Key Performance Indicators

Port of Salalah	2013	2014	2015	2016	2017	2018
Key Operational Data						
Crane Capacity in TEUs ('000s)	5,000	5,000	5,000	5,000	5,000	5,000
TEUs ('000s)	3,343	3,034	2,569	3,325	3,946	3,385
Tonnes ('000s)	7,944	10,314	12,543	13,037	13,587	16,201
Container Terminal Vessel calls	1,651	1,439	1,336	1,501	1,475	1,218
General Cargo Terminal Vessel calls	1,321	1,326	1,520	1,527	1,387	1,427
Headcount	2,167	2,137	2,057	2,249	2,217	2,210
Operational Ratio Analysis						
Gross Crane Productivity	31.54	30.70	30.20	31.13	32.28	31.18
TEUs handled per employees	1,543	1,420	1,249	1,478	1,779	1,532
TEUs/meter of quay p.a.	1,296	1,176	996	1,289	1,529	1,312
Cranes in operation	25	25	25	25	25	25
TEUs/quay crane p.a.	133,720	121,349	102,741	133,002	157,840	135,387
Capacity Utilization	67%	61%	51%	67%	79%	68%
Key Financial Data (Figures in RO ' 000)						
Revenue	58,505	53,533	49,508	54,872	57,028	56,330
Gross profit	27,641	22,605	19,474	20,487	19,999	18,950
Cash profit	14,808	14,444	13,923	14,963	16,695	15,264
Net profit / (loss)	5,663	5,262	5,182	5,726	5,211	5,303
Equity capital	17,984	17,984	17,984	17,984	17,984	17,984
Net worth before minority interest	46,855	48,471	51,647	54,025	56,000	58,631
Term debt obligations	47,574	41,235	26,786	17,858	8,929	-
Financial Ratio Analysis						
Operating Profit Ratio	47%	42%	39%	37%	35%	34%
Net profit margin	9.7%	9.8%	10.5%	10.4%	9.1%	9.4%
Cash Earnings per share (RO)	0.082	0.080	0.077	0.083	0.093	0.085
Earnings per share (RO)	0.031	0.029	0.029	0.032	0.029	0.029
Book value per share(RO)	0.261	0.270	0.287	0.300	0.311	0.326

Contents


Port of Salalah

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

Port of Salalah

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting the annual report of your company along with the audited financial statements for the year ended 31st December 2018.

Despite uncertain global economic circumstances and cyclone catastrophe, the year 2018 has ended on a positive note with both the Container terminal and the General Cargo terminal showing a consistent performance over the previous years.

Company Performance

The company suffered its first of kind natural calamity on 25th of May 2018 when Cyclone Mekunu made its landfall on Arabian Peninsula. Joint Typhoon Warming Center estimated peak wind loads up to 185 km/hour which were equivalent to category (3) Cyclone. Over a period of four days Cyclone Mekunu battered the region recording an astounding 615 mm of rainfall equivalent to five times the annual rainfall recorded for the entire Sultanate of Oman.

The Port was on lockdown from 24th to 28th May 2018 for General Cargo Traffic and until 2nd June 2018 for Container Traffic. The unprecedented wave heights, ferocious wind speeds and incessant rainfall brought wide spread devastation to Port's Infra and superstructure bringing Port operations to complete halt.

With an aim to get back to operations at the earliest, no efforts were spared by the management in restoration works. Limping back to essential aid operations from 6th day onwards and partial commercial operations from the 10th day onwards, Port of Salalah had multiple challenges ahead, from sunken dhows, to sedimentation deposits in basin, to cracks in quay cranes, to water in critical plant and equipment, the list of damages from the aftermath of Cyclone Mekunu continues to be unearthed until reporting date.

The road to recovery continues to be long drawn affair for Port of Salalah team who have been working tirelessly with insurance agencies, contractors, consultants, vendors and other service providers for claims settlement and recovery works.

The Port recently concluded its first ever maintenance dredging works to restore harbors designed depths affected from sedimentation deposits from overflowing wadis. Investigative works continues to take place on superstructure and critical breakwater infrastructure, the latter now led by the Government of Oman who are undertaking the assessment of southern breakwater which suffered significant damages from Cyclone Mekunu. The Port has petitioned the Government of Oman for its support in recovery works and also requesting the Government to initiate the much needed flood protection system to protect the Port from neighboring wadis.

Operational Overview

This year the container terminal handled 3.385 mil TEUs, compared to 3.946 mil TEUs in 2017, a drop of 14% in TEU terms. Company has retained all our major customers while a major customer continues to offer consistent support.

The Port of Salalah General Cargo had handled 16.201 million tons during 2018, a growth of 19% over 2017 despite a year of challenges due to cyclone. The revenue out of general cargo volumes handled at Berth 31 have been included in the container terminal financials, as in the previous year, due to the conversion of the berth into a container terminal facility.

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

Financial Overview

The consolidated revenues are recorded at RO 56.330 million during the financial year ended 31 December, 2018 as compared to RO 57.028 million in the corresponding period last year. The other income includes on account payment of RO 14.808 million received from Insurers towards cyclone related property damages and business interruption, subject to final settlement. The management is of the opinion that the total claim amount will be higher than the on-account payments. The claim assessment and settlement process with insurers will continue into 2019 and the progress will be reported periodically.

Consolidated EBITDA was recorded at RO 16.076 million for Year 2018 at an EBITDA margin of 29%, as compared to RO 16.057 million (at margin 27%) during same period last year.

Consolidated Net Profit was recorded at RO 5.303 million for Year 2018, as compared to RO 5.211 during same period last year. Total expenses include cyclone related costs amounting to OMR 10.212 million. Costs that would be incurred to deal with damaged assets would be accounted in the period in which these would be incurred. In addition to the cyclone related costs that have been charged to Profit & Loss Account, the Port has incurred / committed to a capital expenditure of OMR 7.95 million up to December 31, 2018 to replace damaged assets, as per claim filed with insurance which is awaiting their final assessment. The Port is in receipt of cargo claims from customers. These are being defended with the assistance from legal advisors and have been notified to insurers.

During year 2019 performance is expected to witness a partial effect of cyclone, as the safe operating capacity of Container terminal would be restored to the pre cyclone levels only after the ongoing inspection and required remediation works on the cyclone affected assets are complete likely in Q2 / Q3 2019. The timely receipt of insurance claims is required to meet the cyclone related costs

The Port has repaid all the loans taken for the expansion of the Port during 2008/9 fully and as on December 31, 2018 the Port has become debt free.

During 2018, your company distributed 15% annual dividend pertaining to year 2017. Taking into account the proposed capital expenditure plans to meet the equipment life cycle management & improvement needs, emerging market conditions for international trade the Board of Directors are pleased to recommend the distribution of dividend of 15% on the paid-up equity share capital of the company. This equates to 15 baiza per share resulting in a total cash disbursal of RO 2.698 million.

Dividend history for the last 5 years

	2013	2014	2015	2016	2017
Dividend %	25%	15%	20%	20%	15%
Cash outlay (RO‘000)	4,495	2,698	3,597	3,597	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 pillars of sustainability and volunteerism and it is fundamental to our business. The company has invested RO 72K in CSR initiatives during 2018 contributing to the local Dhofar region in which we operate as well as segments of communities requiring support. Impacting the local Dhofar region and benefiting the larger segments of communities requiring support are the guiding posts of the company's CSR program.

Future Outlook

Growing concerns for the global economy, specifically with regards to downgrades in the EU and Chinese growth are expected to have a direct impact on demand for Ocean freight. International Monetary Fund has reduced global gross domestic product expansion for 2019 to 3.5%. This reduction in growth is expected to negatively impact the Ocean freight between China and the EU, which is the primary route near the Port of Salalah. Increasingly shipping lines will need to compete to win business and fill their vessels as overcapacity, unstable fuel rates, and global economic woes continue along with a spike in political instability which could worsen the overall economic outlook. As we proceed into 2019, we will need to do so cautiously and continue to monitor the situation. The Port of Salalah Container Terminal remains very reliant on Transshipment business primarily from existing customers. Maintaining and strengthening our strategic partnerships with our customers will remain top priority.

In the General Cargo Terminal, the outlook remains optimistic due to the unique position of Salalah being the largest single global exporter of Gypsum. Recently, the local exporters have taken steps to standardize the market and leverage their market leading position, which may result in a short term drop but long term improvement in the overall business as the market adjusts to the new realities.

Overall, the Port of Salalah enjoys some diversity in its portfolio of activities that mitigates catastrophic impact due to any single area. Historically, the Port of Salalah has weathered past times of economic uncertainty rather well and is expected to do so moving forward. The focus continues to strengthen relationships with existing customers to leverage more business, operational excellence, deploying new and innovative logistics solutions for our customers and ensure the sustainability of the business

Conclusion

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

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

Lastly, but certainly not least, I place on record our appreciation for the contributions made by our employees in achieving the level of performance in 2018. Our consistent growth was possible by their hard work, solidarity, cooperation and support.

On behalf of the Board of Directors,

Ahmed Bin Nasser Al Mahrizi
Chairman of Board of Directors,
Salalah Port Services Co. SAOG
February 14, 2019

Mark Hardiman
Chief Executive Officer

Port of Salalah

Management Discussion & Analysis Report

Business of the company

The Port of Salalah, in the Sultanate of Oman, is one of the largest multi-purpose ports in the Middle East. It is the region's leading transshipment port and has set its goals to be the port of choice in Oman. With the country's focus to optimize non-oil economic growth the port will be a key driver in lifting global trade in the region.

This world-class port was created under a 30-year concession agreement with the Government of Oman. It is managed by APM Terminals, a leading port developer and operator with a global network of 73 Terminals and a hundred plus inland service businesses spanning 58 countries and employing more than 22,000 professionals. The company serves all the 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 of Salalah is dedicated to the development of its staff, including the employment and training of local people. It also supports local business, in- country procurement whenever possible, and plays an active role in the development of the community, region and country in which it operates.

The year 2018 has been a challenging year for the company due to Cyclone Mekunu.

Tropical Cyclone Mekunu made its landfall on the Omani coast near the city of Salalah on the May 25, 2018, was rated a category 3 tropical cyclone by the Omani Metrological department and was one of the most severe Cyclones to affect the Arabian Peninsula since official record of cyclones began in 1960.

The intensity of rainfall and subsequent runoff caused massive flooding at wadi Adawnib lying close to the Port. The magnitude of the flooding was unprecedented submerging large parts of the port under two meters of water. The overflowing wadi deposited large amount of mud and debris to Port basin resulting in loss of depth. The vast amount of mud and debris also caused severe damage to the Port facilities and equipment impacting operations at the Port.

Due to the nature and scale of damages incurred to the Port property and equipment, the complete recovery continues to be long drawn challenge for Port of Salalah. Till date the Port continues to repair, replace and restore many of its plant and equipment to return to the operational level which existed before the cyclone period.

Although the extent of overall damage is now more apparent to Port of Salalah, the complete scale of damage caused to PoS property, equipment and third-party liabilities are yet to be fully quantified.

