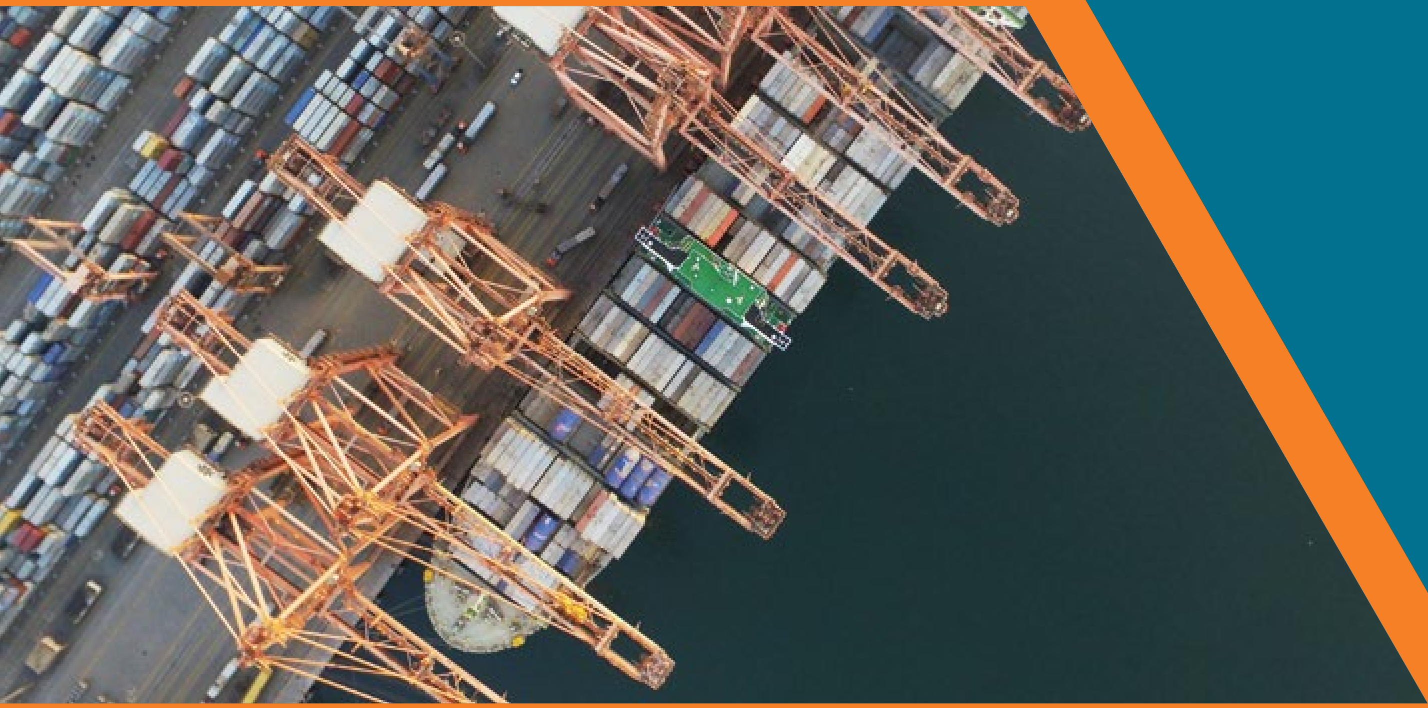
2016 Annual Report



Port of Salalah

His Majesty Sultan Qaboos bin Said

Key Performance Indicators

Port of Salalah	2011	2012	2013	2014	2015	2016
Key Operational Data						
Crane Capacity in TEUs ('000s)	5,000	5,000	5,000	5,000	5,000	5,000
TEUs ('000s)	3,201	3,634	3,343	3,034	2,569	3,325
Tonnes ('000s)	6,519	7,251	7,944	10,314	12,543	13,037
Container Terminal Vessel calls	1,725	1,735	1,651	1,439	1,336	1,501
General Cargo Terminal Vessel calls	1,555	1,401	1,321	1,326	1,520	1,527
Headcount	2,109	2,216	2,167	2,137	2,057	2,249
Operational Ratio Analysis						
Gross Crane Productivity	29.38	30.20	31.54	30.70	30.20	31.13
TEUs handled per employees	1,518	1,640	1,543	1,420	1,249	1,478
TEUs/meter of quay p.a.	1,241	1,409	1,296	1,176	996	1,289
Cranes in operation	25	25	25	25	25	25
TEUs/quay crane p.a.	128,036	145,360	133,720	121,349	102,741	133,002
Capacity Utilization	64%	73%	67%	61%	51%	67%
Key Financial Data (Figures in RO ' 000)						
Revenue	49,822	57,540	58,505	53,533	49,508	54,872
Gross profit	22,486	30,337	27,641	22,605	19,474	20,487
Cash profit	12,360	16,791	14,808	14,444	13,923	14,963
Net profit / (loss)	2,361	7,083	5,663	5,262	5,182	5,726
Equity capital	17,984	17,984	17,984	17,984	17,984	17,984
Net worth before minority interest	39,684	44,318	46,855	48,471	51,647	54,025
Term debt obligations	59,438	52,617	47,574	41,235	26,786	17,858
Financial Ratio Analysis						
Operating Profit Ratio	45%	53%	47%	42%	39%	37%
Net profit margin	4.7%	12.3%	9.7%	9.8%	10.5%	10.4%
Cash Earnings per share (RO)	0.069	0.093	0.082	0.080	0.075	0.080
Earnings per share (RO)	0.013	0.039	0.031	0.029	0.029	0.032
Book value per share(RO)	0.221	0.246	0.261	0.270	0.287	0.300

