(12,556)	-
Additions for the year										6,677	6,677
Disposal	-	(52)	-	(351)	(340)	(1,026)	-	-	(127)	-	(1,895)
31 Dec 2019	8,191	72,823	38,277	11,475	3,050	20,882	300	3,953	5,005	580	164,536
Accumulated depreciation											
1 January 2019	(5,888)	(38,895)	(25,463)	(4,967)	(2,325)	(10,708)	(158)	(3,161)	(3,625)	-	(95,190)
Depreciation for the period	(443)	(3,047)	(2,814)	(609)	(243)	(1,819)	(37)	(342)	(379)	-	(9,733)
Disposal	-	22	-	351	340	737	-	-	127		1,576
Asset held for Sale						(162)					(162)
31 Dec 2019	(6,331)	(41,920)	(28,277)	(5,225)	(2,228)	(11,952)	(195)	(3,503)	(3,877)	-	(103,509)
Carrying amounts											
31 Dec 2019	**1,860**	**30,903**	**10,000**	**6,250**	**822**	**8,930**	**105**	**450**	**1,128**	**580**	**61,027**
31 Dec 2018	1,742	29,698	12,814	1,184	453	10,826	62	540	787	6,459	64,565

Notes
(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment ***for the year ended 31 December 2019*** *(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	Furniture, fixtures and equipment US $ '000	Capital work in progress US $ '000	Total US $ '000
Cost											
1 January 2019	19,838	178,342	99,520	15,993	7,223	55,988	572	9,623	11,471	16,793	415,363
Transfers	1,460	11,134	-	14,755	1,592	972	207	655	1,870	(32,645)	-
Additions for the year										17,359	17,359
Disposal	-	(136)	-	(913)	(884)	(2,667)	-	-	(329)	-	(4,929)
31 Dec 2019	21,298	189,340	99,520	29,835	7,931	54,293	779	10,278	13,012	1,507	427,793
Accumulated depreciation											
1 January 2019	(15,309)	(101,127)	(66,204)	(12,914)	(6,045)	(27,841)	(411)	(8,219)	(9,425)	-	(247,494)
Depreciation for the period	(1,152)	(7,922)	(7,316)	(1,583)	(632)	(4,729)	(96)	(889)	(985)	-	(25,306)
Disposal	-	56	-	913	884	1,916	-	-	329	-	4,098
Asset held for Sale						(421)					(421)
31 Dec 2019	(16,461)	(108,993)	(73,520)	(13,584)	(5,793)	(31,075)	(507)	(9,108)	(10,081)	-	(269,123)
Carrying amounts											
31 Dec 2019	**4,837**	**80,347**	**26,000**	**16,251**	**2,138**	**23,218**	**272**	**1,170**	**2,931**	**1,507**	**158,670**
31 Dec 2018	4,531	77,212	33,322	3,077	1,177	28,156	164	1,397	2,049	-	167,869

Notes

(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment ***for the year ended 31 December 2018***

	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 2018	**7,526**	**68,746**	**37,825**	**7,983**	**3,059**	**21,136**	**287**	**3,280**	**4,536**	**1,705**	**156,083**
Additions / recognition	95	-	2,201	1,327	148	406	-	419	229	4,754	9,579
Disposal / derecognition	-	(874)	(1,760)	(8,104)	(241)	(35)	(79)	-	-	-	(11,093)
Transfer	9	721	11	4,945	(188)	960	12	2	(353)	-	6,119
Asset held for Sale	-	-	-	-	-	(933)	-	-	-	-	(933)
31 December 2018	7,630	68,593	38,277	6,151	2,778	21,534	220	3,701	4,412	6,459	159,755
Accumulated depreciation											
1 January 2018	**(5,468)**	**(35,969)**	**(24,808)**	**(5,872)**	**(2,496)**	**(8,149)**	**(186)**	**(3,037)**	**(3,727)**	**-**	**(89,712)**
Depreciation for the year	(411)	(2,926)	(2,404)	(533)	(193)	(2,059)	(39)	(122)	(251)	-	(8,938)
Disposal / derecognition	-	721	1,760	6,383	176	35	79	-	-	-	9,154
Transfer	(9)	(721)	(11)	(4,945)	188	(960)	(12)	(2)	353	-	(6,119)
Asset held for Sale	-	-	-	-	-	425	-	-	-	-	425
31 December 2018	(5,888)	(38,895)	(25,463)	(4,967)	(2,325)	(10,708)	(158)	(3,161)	(3,625)	-	(95,190)
Carrying amounts											
31 December 2018	**1,742**	**29,698**	**12,814**	**1,184**	**453**	**10,826**	**62**	**540**	**787**	**6,459**	**64,565**
31 December 2017	2,058	32,777	13,017	2,111	563	12,987	101	243	809	1,705	66,371

Notes
(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment *for the year ended* 31 *December* 2018*(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	Furniture, fixtures and equipment US $ '000	Capital work in progress US $ '000	Total US $ '000
Cost											
1 January 2018	19,563	178,736	98,348	20,756	7,953	54,959	747	8,523	11,782	4,427	405,794
Additions / Recognition	247	-	5,722	3,449	384	1,056	-	1,090	596	12,361	24,905
Disposal / Derecognition	-	(2,272)	(4,575)	(21,071)	(627)	(92)	(205)	-	-	-	(28,842)
Transfer	23	1,875	29	12,857	(489)	2,496	31	5	(918)	-	15,909
Asset held for Sale						(2,425)				-	(2,425)
31 December 2018	19,833	178,338	99,524	15,991	7,221	55,994	573	9,618	11,460	16,788	415,341
Accumulated depreciation											
1 January 2018	(14,210)	(93,519)	(64,498)	(15,269)	(6,487)	(21,187)	(482)	(7,899)	(9,676)	-	(233,227)
Depreciation for the period	(1,069)	(7,608)	(6,250)	(1,385)	(502)	(5,353)	(101)	(317)	(653)	-	(23,238)
Disposal / Derecognition	-	1,875	4,576	16,596	456	92	205	-	-	-	23,800
Transfer	(23)	(1,875)	(29)	(12,857)	489	(2,496)	(31)	(5)	918	-	(15,909)
Asset held for Sale						1,106					1,106
31 December 2018	(15,302)	(101,127)	(66,202)	(12,915)	(6,044)	(27,838)	(409)	(8,222)	(9,411)	-	(247,468)
Carrying amounts											
31 December 2018	**4,531**	**77,212**	**33,323**	**3,078**	**1,180**	**28,154**	**164**	**1,396**	**2,048**	**16,787**	**167,869**
31 December 2017	5,353	85,217	33,849	5,487	1,466	33,772	265	624	2,106	4,427	172,566