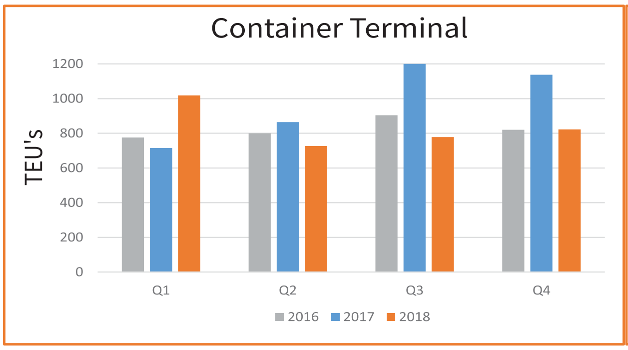
The Port has adequate insurance covering property and business interruption as well as liability cover. Meetings were held with the loss adjustors and insurance companies to assess the loss together with McClelland Engineering Consulting firm appointed by loss assessor and a global forensic auditing firm RGL to validate the claims made by Salalah Port. Initial estimates were submitted and sought on account payment from insurers to facilitate Salalah port with adequate liquidity to proceed with the replacement / repair program. We are pleased to report that the insurers approved two on account payments amounting to USD 25.00 Million and USD 13.50 Million. The full payments were received within 2018 and beyond.

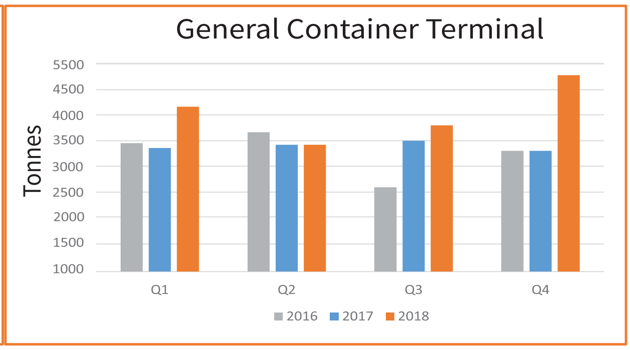
We are yet to conclude the overall impact of cyclone as technical evaluation and quantification of the extent of claim are still ongoing on a number of areas. We believe that it would take couple of quarters to come to an understanding of the overall impact of cyclone Mekunu.

It is the primary focus of the Port to return to normalcy as quickly as possible, and all efforts are currently directed towards meeting this objective. GCT business is back to pre-cyclone levels whereas CT business is yet to fully recover to pre cyclone levels due to damage to equipment and property.

During 2018, Salalah Port Services handled 3.385 million TEUs at its Container Terminal and 16.201 million tons at its General Cargo Terminal

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





Container Industry structure and developments

Container shipping market has been facing through a period of margin pressure during the past several years with inadequate global trade to meet or narrow down the supply – demand gap. This has forced review of several alliances between some of the world's major shipping lines. The Port of Salalah's container terminal continues to review its position in the competitive market and gear itself up to keep its focus on productivity enhancement We have demonstrated to both existing and potential customer the strengths of the terminal and the value that the port brings to them and have been trying to attract volumes to shift to Salalah due to the location advantages, being competitive in service levels, building awareness with importers and exporters. To attract all potential transshipment business, the terminal remains competitive through its dedication to the efficiency with which it handles vessels. Maintaining and strengthening our strategic partnerships with our customers will remain top priority.

General Cargo Terminal

The General Cargo Terminal (GCT) continues to grow and outlook remains optimistic due to the unique position of Salalah. Export of minerals viz., locally-mined limestone and gypsum has been the key general cargo business and remains the largest commodity for the terminal followed by methanol, fuel and bagged material, mainly cement. Recently, the local exporters have taken steps to standardize the market and leverage their market leading position, which may result in a short term drop but long term improvement in the overall business as the market adjusts to the new realities. The Port is keen in the growth of businesses in Salalah Free Zone and is committed to provide services to these potential opportunities be completed over the upcoming years in order to facilitate efficient operations Several investors visited the port and free zone and expressed interest in setting up business in Salalah. The port will continue to extend and explore joint opportunities with the Salalah free zone and play a significant role in development of the Dhofar region.

Safety

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

Human Resources, welfare and training

At the close of 2018 the Port of Salalah employed 2,210 people with 69% of all skilled roles filled by nationals. The Port remains committed to developing key skills throughout its workforce through on- the-job training, facilitating study courses at the University and tuition by in-house experts. Further, various language and soft skills development training sessions were conducted during the year through in-house experts.

Financial review

The consolidated revenues are recorded at RO 56.330 million during the financial year ended 31 December, 2018 as compared to RO 57.028 million in the corresponding period last year. The other income includes on account payment of RO 14.808 million received from Insurers towards cyclone related property damages and business interruption, subject to final settlement). The management is of the opinion that the total claim amount will be higher than the on-account payments. The claim assessment and settlement process with insurers will continue into 2019 and the progress will be reported periodically.

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During year 2019 performance is expected to witness a partial effect of cyclone, as the safe operating capacity of Container terminal would be restored to the pre cyclone levels only after the ongoing inspection and required remediation works on the cyclone affected assets are complete likely in Q2 / Q3 2019.

Direct operating costs comprises of manpower costs, repairs and maintenance costs, energy costs, marine costs and operating systems and communication marginally decreased by 2% at RO 28.618 million.

Operating depreciation in 2018 was higher by about 4% compared to 2017 on account of investments made during the year to necessary operational and allied equipment's.

Concession costs, consisting of costs on account of ground rent, fixed and variable royalty increased by 152% as compared to 2017 based on performance of CT and GCT segments. GCT volumes was higher by 19% compared to 2017. The management fee was in line with the change in revenues and volumes.

General and administration, costs were higher by 6% compared to 2017 .There was increase in Indirect personal cost by 6%.

Financing costs decreased by 47% over 2017 on account of repayment of loan despite increase in US$ LIBOR rates. The company has paid off the loan and is now debt free.

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 next few years at least. Any change in the policy will have an effect on the company's financials. The company will exercise constant vigilance and initiate all possible measures to contain this risk if required.

Outlook

Growing concerns for the global economy, specifically with regards to downgrades in the EU and Chinese growth are expected to have a direct impact on demand for Ocean freight. International Monetary Fund has reduced global gross domestic product expansion for 2019 to 3.5%. This reduction in growth is expected to negatively impact the Ocean freight between China and the EU, which is the primary route near the Port of Salalah. Increasingly shipping lines will need to compete to win business and fill their vessels as overcapacity, unstable fuel rates, and global economic woes continue along with a spike in political instability which could worsen the overall economic outlook. As we proceed into 2019, we will need to do so cautiously and continue to monitor the situation. The Port of Salalah Container Terminal remains very reliant on Transshipment business primarily from existing customers. Maintaining and strengthening our strategic partnerships with our customers will remain top priority.

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Conclusion

The Port would like take this opportunity to express sincere thanks to the employees of the company, the customers, suppliers and the Government of Oman for their unstinted support during 2018. We look forward to working with you and further developing the Port of Salalah in the year ahead.

Mark Hardiman

Chief Executive Officer

February 14, 2019

EY
Building a better working world

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

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

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of Salalah Port Services Company SAOG (the "Company") as at and for the year ended 31 December 2018 and its application of the corporate governance practices in accordance with amendments to CMA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

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

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2018. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

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

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

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

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of Salalah Port Services Company SAOG to be included in its annual report for the year ended 31 December 2018 and does not extend to any consolidated financial statements of Salalah Port Services Company SAOG, taken as a whole.

Ernst & Young LLC

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

Muscat
14 February 2019

Port of Salalah

Corporate Governance Report

Corporate Governance Report

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

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

Board of Directors

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

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

Composition of the Board of Directors as on December 31, 2018 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 & appointed
Brig. Sultan Saif Saud Al Akhzami	Non-executive, independent & elected
Mr. David Michael Guy	Non-executive, non-independent, nominated

* Mr. Rolf Nielsen has been appointed by the Board in place of John Michael Craig who resigned as director of the company on 1st Nov, 2018

Board of Directors profile

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

Sheikh Braik Musallam Al Amri joined the Board in March 2013. He has done Masters in Business Administration and has 21 years of management experience. He is an Engineer and has also done diploma from Lloyds Maritime Academy. He has been engaged with the Port of Salalah for about 11 years. 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, Vice President and Head of Hub Terminals in APM Terminals, the Netherlands. He holds an Executive MBA (GEMBA) from INSEAD, France and speaks Danish, English, and French. He is an international business executive with over 20 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). An effective leader having successfully managed large business units and multinational organizations with a demonstrated ability to mentor people and work in complex organizations with multi-cultural environments.

Mr. Soren Sjostrand Jakobsen joined the Board in January 2017 and holds the position as Executive Director in the Africa, Middle East and South East Asia joint venture portfolio of APM Terminals. His portfolio responsibilities comprise 8 port terminals and 3 inland terminals. He furthermore holds a number of board position in other joint venture terminals where APM Terminals are partners. Prior to taking up the portfolio management position in Dubai in 2003, Soren was Global Head of Project Implementation based in the APM Terminals headquarter in The Hague, responsible for implementation of all new port investments of APM Terminals. Soren has been in the A.P. Moller – Maersk Group for more than 37 years and has worked with most business units in the Group, the last 14 years in APM Terminals. He has spent about 20 years outside of Denmark including postings in Panama, USA, The Netherlands and Dubai.

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

Mr. David Michael Guy joined the Board in January 2018. He is presently working as Group Chief Financial Officer of ASYAD Group Oman. He is a member of Institute of Chartered Accountants of England and Wales with over 21 years of experience in the power, water and infrastructure sectors. David graduated from Durham University in 1990 with BA Hons degree in Accountancy and Economics and qualified as a chartered accountant in 1993. He subsequently worked in number of entities in the power and water sectors and took part in various business sales and acquisition processes before taking the role of group CFO at an international water business with assets in South America, Africa and UK.

Management profile

Mr. Mark Hardiman recently joined as the CEO of the Company, has a total of 23 years' experience in shipping and ports, having worked in five different countries across three continents - specifically South Africa, Nigeria, Egypt, Belgium and the U.A.E. Mr. Hardiman has been influential in driving growth and enhancing business performance across various functions, including operations, IT and technical services. During these years Mr. Hardiman has demonstrated his wide range of industry experience by implementing performance enhancements to the operations of Khalifa Bin Salman Port (KBSP).

Since being promoted to the position of MD in 2015, Mark has worked to further develop Khalifa Bin Salman Port by forming strategies with key port stakeholders, along with courses of action to ensure that high service levels are maintained and continuously improved. He has spearheaded various major initiatives that involved substantial investments in IT (Information Technology) systems and terminal equipment, seeking to further enhance the performance of the terminal and setting challenging goals for the future.

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

Mr. C. S. Venkiteswaran joined Port of Salalah on 15th September, 2013 as Chief Financial Officer. He is a Commerce graduate from Kerala University, Fellow member of the Institute of Chartered Accountants of India and Associate member of Institute of Company Secretaries of India with more than thirty years of extensive experience in managing financial affairs of industrial and port companies. He has been with A P Moller Maersk group for more than 21 years and held positions as Head of Finance at Gujarat Pipavav Port, Chief Financial Officer in Meridian Port Services, Tema, Ghana and CFO with Gateway Terminals India, Mumbai.

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

Mr. Ahmed Suhail Ali Qatan is the Chief Operating Officer –GCT of the Company with effect from January 1, 2016. He joined as Employment Manager with Port in 2005 and has held positions of Senior Manager HRGM-HR & GM GCT. He holds an MBA from Lurton University in UK. He has working experience of 28 years in the public sector that includes a director of field studies, director of coordination and director of hygiene in the local government in Dhofar region.

Mr. Mohammed Al Mashani is the General Manager for Corporate Affairs at Port of Salalah. He holds a BSc in Safety Management from Central Missouri State University and an MSc in Facilities Management and Asset Maintenance from Herriot-Watt University, Edinburgh. Over the last 16 years Mohammed has worked in different sectors: Oil and Gas where he worked in PDO in logistics and HSE. Petrochemicals, where he joined Aromatics Oman. For last 9 years at Port of Salalah where he started as HSE Senior manager, he has been through a CPMD program through APM Terminals in association with ESADE Business School and in 2015 was chosen for the first cohort of the Oman National CEO program.

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

Mr. Scott Selman is the Chief Operating Officer of the container terminal. He is responsible for the day to day business of the 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 most recently 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 2018 four Board meetings were held on the following dates:

- February 22, 2018
- May 10, 2018
- August 6, 2018
- November 1, 2018

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	4	Yes	3,200	0
Mr. John Michael Craig*	4	No	3,200	0
Mr. Soren Sjostrand Jakobsen	4	No	3,200	0
Mr. David Michael Guy	4	No	3,200	0
Brig. Sultan Saif Saud Al Akhzami	4	Yes	3,200	0

*Rolf Nielsen replaced John Michael Craig on 1st Nov, 2018 and attend this meeting as a special invitee.
In accordance with the terms and conditions of the Management Agreement A. P. Moller Terminals & Co. LLC is the Manager of the Company with responsibility of operation and day-to-day management of the Company.

Audit and Other Committees

Audit Committee terms of reference:

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

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

- Sheikh Braik Musallam Al Amri – Chairman
- Brig. Sultan Saif Saud Al Akhzami
- Mr. Rolf Nielsen*
  *Mr. Rolf Nielsen appointed member of the audit commitee in place of John Michael Craig who resigned on 1st Nov,2018

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

During the year 2018, four Audit Committee meetings were held. Following is the number of meetings attended by each member.

Member	No of meetings	Sitting fees (in RO)
Sheikh Braik Musallam Al Amri	5	2,500
Brig. Sultan Saif Saud Al Akhzami	5	2,500
Mr. John Michael Craig*	4	2,000
Mr. Rolf Nielsen	1	500

*Rolf Nielsen replaced John Michael Craig on 1st Nov, 2018 and attend Audit Committee meeting (1st Nov, 2018) as a special invitee.

The Audit Committee reviews and recommends for Board's approval of the quarterly un-audited and annual audited financial statements. The Audit Committee, on behalf of the Board has regularly reviewed the internal control environment of the Company. They meet the internal auditor on a regular basis to review the internal audit reports, recommendations and management comments thereupon. Audit Committee members have also met the external auditors to review audit findings and management letter. The

Audit Committee has met the internal & external auditors in absence of Management as required under the code of Corporate Governance. The Audit Committee also briefs the Board about the effectiveness of internal controls in the Company. The Audit Committee and the Board are pleased to inform the shareholders that an adequate and effective internal control system is in place and that there are no significant concerns.

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

- For recommending all the guidelines for negotiating tariff rates with the customers of the container terminal facility and general cargo terminal facility(the "facility") taking into account, amongst other matters:
  - The minimum rates imposed by the container terminal concession agreement;
  - The service available to the customers;
  - The rates payable in the competitive terminals; and
  - The comparative cost advantages of the strategic location of the facility.
  - Setting minimum levels of all charges, fees and levies to be paid by users of the port facility (excluding the facility) ("port charges")
- For in the nomination of proficient directors and the election the most fit for purpose. Moreover, the committee aims to assist the board in selecting the appropriate and necessary executives for the executive management and other related matters as per the Code of corporate governance.

Following Directors are the members of TNRC:

- Mr. Rolf Nielsen* – Chairman
- Brig. Sultan Saif Saud Al Akhzami
- Mr. Soren Sjostrand Jakobsen

*Rolf Nielsen replaced John Michael Craig on 1st Nov, 2018 as member and chairman of TNRC.
During the year 2018, two TNRC meetings were held on 10th May 2018 and 1st Nov. 2018 as per details below:

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

**Rolf Nielsen replaced John Michael Craig on 1st Nov, 2018 as member and chairman of TNRC and attended TNRC meeting(1st Nov,2018) as a special invitee.*

Evaluation of the Board of Directors performance

KPMG has been appointed by the shareholders of the Company at the last annual general meeting to evaluate performance of the Board & its members in accordance with the approved criteria for the year 2018. 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 not also be entitled to vote on the appointment of any other director.

General Shareholders' information

AGM: Date Time Venue	**March 31, 2019** 3:00 PM Salalah Hilton, Salalah
Financial Year	2018
Date of Book Closure	**March 31, 2019**
Dividend payment date	The dividend, if approved by the shareholders, will be paid within the statutory time limit.
Listing on Stock Exchange	Muscat Securities Market
Registrar and share transfer agents	Muscat Depository & Securities Registration Company
Market Price data	See Table 1 below
Distribution of shareholders	See Table 2 below
Ten major shareholders	See Table 3 below
Port Location	Port Salalah, about 20 km west of Salalah, Dhofar, and Sultanate of Oman.
Address of correspondence	Salalah Port Services Co. SAOG P.O. Box 105, PC 118, Al Sarooj, Way No. 2601, Beach One Building, Fourth Floor, Office 401, Muscat, Sultanate of Oman

Table 1 – Market price data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year 2018
Shares price (RO)													
High	0.656	-	0.600	0.540	-	-	0.604	0.600	0.600	0.600	-	0.590	0.656
Low	0.656	-	0.600	0.540	-	-	0.604	0.600	0.600	0.600	-	0.590	0.540
Opening	0.656	-	0.600	0.540	-	-	0.604	0.600	0.600	0.600	-	0.590	0.656
Closing	0.604	-	0.600	0.600	-	-	0.600	0.600	0.600	0.600	-	0.600	0.600
Volume	100	-	1,584,286	69,510	-	-	100	100	50	30	-	160	1,654,336
Trade Value (RO)	66	-	950,572	41,526	-	-	60	60	30	18	-	94	992,426
Service Sector Index													
Opening	2611	2616	2591	2538	2481	2472	2381	2379	2463	2396	2353	2288	2611
Closing	2620	2632	2606	2525	2476	2475	2378	2376	2466	2390	2354	2290	2290

Table 2 – Distribution of shareholding as on December 31, 2018

No of Equity Shares held	No. of Shares Held	% of Total Shares	No. of Shareholders	% of Total Shareholders
01 to 100	31,358	0.02%	663	52.95%
101 to 500	93,658	0.05%	394	31.47%
501 - 1,000	38,718	0.02%	48	3.83%
1001 - 10,000	322,759	0.18%	99	7.91%
10,001 - 100,000	1,097,997	0.61%	31	2.48%
100,000 and above	178,252,910	99.12%	17	1.36%
Grand Total	**179,837,400**	**100.00%**	**1,252**	**100.00%**

Table 3 – Top 10 Shareholders as on December 31, 2018

S No	Name	No of Shares	%age
1	APM Terminal B.V.	54,180,000	30.13%
2	Oman Global Logistics Group (SAOC)	36,120,000	20.09%
3	HSBC A/C HSBC BK PLC A/C IB	25,778,730	14.33%
4	HSBC A/C Ministry of Defence Pension Fund	17,803,740	9.90%
5	The Public Authority for Social Insurance	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
2008	EGM	Hilton, Salalah	March 25, 2009	10.00 AM
2008	AGM	Hilton, Salalah	March 25, 2009	10.25 AM
2009	EGM	Hilton, Salalah	March 25, 2010	10.00 AM
2009	AGM	Hilton, Salalah	March 25, 2010	10.10 AM
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

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

Communication with shareholders and investors

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

Remuneration

Details of the remuneration to Directors

The remuneration proposed to pay to the members of the Board besides sitting fees is RO 25,000 per member totaling to RO 150,000 for the year 2018 (Year 2017 – OMR 128,500).

Details of the remuneration paid to top 5 officers

During the year 2018 gross salary and compensation paid to top 5 executives of the Company including variable components is RO 553,633 (Year 2017 – RO 546,773).

Professional profile of Statutory Auditor

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

The MENA practice of EY has been operating in the region since 1923 and employs over 7,000 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,600 partners and approximately 106,775 professionals. Globally, EY operates in more than 150 countries and employs 261,559 professionals in 700 offices. Please visit ey.com for more information about EY.

During the year 2018, EY rendered audit services to the Company at fees of RO 15,000 plus out of pocket expenses.

Compliances

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

Year	Particulars
2016	Delay in disclosing unaudited quarterly financial statements (Quarter 3 of 2016). The Company paid a fine of RO 2,200. However the company has been regular in filing initial unaudited unapproved quarterly results within stipulated time limits with Muscat Securities market.
2017	None
2018	None

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

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

Ahmed Bin Nasser Al Mahrizi
Chairman of Board of Directors

14th February, 2019.

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

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

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

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

Emphasis of matter

We draw attention to note 29 to the consolidated financial statements, which describes the effects of the cyclone "Mekunu" on the Group's operations and its consolidated financial position. The matters as set forth in note 29, indicate that an uncertainty exists relating to the amount or timing of any outflow relating to this catastrophic event. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

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

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matters*
Revenue recognition Revenue comprises income earned from services rendered in connection with the facilities provided at Container Terminals (CT) and General Cargo Terminals (GCT). Revenue from the sale of goods is based on the consideration specified in a contract with the customer and revenue is recognised at point in time when control of the goods is transferred to the customer and in case of service income, over the time when the services have been rendered. The Group also pays rebates to certain customers upon achievement of certain level of volumes based on contractual arrangement entered with those customers. There is a significant risk of misstatement in recognition and measurement of revenue, therefore, we considered recognition and measurement of revenue as a key audit matter. Refer note 4 (b) to the consolidated financial statements for the Group's disclosures of the related accounting policy.	Our audit procedures in this area included the following: - Updated our understanding of the process surrounding the revenue cycle and performed the test on a sample of transaction to confirm our understanding of design and implementation; - Reviewed significant contracts to assess the identification of all relevant services provided; - Performed substantive analytical procedures over the revenue streams by developing an expectation based on statistics received and tariff rates. Also, checked the data accuracy of statistics received and obtained an explanation for all the significant variances; - Tested key items posted to ensure that revenue journals were approved and corroborated with supporting evidence. - Assessed sales transactions taking place before and after year-end to ensure that revenue was recognised in the appropriate period; - Checked the calculation of rebates on a sample basis and ensured that those are recorded in line with the contractual terms agreed with the customers; and - Assessed the appropriateness of the Group's revenue recognition accounting policies including those relating to rebates and assessing compliance with the policies in terms of applicable accounting standards.

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

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matters*
Major catastrophe - Cyclone Mekunu During the year, cyclone Mekunu ("Mekunu") which was a category 3 tropical cyclone resulted in landfalls on the coastal areas of Oman, near the city of Salalah on 25th May 2018. The intense rainfall and the subsequent runoff caused flooding in and around the Port premises and port operations were affected for a brief period. Mekunu caused significant damage to the company's assets resulting in write off / write downs of certain property, plant and equipment and inventory items. The Port assets were covered under the "Port Package Policy" insurance against the cyclone, including business interruption. The management notified the insurers and surveyors were appointed to evaluate the extent of damage on the site. During the year, the insurers have processed and released two payments on account totaling to US$ 38.5 million against the interim claim, which have been recognised in the consolidated statement of comprehensive income. The final assessment of the total claim size is still ongoing. Due to the significance of the matter on the consolidated financial position and consolidated financial performance of the Group, we have considered this as a key audit matter. Refer note 29 to the consolidated financial statements for the Group's disclosures.	Our audit procedures in this area included the following: - Reviewed the incident report submitted to the Ministry of Transport and Communications (MoTC) and further updates as prepared by the management; - Evaluated appropriateness of accounting for repairs, write off of certain property, plant and equipment items and write down of inventory values in accordance with relevant IFRSs; - Reviewed the Port insurance policy to ensure the coverage represented by the management; - Reviewed the correspondences with the insurers/reinsurers; - Reviewed the signed payment on account agreements; - Obtained an independent confirmation for the insurance recoveries; - Obtained an estimate from the management for the split of the claim and for property damage that the loss reported to insurers/reinsurers/loss adjustor is consistent with the loss recorded in the consolidated financial statements of the Group; - Evaluated the accounting for insurance recoveries in line with the relevant IFRS; - Ensured the adequacy of the disclosures in the notes to the consolidated financial statements in accordance with the relevant IFRS.

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

Report on the audit of the consolidated financial statements (continued)

Other information included in the Group's 2018 Annual Report

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

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

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

In connection with our audit of the consolidated 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 the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

Report on the audit of the consolidated financial statements (continued)

Report on other legal and regulatory requirements

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

Ernst & Young LLC

Philip Stanton
Muscat
14 February 2019

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

Audited consolidated statement of financial position

As at 31 December 2018

2017 US $'000	2018 US $'000		Notes	2018 RO'000	2017 RO'000
		ASSETS			
		Non-current assets			
172,566	**167,873**	Property and equipment	11	**64,565**	66,371
400	**369**	Intangible assets	12	**142**	154
13,000	**-**	Term deposits	14	**-**	5,000
185,966	**168,242**			**64,707**	71,525
		Current assets			
5,603	**5,259**	Inventories	15	**2,022**	2,155
27,232	**19,888**	Trade and other receivables	16	**7,649**	10,490
13,000	**33,800**	Term deposits	17	**13,000**	5,000
30,191	**34,946**	Cash and cash equivalents	17	**13,441**	11,608
76,026	**93,893**	**Total current assets**		**36,112**	29,253
-	**1,322**	Non current asset held for sale	11	**508**	-
76,026	**95,215**			**36,620**	29,253
261,992	**263,457**	**TOTAL ASSETS**		**101,327**	100,778
		EQUITY			
46,758	**46,758**	Share capital	18(a)	**17,984**	17,984
7,666	**7,666**	Share premium	18(b)	**2,949**	2,949
15,584	**15,584**	Legal reserve	18(c)	**5,994**	5,994
(99)	**-**	Hedging deficit	26	**-**	(38)
75,691	**82,435**	Retained earnings		**31,704**	29,111
145,600	**152,443**	**Equity attributable to equity holders of the parent company**		**58,631**	56,000
94	**131**	Non-controlling interests	18(d)	**49**	35
145,694	**152,574**	**TOTAL EQUITY**		**58,680**	56,035
		LIABILITIES			
		Non-current liabilities			
17,397	**16,310**	Deferred tax	25	**6,273**	6,691
7,468	**7,884**	Employees' end of service benefits	23	**3,032**	2,872
24,865	**24,194**			**9,305**	9,563
		Current liabilities			
68,119	**86,689**	Trade and other payables	24	**33,342**	26,213
23,215	**-**	Loans and borrowings	22	**-**	8,929
99	**-**	Derivative financial instruments	26	**-**	38
91,433	**86,689**			**33,342**	35,180
116,298	**110,883**	**TOTAL LIABILITIES**		**42,647**	44,743
261,992	**263,457**	**TOTAL EQUITY AND LIABILITIES**		**101,327**	100,778
0.810	**0.848**	**Net assets per share (US $ / RO)**	21	**0.326**	0.311

These audited consolidated financial statements were approved and authorised for issue by the Board of Directors on 14 February 2019 and were signed on its behalf by:

Chairman	Chief Executive Officer	Chief Financial Officer

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

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

Audited consolidated statement of comprehensive income
For the year ended 31 December 2018

2017 US $'000	***2018 US $'000***		*Notes*	***2018 RO'000***	*2017 RO'000*
148,276	**146,457**	Revenue	*28*	**56,330**	57,028
(96,277)	**(97,187)**	Direct operating costs	*5*	**(37,380)**	(37,029)
(15,584)	**(25,298)**	Other operating expenses	*6*	**(9,730)**	(5,993)
(20,193)	**(21,325)**	Administration and general expenses	*7*	**(8,203)**	(7,767)
6,701	**2,829**	Other income	*8*	**1,088**	2,576
(520)	**-**	Impairment of available for sale investments	*13*	**-**	(200)
22,403	**5,476**	**Profit from operations**		**2,105**	8,615
-	**(26,551)**	Cyclone related expenses	*29.5*	**(10,212)**	-
-	**38,501**	Insurance claim compensation	*29.5*	**14,808**	-
(1,908)	**(1,006)**	Finance costs	*9*	**(387)**	(734)
20,495	**16,420**	**Profit for the year before tax**		**6,314**	7,881
(6,941)	**(2,629)**	Income tax	*25*	**(1,011)**	(2,670)
13,554	**13,791**	**Profit for the year**		**5,303**	5,211
		Other comprehensive income			
		Items that are or may be reclassified to profit or loss			
(252)	**-**	Impairment of available for sale investments	*13*	**-**	(97)
1,193	**99**	Net movement in cash flow hedges		**38**	459
941	**99**	**Other comprehensive income for the year, net of tax**		**38**	362
14,495	**13,890**	**Total comprehensive income for the year, net of tax**		**5,341**	5,573
		Profit attributable to :			
13,550	**13,754**	Equity holders of the parent		**5,289**	5,210
4	**37**	Non-controlling interests		**14**	1
13,554	**13,791**			**5,303**	5,211
		Total comprehensive income attributable to :			
14,491	**13,853**	Equity holders of the parent		**5,327**	5,572
4	**37**	Non-controlling interests		**14**	1
14,495	**13,890**			**5,341**	5,573
0.076	**0.077**	**Basic earnings per share (US $ / RO)**	*19*	**0.029**	0.029

The attached notes 1 to 33 and schedules form part of these audited consolidated financial statements. The parent company statement of comprehensive income is presented as a separate schedule to the consolidated financial statements.

Audited consolidated statement of changes in equity

For the year ended 31 December 2018

	Attributable to equity shareholders of the parent company								
	Share capital RO '000	**Share premium RO '000**	**Legal reserve RO '000**	**Hedging deficit RO '000**	**Fair value reserve RO '000**	**Retained earnings RO '000**	**Sub-total RO '000**	**Non-controlling interest RO '000**	**Total RO '000**
Balance at 1 January 2017	17,984	2,949	5,994	(497)	97	27,498	54,025	34	54,059
Profit for the year	-	-	-	-	-	5,210	5,210	1	5,211
Other comprehensive income	-	-	-	459	(97)	-	362	-	362
Total comprehensive income for the year	-	-	-	459	(97)	5,210	5,572	1	5,573
Dividend paid (note 20)	-	-	-	-	-	(3,597)	(3,597)	-	(3,597)
Balance 31 December 2017	17,984	2,949	5,994	(38)	-	29,111	56,000	35	56,035
Balance at 1 January 2018	17,984	2,949	5,994	(38)	-	29,111	56,000	35	56,035
Profit for the year	-	-	-	-	-	5,289	5,289	14	5,303
Other comprehensive income	-	-	-	38	-	-	38	-	38
Total comprehensive income for the year	-	-	-	38	-	5,289	5,327	14	5,341
Dividend paid (note 20)	-	-	-	-	-	(2,696)	(2,696)	-	(2,696)
Balance 31 December 2018	**17,984**	**2,949**	**5,994**	**-**	**-**	**31,704**	**58,631**	**49**	**58,680**

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

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

Audited consolidated statement of changes in equity (continued)
For the year ended 31 December 2018

	Attributable to equity shareholders of the parent company								
	Share capital US $ '000	***Share premium US $ '000***	***Legal reserve US $ '000***	***Hedging deficit US $ '000***	***Fair value reserve US $ '000***	***Retained earnings US $ '000***	***Sub-total US $ '000***	***Non-controlling interest US $ '000***	***Total US $ '000***
Balance at 1 January 2017	46,758	7,666	15,584	(1,292)	252	71,493	140,461	90	140,551
Profit for the year	-	-	-	-	-	13,550	13,550	4	13,554
Other comprehensive income	-	-	-	1,193	(252)	-	941	-	941
Total comprehensive income for the year	-	-	-	1,193	(252)	13,550	14,491	4	14,495
Dividend paid (note 20)	-	-	-	-	-	(9,352)	(9,352)	-	(9,352)
Balance at 31 December 2017	46,758	7,666	15,584	(99)	-	75,691	145,600	94	145,694
Balance at 1 January 2018	46,758	7,666	15,584	(99)	-	75,691	145,600	94	145,694
Profit for the year	-	-	-	-	-	13,754	13,754	37	13,791
Other comprehensive income	-	-	-	99	-	-	99	-	99
Total comprehensive income for the year	-	-	-	99	-	13,754	13,853	37	13,890
Dividend paid (note 20)	-	-	-	-	-	(7,010)	(7,010)	-	(7,010)
Balance at 31 December 2018	**46,758**	**7,666**	**15,584**	**-**	**-**	**82,435**	**152,443**	**131**	**152,574**

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

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

Audited consolidated statement of cash flows

For the year ended 31 December 2018

2017 US $'000	**2018 US $'000**		**2018 RO'000**	2017 RO'000
		OPERATING ACTIVITIES		
20,495	**16,420**	Profit for the year before tax	**6,314**	7,881
		Adjustments for:		
22,398	**23,269**	Depreciation and amortisation	**8,950**	8,622
1,136	**1,222**	Accrual for employees' end of service benefits	**470**	437
-	**57**	Allowance for expected credit losses	**22**	-
-	**193**	Inventory obsolescence	**75**	-
-	**161**	Unrealised foreign exchange loss, net	**62**	-
520	**-**	Impairment of available-for-sale investments	**-**	200
(2,334)	**(2,036)**	Interest income	**(783)**	(898)
1,799	**741**	Finance cost	**285**	692
-	**1,105**	Impairment of asset held for sale	**425**	-
44,014	**41,132**	**Operating profit before working capital changes**	**15,820**	16,934
(518)	**151**	Change in inventories	**58**	(201)
1,528	**8,819**	Change in receivables	**3,392**	572
9,803	**19,755**	Change in payables	**7,598**	3,784
54,827	**69,857**	**Operating profit after working capital changes**	**26,868**	21,089
(331)	**(806)**	Employees' end of service benefits paid	**(310)**	(128)
(3,550)	**(5,091)**	Tax paid	**(1,960)**	(1,364)
50,946	**63,960**	**Net cash from operating activities**	**24,598**	19,597
		INVESTING ACTIVITIES		
(21,085)	**(24,905)**	Acquisition of property and equipment	**(9,579)**	(8,116)
-	**3,694**	Derecognition / disposal of property and equipment (net)	**1,428**	-
2,334	**772**	Interest received	**296**	898
23,400	**(7,800)**	Decrease in term deposits	**(3,000)**	9,000
4,649	**(28,239)**	**Net cash from investing activities**	**(10,855)**	1,782
		FINANCING ACTIVITIES		
(23,215)	**(23,215)**	Repayment of loans and borrowings	**(8,929)**	(8,929)
(9,352)	**(7,010)**	Dividend paid	**(2,696)**	(3,597)
(1,799)	**(741)**	Finance cost paid	**(285)**	(692)
(34,366)	**(30,966)**	**Net cash used in financing activities**	**(11,910)**	(13,218)
21,229	**4,755**	**Net change in cash and cash equivalents**	**1,833**	8,161
8,962	**30,191**	Cash and cash equivalents at the 1 January	**11,608**	3,447
30,191	**34,946**	**CASH AND CASH EQUIVALENTS AT 31 DECEMBER**	**13,441**	11,608

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

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

Notes
(Forming part of the consolidated financial statements)

1 Legal status and principal activities

Salalah Port Services Company SAOG ("the Company" or "the Parent Company) is registered as a joint stock company in the Sultanate of Oman under the Commercial Companies Law of Oman. The audited consolidated financial statement of the Company for the year ended 31 December 2018 comprises the consolidated financial statements of the Company and its subsidiary - Port of Salalah Development Company LLC ("POSDC") (together referred to as the Group). The Company is primarily engaged in leasing, equipping, operating and managing Container Terminal and General Cargo Terminal facilities in Salalah, Sultanate of Oman. POSDC is engaged in property related activities within the Port of Salalah premises. The Company's shares are listed in the Muscat Securities Market.

2 Basis of Preparation

(a) Statement of compliance
These audited consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and comply with the relevant requirements of the Commercial Companies Law of 1974, as amended and the Capital Market Authority 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$'') rounded off to the nearest thousands. The Group's functional currency is RO. The audited consolidated financial statements have been prepared under the historical cost basis except for derivative financial instruments and available for sale investments, which are stated at fair value. Exchange rate considered for conversion is RO 1 = USD 2.6 and US$ amounts are presented only for the convenience of readers.

This is the first set of annual consolidated financial statements, in which IFRS 9 and IFRS 15 have been applied. Changes to accounting policies relating to IFRS 9 are described in note 4(y).

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

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

3 Significant agreements

The Company has entered into the following significant agreements:

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

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

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

3 Significant agreements (continued)

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

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

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

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

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

4 Significant accounting policies

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

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

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

4 Significant accounting policies (continued)

(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) Revenue
Revenue comprises income earned from services rendered in connection with the facilities provided at Container Terminals (CT) and General Cargo Terminals (GCT). Revenue is measured based on the consideration specified in a contract with the customer. The Group recognises the revenue, when it transfers the control over the goods or services to a customer. The Group also pays rebates to certain customers upon achievement of certain level of volumes based on contractual arrangement entered with those customers. Under IFRS 15, rebates give rise to variable consideration. To estimate the variable consideration, the Group applied "most likely method".

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

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

4 Significant accounting policies (continued)

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

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

(e) Foreign currencies
Transactions in foreign currencies are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are translated to Rials Omani at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation of monetary assets and liability are recognised in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are 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.

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

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

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

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

4 Significant accounting policies (continued)

(g) Intangible asset

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

(h) Property and equipment

(i) Recognition and measurement

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

Capital work-in-progress

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

(ii) Depreciation

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

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

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

4 Significant accounting policies (continued)

(h) Property and equipment (continued)

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

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

(i) Available for sale investments *(Applicable to 2017 only)*
The Group's investments in equity securities are classified as available for sale investments. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income. The fair value of investments available for sale is their quoted bid price at the end of the reporting date. Available for sale investments are recognised / de-recognised by the Group on the date it commits to purchase/sell the investments. When an investment is derecognised the cumulative gain or loss in other comprehensive income is transferred to the profit and loss.

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

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

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

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

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

4 Significant accounting policies (continued)

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

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

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

(o) Determination of Directors remuneration
The Board of Directors' remuneration is accrued within the limits specified by the Capital Market Authority and the requirements of the Commercial Companies Law of 1974 of the Sultanate of Oman, as amended.

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

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

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

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

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

4 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

4 Significant accounting policies (continued)

(u) Fair value (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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.

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

(w) Impairment of financial assets (Applicable to 2017 only)

Financial assets
Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty;
- default or delinquency in payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

Certain categories of financial assets, such as trade receivables that are not individually significant, but which are past due, are assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period as well as observable changes in national or local economic conditions that correlate with default on receivables. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account.

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

4 Significant accounting policies (continued)

(w) Impairment of financial assets *(Applicable to 2017 only) (continued)*
When a trade receivable is considered uncollectible, it is directly written off after appropriate approvals and recognised in the consolidated statement of comprehensive income within selling and distribution expenses. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

(x) Financial assets *(Applicable from 2018)*

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)

(x) Financial assets *(Applicable from 2018) (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. The Group classified its investment in Dhofar University as FVTPL.

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

4 Significant accounting policies (continued)

(x) Financial assets *(Applicable from 2018) (continued)*

Impairment of financial assets (Applicable from 2018)
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.

(y) New and amended standards and interpretations to IFRS relevant to the Group

For the year ended 31 December 2018, the Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2018.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

IFRS 9 Financial Instruments:
The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes in the accounting policies are set out in note (x).

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. In case of the Group, the Expected Credit Loss (ECL) as at 1 January 2018 based on IFRS 9 is not material to the consolidated financial statements as a whole and accordingly, no opening retained earning adjustment has been incorporated in the consolidated financial statements.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
    - The determination of the business model within which a financial asset is held.
    - The designation and revocation of previous designations of certain financial assets as measured at FVOCI.

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

4 Significant accounting policies (continued)

(y) New and amended standards and interpretations to IFRS relevant to the Group (continued)

Classification of financial assets on the date of initial application of IFRS 9
The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

	Original classification (IAS 39)	*New classification (IFRS 9)*	*Original Carrying amount RO'000*	*New carrying amount RO'000*
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	**11,608**	**11,608**
Trade and other receivables	Loans and receivables	Amortised cost	**10,490**	**10,490**
Term deposits	Loans and receivables	Amortised cost	**10,000**	**10,000**
Total financial assets			**32,098**	**32,098**

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

IFRS 15 Revenue from contracts with customers ("IFRS 15"):
IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group's adoption of IFRS 15 under modified retrospective method had no material impact on the consolidated financial statements of the Group.

(z) Standards issued but not yet effective

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for the year ended 31 December 2018:

IFRS 16 Leases:
The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). For lessors, there is little change to the existing accounting in IAS 17 Leases. The Group will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. During 2018, the Company has performed a preliminary impact assessment of IFRS 16. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2019, when the Company will adopt IFRS 16. Overall, the Company expects no significant impact on its statement of financial position.

Notes (Continued)

(Forming part of the consolidated financial statements)

5 Direct operating costs

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
51,474	**50,838**	Staff costs (note10)	**19,553**	19,797
20,579	**21,690**	Depreciation (note 11)	**8,343**	7,915
9,474	**9,457**	Repair and maintenance	**3,637**	3,644
11,071	**10,557**	Power and fuel	**4,060**	4,258
723	**702**	Equipment leasing costs	**271**	278
1,385	**2,617**	Marine services	**1,006**	533
1,571	**1,326**	System and communications	**510**	604
96,277	**97,187**		**37,380**	37,029

6 Other operating expenses

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
6,222	**15,656**	Ground rent and royalty	**6,022**	2,393
4,917	**5,408**	Management fees	**2,080**	1,891
1,678	**1,386**	Depreciation (note 11)	**533**	645
1,491	**1,544**	Insurance	**594**	574
1,239	**1,272**	Terminal maintenance	**489**	476
37	**32**	Amortisation (note 12)	**12**	14
15,584	**25,298**		**9,730**	5,993

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

7 Administration and general expenses

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
15,516	**16,505**	Staff costs (note10)	**6,349**	5,968
781	**692**	Systems and communications	**266**	300
914	**897**	Travelling expenses	**345**	351
244	**265**	Sales and marketing	**102**	94
449	**468**	Directors remuneration and sitting fees	**180**	173
236	**57**	Allowance for expected credit losses (note 16)	**22**	91
244	**333**	Office rent and land maintenance costs	**128**	94
435	**270**	Legal and professional fees	**104**	167
187	**187**	Corporate social responsibility	**72**	72
104	**162**	Depreciation (note 11)	**62**	48
868	**997**	Other claims	**383**	334
139	**139**	Postage, printing and stationery	**53**	53
16	**193**	Inventory obsolescence (note 15)	**75**	5
60	**159**	Other general administration expenses	**62**	17
20,193	**21,324**		**8,203**	7,767

8 Other income

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
2,334	**2,036**	Interest income	**783**	898
2,867	**-**	Write back of provision for expenses made in prior years	**-**	1,102
1,051	**769**	Miscellaneous income	**296**	404
449	**24**	Other finance income	**9**	172
6,701	**2,829**		**1,088**	2,576

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

9 Finance costs

2017 US $ '000	2018 US $ '000		2018 RO'000	2017 RO'000
1,799	**741**	Term loan interest	**285**	692
109	**265**	Other finance charges	**102**	42
1,908	**1,006**		**387**	734

10 Staff costs

2017 US $ '000	2018 US $ '000		2018 RO'000	2017 RO'000
53,411	**55,250**	Wages and salaries	**21,256**	20,543
9,148	**7,421**	Other benefits	**2,855**	3,518
3,295	**3,433**	Contributions to defined contribution retirement plan	**1,320**	1,267
1,136	**1,239**	Un-funded defined benefit retirement plan	**471**	437
66,990	**67,343**		**25,902**	25,765

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

2017 US $ '000	2018 US $ '000		2018 RO'000	2017 RO'000
51,474	**50,838**	Direct operating costs	**19,553**	19,797
15,516	**16,505**	Administration and general expenses	**6,349**	5,968
66,990	**67,343**		**25,902**	25,765

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

11 Property and equipment

Details of property and equipment are set out in pages 82, 83, 84 and 85.

Buildings are situated on land leased up to the year 2028, from the Ministry of Transport and Communications. Lease rental for year ended 31 December 2018 amounted to RO 1.54 million (31 December 2017: RO 1.49 million) and increases based on contractual terms agreed with the Government.

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

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
20,579	**21,690**	Direct operating costs	**8,343**	7,915
1,678	**1,386**	Other operating expenses	**533**	645
104	**162**	Administration expenses	**62**	48
22,361	**23,238**		**8,938**	8,608

12 Intangible assets

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
1,105	1,105	1 January	425	425
		Cumulative amortisation		
(668)	**(705)**	1 January	**(271)**	(257)
(37)	**(31)**	Additions	**(12)**	(14)
(705)	**(736)**	31 December	**(283)**	(271)
		Carrying amount		
437	**400**	1 January	**154**	168
(37)	**(31)**	Amortisation	**(12)**	(14)
400	**369**	31 December	**142**	154

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

13 Fair value through profit or loss / available-for-sale investments

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

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

2017 US $ '000	**2018** **US $ '000**		**2018** **RO'000**	2017 RO'000
(252)	-	Impairment of available-for-sale investments	-	(97)

During the year, IFRS 9 was adopted by the Group w.e.f. 1 January 2018 and the Group considered classifying the investment as FVTPL, thus, no transition impact adjustment was considered as a part of opening retained earnings.

14 Term deposits

2017 US $ '000	**2018** **US $ '000**		**2018** **RO'000**	2017 RO'000
13,000	-	Bank deposits – DSRA (i)	-	5,000
13,000	-		-	5,000

(i) The Company has repaid its entire loan as on 31 Dec 2018, however the DSRA deposit has a maturity date of Apr 2019 and the same is classified under current assets. The deposits carry effective annual interest rates of 3.25%.

15 Inventories

2017 US$ '000	**2018** **US$ '000**		**2018** **RO'000**	2017 RO'000
7,721	**7,570**	Spares and consumables	**2,911**	2,969
(2,118)	**(2,311)**	Less: provision for slow moving inventories	**(889)**	(814)
5,603	**5,259**		**2,022**	2,155

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

2017 US $ '000	**2018** **US $ '000**		**2018** **RO'000**	2017 RO'000
2,102	**2,118**	1 January	**814**	809
16	**193**	Provided during the year	**75**	5
2,118	**2,311**	31 December	**889**	814

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

16 Trade and other receivables

2017	2018		2018	2017
US $ '000	**US $ '000**		**RO'000**	RO'000
7,699	**-**	Receivables from related parties	**-**	2,961
17,417	**12,269**	Trade receivables	**4,719**	6,714
(702)	**(619)**	Less : Allowance for expected credit losses	**(238)**	(270)
16,715	**11,650**		**4,481**	6,444
322	**1,389**	Receivables from the Government of Sultanate of Oman	**534**	124
1,989	**1,711**	Prepaid expenses	**658**	766
507	**5,138**	Other receivables	**1,976**	195
27,232	**19,888**		**7,649**	10,490

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

Movement for allowance for expected credit losses is set out below:

2017	2018		2018	2017
US $ '000	**US $ '000**		**RO'000**	RO'000
466	**702**	1 January	**270**	179
-	**(140)**	Bad-debts written off	**(54)**	-
236	**57**	Provided during the year	**22**	91
702	**619**	31 December	**238**	270

17 Cash and bank balances

2017	2018		2018	2017
US $ '000	**US $ '000**		**RO'000**	RO'000
1,586	**5,320**	Cash and bank balances	**2,046**	610
28,605	**29,626**	Call deposit accounts	**11,395**	10,998
30,191	**34,946**	Cash and cash equivalents	**13,441**	11,608

2017	2018		2018	2017
US $ '000	**US $ '000**		**RO'000**	RO'000
13,000	**33,800**	Short term deposits	**13,000**	5,000

Notes (Continued)

(Forming part of the consolidated financial statements)

17 Cash and bank balances (continued)

At 31 December 2018, call and deposits are placed in US$ and RO with local commercial banks in Oman. Term deposits carry effective annual interest rates ranging from 4.25% to 4.50% (2017: 4.00%) and call deposits carry an effective annual interest rate of 0.50% (2017: 0.51%) and 3.0% (2017: 3.3%) respectively.

18 Equity

(a) Share capital

	Authorised		**Issued and fully paid**	
	2018	2017	**2018**	2017
Shares of RO 0.100 each (RO '000)	**200,000**	200,000	**179,837**	179,837
Shares of RO 0.100 each (US$ '000)	**520,000**	520,000	**467,578**	467,578

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

(b) Share premium

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

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

	2018		2017	
	No. of shares	**%**	No. of shares	%
A.P. Terminals BV	54,180,000	30	54,180,000	30
Oman Global Logistics Group	36,120,000	20	36,120,000	20
HSBC BK PLC a/c IB Account	25,778,730	14	25,778,730	14
HSBC A/C Ministry of Defense – Pension Fund	17,803,740	10	17,803,740	10

(c) Legal reserve

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

Notes (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:

2017	**2018**		**2018**	2017
13,554	**13,791**	Profit for the year (US $ '000 / RO ’000)	**5,303**	5,211
179,837	**179,837**	Weighted average number of shares outstanding at 31 December (‘000)	**179,837**	179,837
0.076	**0.077**	Basic earnings per share (US $ / RO)	**0.029**	0.029

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

20 Dividends

The Board of Directors has proposed a cash dividend of RO 0.015 (2017: RO 0.015) [USD 0.0039 (2017: USD 0.0039)] per share totalling to amount of approximately RO 2.696 million (2017: RO 2.696 million) [USD 7.010 million (2017: USD 7.010 million)] for the year ended 31 December 2018, which is subject to approval by the shareholders at the forthcoming Annual General Meeting. Withholding tax will be deducted and paid on the payment of the dividends to non-resident shareholders.

Shareholders approved cash dividend of RO 0.015 (USD 0.0039) per share for 2017 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 2018.

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 2018, total amount of unclaimed dividend amounted to RO 40,541 (December 2017: RO 22,467). Any outstanding unpaid dividend more than six months has been transferred to the Investors’ Trust Fund during October 2018.

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:

2017	**2018**		**2018**	2017
145,600	**152,574**	Net assets (US $ '000 / RO '000)	**58,631**	56,000
179,837	**179,837**	Shares outstanding at 31 December ('000)	**179,837**	179,837
0.810	**0.848**	Net assets per share (US $ / RO)	**0.326**	0.311

22 Loans and borrowings

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

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

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

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

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

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

The Company has repaid RO 8.92 million (USD 23.22 million) in 2018. Repayment of RO 3.81 million (USD 9.90 million) was made towards Tranche III and RO 5.12 million (USD 13.32 million) towards Tranche IV. As on 31st December 2018 the Port has become debt free.

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

22 Loans and borrowings *(continued)*

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

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

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

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

The term loan facilities carry an effective annual interest rate of 4.5% (Dec 2017: 4.98%) incorporating the effect of hedging instrument.

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

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

23 Employees' end of service benefits

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

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
6,663	**7,468**	As at 1 January	**2,872**	2,563
1,136	**1,222**	Accruals during the year	**470**	437
(331)	**(806)**	End of service benefit paid	**(310)**	(128)
7,468	**7,884**	As at 31 December	**3,032**	2,872

24 Trade and other payables

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
55,137	**71,241**	Accrued expenses and other liabilities	**27,403**	21,218
1,981	**4,908**	Trade payables	**1,886**	762
5,147	**5,635**	Amounts due to related parties (note 27)	**2,167**	1,980
5,202	**3,827**	Current tax payable (note 25)	**1,471**	2,002
652	**1,078**	Amounts due to Government of Sultanate of Oman	**415**	251
68,119	**86,689**		**33,342**	26,213

25 Taxation

The Parent Company and its subsidiary are assessed separately for taxation. The tax rate applicable is 15% (2017: 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% (2017: 15%).

Deferred tax has been computed at the tax rate of 15% (31 December 2017: 15%).

The assessment 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 2018.

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

25 Taxation *(continued)*

2017	**2018**		**2018**	2017
		Profit and loss		
4,978	**3,716**	Current tax - current year	**1,429**	1,915
1,963	**(1,087)**	Deferred tax - current year	**(418)**	755
6,941	**2,629**		**1,011**	2,670
		Tax provision		
3,774	**5,202**	As at 1 January	**2,002**	1,451
4,978	**3,714**	Charged during the year	**1,429**	1,915
(3,550)	**(5,091)**	Paid during the year	**(1,960)**	(1,364)
5,202	**3,825**	As at 31 December	**1,471**	2,002

Deferred tax liability comprises the following temporary differences:

		Deferred tax liability		
15,434	**17,397**	As at 1 January	**6,691**	5,936
1,963	**(1,087)**	Movement for the year	**(418)**	755
17,397	**16,310**	As at 31 December	**6,273**	6,691

Deferred tax adjustments relates to the following:

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
(118,797)	**(17,743)**	Net book value of property and equipment	**(6,824)**	(45,691)
2,820	**440**	Provisions and losses	**169**	1,085
(115,977)	**(17,303)**		**(6,655)**	(44,606)

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

26 Derivative financial instruments and hedging deficit

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

At 31 December 2018, the USD LIBOR was nil (2017: 1.828%) per annum, whereas the Company had fixed interest on its long term borrowings at 4.895% on Tranche 3 and 3.350% on Tranche 4. Management had performed hedge effectiveness test as required under reporting standards. The Company has become debt free as of 31 December 2018.

Based on the interest rates gap over the life of the IRS on tranche 3 and 4, the indicative loss as at 31 December 2018 were assessed at RO 0.04 million (US$ 0.1 million) [2017: loss of RO 0.04 million (US$ 0.1 million)] by the counter parties to IRS. The Company's IRS expired during the year.

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

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

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

Interest rate swaps- Notional amounts by term to maturity

	Positive fair value	*Negative fair value*	*Notional Amount*	*Within 1 Year*	*1 year to 5 years*	*Over 5 Years*
	RO'000	*RO'000*	*RO'000*	*RO'000*	*RO'000*	*RO'000*
2017	-	38	38	38	-	-
	US $ '000	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**
2017	-	99	99	98	1	-

At 31 December 2018, the USD LIBOR was nil (Dec 2017: 1.828%) per annum, whereas the Company had fixed interest on its long term borrowings at 4.895% on Tranche 3 and 3.350% on Tranche 4 matured on 30th June 2018 and has been settled by the Company.

Based on the interest rates gap over the life of the IRS on tranche 3 and 4, the indicative loss as at 31 December 2018 was Nil as Company has settled the same [(Dec 2017: RO 0.04 million (US$ 0.10 million) Loss)] by the counter parties to IRS.

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:

	2018			2017		
	Purchases	**Services**	**Others**	Purchases	Services	Others
	RO '000	**RO '000**	**RO '000**	RO'000	RO '000	RO '000
Other related parties	**159**	**28,465**	**3,268**	78	30,561	3,395
	159	**28,465**	**3,268**	78	30,561	3,395
	USD '000	**USD '000**	**USD '000**	USD '000	USD '000	USD '000
Other related parties	**412**	**74,009**	**8,496**	202	79,459	8,828
	412	**74,009**	**8,496**	202	79,459	8,828

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

27 Related party transactions *(continued)*

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

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
1,355	**1,396**	Short term benefits	**536**	521
68	**44**	End of service benefits	**17**	26
390	**390**	Remuneration of directors	**150**	150
57	**77**	Sitting fees of directors	**30**	22
1,870	**1,907**		**733**	719

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

	2018		2017	
	Trade and other receivables	**Trade and other payables**	Trade and other receivables	Trade and other payables
	RO '000	**RO '000**	RO'000	RO'000
Other related parties	**-**	**2,167**	2,961	1,980
	US $ '000	**US $ '000**	US $ '000	US $ '000
Other related parties	**-**	**5,635**	7,699	5,147

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

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

28 Operating Segment information

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

The two segments are organised on the basis of the classification of individual berths as set out in the two concession agreements with the Government of the Sultanate of Oman 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.

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

28 Operating Segment information *(Continued)*

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

	Container terminal		General cargo terminal		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000	**RO'000**	RO'000
Revenue	**38,229**	43,523	**18,101**	13,505	**56,330**	57,028
Depreciation and amortisation	**(8,230)**	(7,511)	**(720)**	(1,097)	**(8,950)**	(8,608)
Net profit	**763**	2,344	**4,540**	2,867	**5,303**	5,211
Operating assets	**66,503**	76,085	**34,824**	24,693	**101,327**	100,778
Operating liabilities	**66,503**	76,085	**34,824**	24,693	**101,327**	100,778
Other disclosures						
Capital expenditure	**9,577**	7,663	**-**	453	**9,577**	8,116

	Container terminal		General cargo terminal		Total	
	2018	2017	**2018**	2017	**2018**	2017
	US $ '000	US $ '000	**US $'000**	US $ '000	**US $ '000**	US $ '000
Revenue	**99,395**	113,161	**47,062**	35,115	**146,457**	148,276
Depreciation and amortisation	**(21,398)**	(19,529)	**(1,880)**	(2,832)	**(23,278)**	(22,361)
Net profit	**1,985**	6,097	**11,806**	7,457	**13,791**	13,554
Operating assets	**172,915**	197,789	**90,542**	64,203	**263,457**	261,992
Operating liabilities	**172,915**	197,789	**90,542**	64,203	**263,457**	261,992
Other disclosures						
Capital expenditure	**24,899**	19,925	**-**	1,160	**24,899**	21,085

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

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

28 Operating Segment information *(Continued)*

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

2017	**2018**		**2018**	2017
US $ '000	**US $ '000**		**RO'000**	RO'000
46,232	**57,154**	Oman	**21,983**	17,781
99,149	**88,514**	Europe	**34,044**	38,134
2,318	**789**	Other Asia	**303**	891
577	**-**	Africa	**-**	222
148,276	**146,457**		**56,330**	57,028

29 Commitments and contingencies

29.1 State audit findings

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

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

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

29.2 Capital expenditure commitments

2017	**2018**		**2018**	2017
US $'000	**US $'000**		**RO'000**	RO'000
9,970	**15,632**	Capital expenditure commitments	**6,012**	3,834
9,970	**15,632**		**6,012**	3,834

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

29 Commitments and contingencies *(Continued)*

29.3 Operating lease commitments

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

2017 US $'000	**2018** **US $'000**		**2018** **RO'000**	2017 RO'000
5,246	**4,940**	Not later than one year	**1,900**	2,018
28,688	**27,009**	Between one and five years	**10,388**	11,034
21,728	**31,311**	After five years	**12,043**	8,357
55,662	**63,260**		**24,331**	21,409

29.4 Claims

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

29.5 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. Torrential rains accompanied by strong winds affected much of Salalah and the Dhofar governorate. The intense rainfall and the subsequent runoff caused flooding in and around the Port premises. The management immediately notified the insurers and surveyors were appointed to evaluate the extent of damage on the site. Port operations were halted from the date of the cyclone till 2 June 2018. Subsequently, the Port resumed partial operations handling container and general cargo. The impact of the Mekunu was severe to the extent that till 31 December 2018, the container terminal has not been able to return to the previous operational level.

Mekunu resulted in write off / write downs of certain property, plant and equipment and inventory items. The impact of the write off / write down together with the partial recovery costs amounting to RO 10.212 million incurred for resuming normal operations were accounted and disclosed separately under 'cyclone related costs'. The management believes it is still early to provide a complete overview of the extent of damage caused to the Port's property, plant and equipment and to gauge third—party liabilities. However, based on information out of the assessment carried out, the management has recorded these write offs.

The technical team / external consulting engineers engaged to deal with the assessment, repair / restoration have not assessed a reduction in useful life if any, of the key assets currently. Therefore, the Management has not made any adjustment on account of accelerated depreciation in the consolidated financial statements for the year ended 31 December 2018. The management is of the view that the impact of such adjustments cannot be ascertained prior to completion of the assessment of the technical team, therefore the amount or timing of any outflow is uncertain.

The Port assets were covered under the "Port Package Policy" insurance against the cyclone, including business interruption. The "Port Package Policy" covers the claim for property damage and business interruption in excess of the threshold defined therein.

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

29 Commitments and contingencies *(Continued)*

29.5 Note on Cyclone Mekunu (Continued)

The insurers have processed and released two payments on account totaling to RO 14.81million (US$ 38.5 million) against the claim (with RO 11.15 million (US$ 29 million) progress payment pertaining to property damage and RO 3.65 million (US$ 9.5 million) pertaining to business interruption). The first payment of RO 9.62 million (US$ 25 million) was finalized and received in the Company's bank accounts during the year. The second payment on account for RO 5.19 million (US$ 13.5 million) was signed in November 2018, with partial settlement amounting to RO 4.12 million (US$ 10.7 million) received in December 2018 and remainder settlement of RO 1.08 million (US$ 2.8 million) expected to receive in January 2019, and hence this is shown as insurance proceeds receivable and classified under 'trade and other receivables' (note 16). The payments on account of RO 14.81million (USD 38.5 million) have been considered as other income under the head Insurance claim compensation for the year. The allocation of the claim receipt of RO 14.81million (US$ 38.5 million) among the CT and GCT segments is provisional at this stage and may warrant changes upon finalization of the claim assessment.

The Company has submitted an interim claim which is under the assessment by the loss adjustors. The management and the insurer are of the view that the formal assessment of the total claim size is still ongoing and accordingly, will be reflected in books further in the year 2019, when the Port will have the confirmation of amount and timing of insurance receipts.

The capital commitments include RO 4.09 million (USD $ 10.63) million on account of replacements of assets damaged & claimed by the Company against insurance. As mentioned above, the final claim assessment is yet to be complete by the loss adjustors.

The Company has received intimation for loss and damages to containers / cargoes held in Salalah port during the cyclone period, the matter is being handled by law firm appointed to defend the claims. The management has contested such claims as not liable due to force majeure. The management has however reported under such our liability cover to the insurance company. Four cargo claim cases filed in the Primary court, Muscat were rejected due to no legal jurisdiction, one cargo claim with an approximate value of RO 38.46K (USD100k) filed in USA await disposition. As the matter is sub judice no provision for cargo claim cost has been made in books nor has realization under the liability insurance policy been included in 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.

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

30 Financial risk management *(continued)*

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

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

2018 Average ECL rate		**Gross carrying amount RO'000**	**ECL RO'000**
0.1%	Within credit period	**2,768**	**3**
0.4%	Past due 31-60 days	**991**	**4**
2.1%	Past due 61-90 days	**425**	**9**
5.5%	Past due 90-180 days	**330**	**18**
99.5%	More than 180 days	**205**	**204**
5%		**4,719**	**238**

2017 US $ '000		2017 RO'000
19,220	Within credit period	7,407
3,432	Past due 31-60 days	1,320
1,470	Past due 61-90 days	566
809	Past due 90-180 days	311
(195)	More than 180 days	(75)
24,736		9,529

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

2017 US $ '000	**2018 US $ '000**		**2018 RO'000**	2017 RO'000
4,269	**6,739**	Oman	**2,592**	1,642
20,350	**5,386**	Europe	**2,072**	7,842
117	**144**	Other & Asia	**55**	45
24,736	**12,269**		**4,719**	9,529

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:

2017	2018		2018	2017
US $ '000	**US $ '000**		**RO'000**	RO'000
21,125	**5,468**	Shipping lines	**2,103**	8,140
3,611	**6,801**	Others	**2,616**	1,389
24,736	**12,269**		**4,719**	9,529

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

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

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

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

	31 December 2018				
	Less than 3 months	***3 to 6 months***	***6 to 12 months***	***more than 12 months***	***Total***
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Trade and other payables	**26,203**	**4,958**	**14**	**-**	**31,175**
Amount due to related parties	**2,167**	**-**		**-**	**2,167**
	28,370	**4,958**	**14**	**-**	**33,342**
	US $'000	**US $'000**	**US $'000**	**US $'000**	**US $'000**
Trade and other payables	**68,090**	**12,890**	**37**	**-**	**81,017**
Amount due to related parties	**5,635**	**-**	**-**	**-**	**5,635**
	73,725	**12,890**	**37**	**-**	**86,652**

Notes (Continued)

(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

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

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 2018, approximately NIL % of the outstanding loans are at fixed rate of interest (2017: 43%).The following table summarises the impact of interest rate changes.

31 December 2017 US$ '000	**31 December 2018 US$ '000**		**31 December 2018 RO '000**	31 December 2017 RO '000
100	-	Increase in basis points	-	100
(49)	-	Effect on profit before tax	-	(19)
100	-	Decrease in basis points	-	100
49	-	Effect on profit before tax	-	19

Cash flow sensitivity analysis for variable rate instruments

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

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

30 Financial risk management *(continued)*

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

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

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 1974 of the Sultanate of Oman, as amended.

31 Fair values of the financial instruments

Financial instruments comprise financial assets, financial liabilities and derivatives.

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

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

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

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

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

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

- Cash and short-term deposits, trade and related parties receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2018, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- Fair value of quoted instruments is based on price quotations at the reporting date.
- Interest rate swaps are fair valued on the valuation provided by the counter parties.

Fair value hierarchy

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

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

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

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

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

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

Assets measured at fair value at 31 December 2017

	31 December 2017	Level 1	Level 2	Level 3
	RO '000	RO '000	RO '000	RO '000
Interest rate swap	38	-	38	-
	US $ '000	US $'000	US $ '000	US $ '000
Interest rate swap	99	-	99	-

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

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

32 Key sources of estimation uncertainty

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

Impairment of trade receivable (Applicable to 2017 only)
An estimate of the collectible amount of trade receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

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 2.91 million (US$ 7.57 million) [Dec 2017 – RO 2.97 million (US$ 7.7 million)] and provisions for old and obsolete inventories was RO 0.9 million (US$ 2.3 million) [Dec 2017 – RO 0.8 million (US$ 2.1 million)]. Any difference between the amounts actually realised in future years and the amounts expected will be recognised in the statement of comprehensive income.

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

Classification of financial assets - policy applicable from 1 January 2018
Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets at amortised cost - policy applicable from 1 January 2018
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.

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

33 Comparative amounts

Certain corresponding figures for year ended 31 December 2017 have been reclassified in order to confirm to the presentation for the current year. Such reclassifications were made within the same notes to the financial statements and do not affect previously reported profit or shareholder's equity.

Notes (Continued)
(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	Furnitures, 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	-	5,723	3,450	385	1,056	-	1,089	595	12,360	24,905
Disposal / derecognition	-	(2,272)	(4,576)	(21,070)	(627)	(91)	(205)	-	-	-	(28,841)
Transfer	23	1,875	29	12,856	(489)	2,496	31	5	(918)	-	15,908
Asset held for sale	-	-	-	-	-	(2,426)	-	-	-	-	(2,426)
31 December 2018	19,833	178,339	99,524	15,992	7,222	55,994	573	9,617	11,459	16,787	415,340
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 year	(1,069)	(7,608)	(6,250)	(1,385)	(502)	(5,353)	(101)	(317)	(653)	-	(23,238)
Disposal/derognition	-	1,875	4,576	16,596	458	91	205	-	-	-	23,801
Transfer	(23)	(1,875)	(29)	(12,856)	489	(2,496)	(31)	(5)	918	-	(15,908)
Asset held for sale	-	-	-	-	-	1,105	-	-	-	-	1,105
31 December 2018	(15,302)	(101,127)	(66,201)	(12,914)	(6,042)	(27,840)	(409)	(8,221)	(9,411)	-	(247,467)
Carrying amounts											
31 December 2018	**4,531**	**77,212**	**33,323**	**3,078**	**1,180**	**28,154**	**164**	**1,396**	**2,048**	**16,787**	**167,873**
31 December 2017	5,353	85,217	33,849	5,487	1,466	33,772	265	624	2,106	4,427	172,566

Notes
(Forming part of the consolidated financial statements)

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

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

Notes
(Forming part of the consolidated financial statements)

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

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

Schedule to the audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of comprehensive income

For the year ended 31 December 2018

31 December 2017 US $ '000	**31 December 2018 US $ '000**		**31 December 2018 RO'000**	31 December 2017 RO'000
147,990	**146,174**	Revenue	**56,221**	56,718
(96,277)	**(97,187)**	Direct operating costs	**(37,380)**	(37,029)
(15,555)	**(25,243)**	Other operating expenses	**(9,709)**	(5,983)
(20,174)	**(21,272)**	Administration and general expenses	**(8,182)**	(7,760)
6,181	**2,829**	Other income	**1,087**	2,376
22,165	**5,301**	**Profit from operations**	**2,037**	8,523
	(26,550)	Cyclone related expenses	**(10,212)**	-
	38,501	Insurance compensation	**14,808**	-
(1,908)	**(1,006)**	Finance costs	**(387)**	(734)
20,257	**16,246**	**Profit for the year before tax**	**6,246**	7,789
(6,893)	**(2,598)**	Income tax	**(999)**	(2,651)
13,364	**13,648**	**Profit for the year**	**5,247**	5,138
		Other comprehensive income		
		Items that are or may be reclassified to profit or loss		
(252)		Fair value change of investments		(97)
1,193	**97**	Net movement in cash flow hedges	**38**	459
941	**97**		**38**	362
941	**97**	Other comprehensive income for the year, net of tax	**38**	362
14,305	**13,745**	**Total comprehensive income for the year, net of tax**	**5,285**	5,500
0.080	**0.077**	**Basic earnings per share (US $ / RO)**	**0.029**	0.031

Schedule to the audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of financial position

As at 31 December 2018

31 December 2017 US $ '000	**31 December 2018 US $ '000**		**31 December 2018 RO'000**	31 December 2017 RO'000
		ASSETS		
		Non-current Assets		
172,236	**166,958**	Property and equipment	**64,214**	66,244
406	**369**	Intangible assets	**142**	156
312	**312**	Investment in a subsidiary	**120**	120
13,000	**-**	Term deposits	**-**	5,000
185,954	**167,639**		**64,476**	71,520
		Current assets		
5,600	**5,257**	Inventories	**2,022**	2,154
26,988	**19,430**	Trade and other receivables	**7,473**	10,380
13,000	**33,800**	Short term deposits	**13,000**	5,000
30,020	**34,788**	Cash and cash equivalents	**13,380**	11,546
75,608	**93,275**	**Total Current Assets**	**35,875**	29,080
-	**1,321**	Non Current Asset held for Sale	**508**	-
	94,596		**36,383**	
261,562	**262,235**	**TOTAL ASSETS**	**100,859**	100,600
		EQUITY		
46,758	**46,758**	Share capital	**17,984**	17,984
7,666	**7,666**	Share premium	**2,949**	2,949
15,586	**15,586**	Legal reserve	**5,994**	5,994
(99)	**-**	Hedging deficit	**-**	(38)
75,411	**82,038**	Retained earnings	**31,553**	29,003
145,322	**152,048**	**TOTAL EQUITY**	**58,480**	55,892
		LIABILITIES		
		Non-current Liabilities		
19,288	**16,312**	Deferred tax	**6,273**	7,419
7,466	**7,883**	Employees' end of service benefits	**3,032**	2,872
1	**-**	Derivative financial instruments	**-**	-
26,755	**24,195**		**9,305**	10,291
		Current liabilities		
66,172	**85,992**	Trade and other payables	**33,074**	25,451
23,215	**-**	Loans and borrowings	**-**	8,929
98	**-**	Derivative financial instruments	**-**	38
89,485	**85,992**		**33,074**	34,418
116,240	**110,187**	**TOTAL LIABILITIES**	**42,379**	44,709
261,562	**262,235**	**TOTAL EQUITY AND LIABILITIES**	**100,859**	100,600
0.810	**0.845**	**Net assets per share (US $/ RO)**	**0.325**	0.311

Schedule to the Audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of changes of equity

For the year ended 31 December 2018

	Attributable to equity shareholders of the parent company						
	Share capital RO '000	Share premium RO '000	Legal reserve RO '000	Hedging Deficit RO '000	Fair value reserve RO '000	Retained earnings RO '000	Total RO '000
Balance at 1 January 2017	17,984	2,949	5,994	(497)	97	27,462	53,989
Profit for the year	-	-	-	-	-	5,138	5,138
Other comprehensive income	-	-	-	459	(97)	-	362
Total comprehensive income	-	-	-	459	(97)	5138	5,500
Dividend paid						(3,597)	(3,597)
Balance at 31 December 2017	17,984	2,949	5,994	(38)	-	29,003	55,892
Balance 1 January 2018	17,984	2,949	5,994	(38)	-	29,003	55,892
Profit for the year	-	-	-	-	-	5,247	5,247
Other comprehensive income	-	-	-	38	-	-	38
Total comprehensive income	-	-	-	38	-	-	38
Dividend paid	-	-	-	-	-	(2,697)	(2,697)
Balance at 31 December 2018	**17,984**	**2,949**	**5,994**	**-**	**-**	**31,553**	**58,480**

Schedule to the Audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of changes of equity (Continued)

For the year ended 31 December 2018

	Attributable to equity shareholders of the parent company						
	Share capital US $ '000	Share premium US $ '000	Legal reserve US $ '000	Hedging deficit US $ '000	Fair value reserve US $ '000	Retained earnings US $ '000	Total US $ '000
Balance at 1 January 2017	46,758	7,666	15,586	(1,292)	252	71,403	140,373
Profit for the year	-	-	-	-	-	13,364	13,364
Other comprehensive income	-	-	-	1,193	(252)	-	941
Total comprehensive income	-	-	-	1,193	(252)	13,364	14,305
Dividend paid	-	-	-	-	-	(9,352)	(9,352)
Balance at 31 December 2017	46,758	7,666	15,586	(99)	-	75,411	145,322
Balance 1 January 2018	46,758	7,666	15,586	(99)	-	75,411	145,322
Net profit for the year	-	-	-	-	-	13,642	13,642
Other comprehensive income	-	-	-	99	-	-	99
Total comprehensive income	-	-	-	99	-	13,642	13,741
Dividend paid	-	-	-	-	-	(7,015)	(7,015)
Balance at 31 December 2018	**46,758**	**7,666**	**15,586**	**-**	**-**	**82,038**	**152,048**

Schedule to the Audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of cash flows

For the year ended 31 December 2018

31 December 2017 US $ '000	**31 December 2018 US $ '000**		**31 December 2018 RO'000**	31 December 2017 RO'000
		Operating activities		
20,257	**16,241**	Profit for the year before tax	**6,246**	7,789
		Adjustments for:		
22,370	**23,244**	Depreciation and amortisation	**8,940**	8,604
1,135	**1,222**	Accrual for employees' end of service benefits	**470**	437
-	**57**	Allowance for expected credit loss	**22**	-
-	**193**	Inventory Obsolescence	**75**	-
-	**161**	Unrealised foreign exchange loss,net	**62**	-
(2,334)	**(2,036)**	Interest income	**(783)**	(898)
1,459	**741**	Finance cost	**285**	562
	1,105	Impairment of Fixed Asset	**425**	-
43,407	**40,928**	**Operating profit before working capital changes**	**15,742**	16,693
(518)	**149**	Change in inventories	**57**	(199)
1,775	**8,996**	Change in receivables	**3,460**	683
9,893	**19,754**	Change in payables	**7,597**	3,782
54,557	**69,827**	**Operating profit after working capital changes**	**26,856**	20,959
(322)	**(806)**	Employees' end of service benefits paid	**(310)**	(128)
(3,500)	**(5,065)**	Tax paid	**(1,948)**	(1,346)
50,655	**63,956**	**Net cash from operating activities**	**24,598**	19,484
		Investing activities		
(21,312)	**(24,905)**	Acquisition of property and equipment	**(9,579)**	(8,197)
-	**3,712**	Disposal of property & equipment (Asset held for sale)	**1,428**	-
2,334	**770**	Interest received	**297**	898
23,400	**(7,800)**	Increase / (decrease) in other term deposits	**(3,000)**	9,000
4,422	**(28,223)**	**Net cash from / (used in) investing activities**	**(10,854)**	1,701
		Financing activities		
(23,213)	**(23,214)**	Repayment of loans and borrowings	**(8,929)**	(8,928)
(9,352)	**(7,010)**	Dividend paid	**(2,696)**	(3,597)
(1,459)	**(741)**	Finance cost	**(285)**	(562)
(34,024)	**(30,965)**	**Net cash used in financing activities**	**(11,910)**	(13,086)
21,058	**4,768**	**Net change in cash and cash equivalents**	**1,834**	8,099
8,962	**30,020**	Cash and cash equivalents at 1 January	**11,546**	3,447
30,020	**34,788**	**Cash and cash equivalents at 31 December**	**13,380**	11,546