Contents

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Directors' Report

H.E. Ahmed Bin Nasser Al Mahrizi
Chairman of Board of Directors


Port of Salalah

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 2016.

Despite uncertain global economic circumstances, the year 2016 has ended on a positive note with both the Container terminal and the General Cargo terminal showing a growth over the previous years. The company has achieved a fruitful year in many tangible operation areas including productivity and safety, which reflects the company's consistent performance.

Company Performance

This year the container terminal handled 3.325 mil TEUs – compared to 2.569 mil TEUs when compared to 2015, a growth of 29% in TEU terms. Through improved service levels and gains in productivity, company has retained all our major customers while a major customer's share of business increased by 49% compared to year 2015. New customers are increasingly finding in value in Port of Salalah which we are building our strategy upon for company's growth for coming years.

The Port of Salalah General Cargo had handled 13.037 million tons during 2016 – a growth of 4% over 2015. The General Cargo terminal continues to grow albeit at a slower pace as compared to previous years driven by the growth of the aggregates business.

The 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 54.872 million, an increase of 11% over the previous year. Higher volume contributed to the increase in consolidated net profit for the year to RO 5.726 million (as compared to RO 5.182 million in the year 2015) despite higher costs arising from withdrawal of fuel subsidy by Government of Oman, higher staff costs, repair and maintenance costs to attend to ageing equipment partly offset by take cost out initiatives implemented & lower finance costs.

During 2016, your company distributed 20% annual dividend pertaining to year 2015. Taking into account the proposed capital expenditure plans of OMR 17 Mio 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 20% on the paid-up equity share capital of the company. This equates to 20 baiza per share resulting in a total cash disbursal of RO 3.597 million.

Dividend history for the last 5 years

	2011	2012	2013	2014	2015
Dividend %	15%	25%	25%	15%	20%
Cash outlay (RO'000)	2,697	4,495	4,495	2,698	3,597

Employee Development

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

Corporate Social Responsibility (CSR)

Port of Salalah strongly believes in a CSR program that is aligned with the pillars of sustainability and volunteerism and it is fundamental to our business. The company has invested RO 72K in CSR initiatives during 2016 contributing to the local Dhofar region in which we operate as well as segments of communities requiring support. Impacting the local Dhofar region and benefiting the larger segments of communities requiring support are the guiding posts of the company's CSR program.

Future Outlook

The year 2016 was marked by historically low shipping rates and profitability for carriers and an unprecedented consolidation of carriers by mergers and acquisitions as well as alliances. Future transshipment business will be won or lost in larger tranches as procurement decisions in alliances will impact greater volumes.

During current year, it is anticipated that the shipping lines will increasingly push suppliers, and specifically terminals, for lower rates and higher operational productivity in order to reduce costs. Ongoing developments of new terminals in the region ensure that available capacity will continue to far outpace the growth and demand and will result in sharp downward pressure on the rates.

In the Port of Salalah, the outlook remains cautiously optimistic as existing customers are capitalizing on higher operational performance and long term agreements. Developing more gate cargo remains an essential priority to anchor new and additional business in the Port. On the General Cargo side, the announcement by the Public Authority for Mining setting minimum rates for exports is expected to have a positive impact on both volumes and the ability of the Port to pass on incremental costs increases in the future.

Conclusion

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

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

Lastly, but certainly not least, I place on record our appreciation for the contributions made by our employees in achieving the level of performance in 2016. Our consistent growth was possible by their hard work, solidarity, cooperation and support.

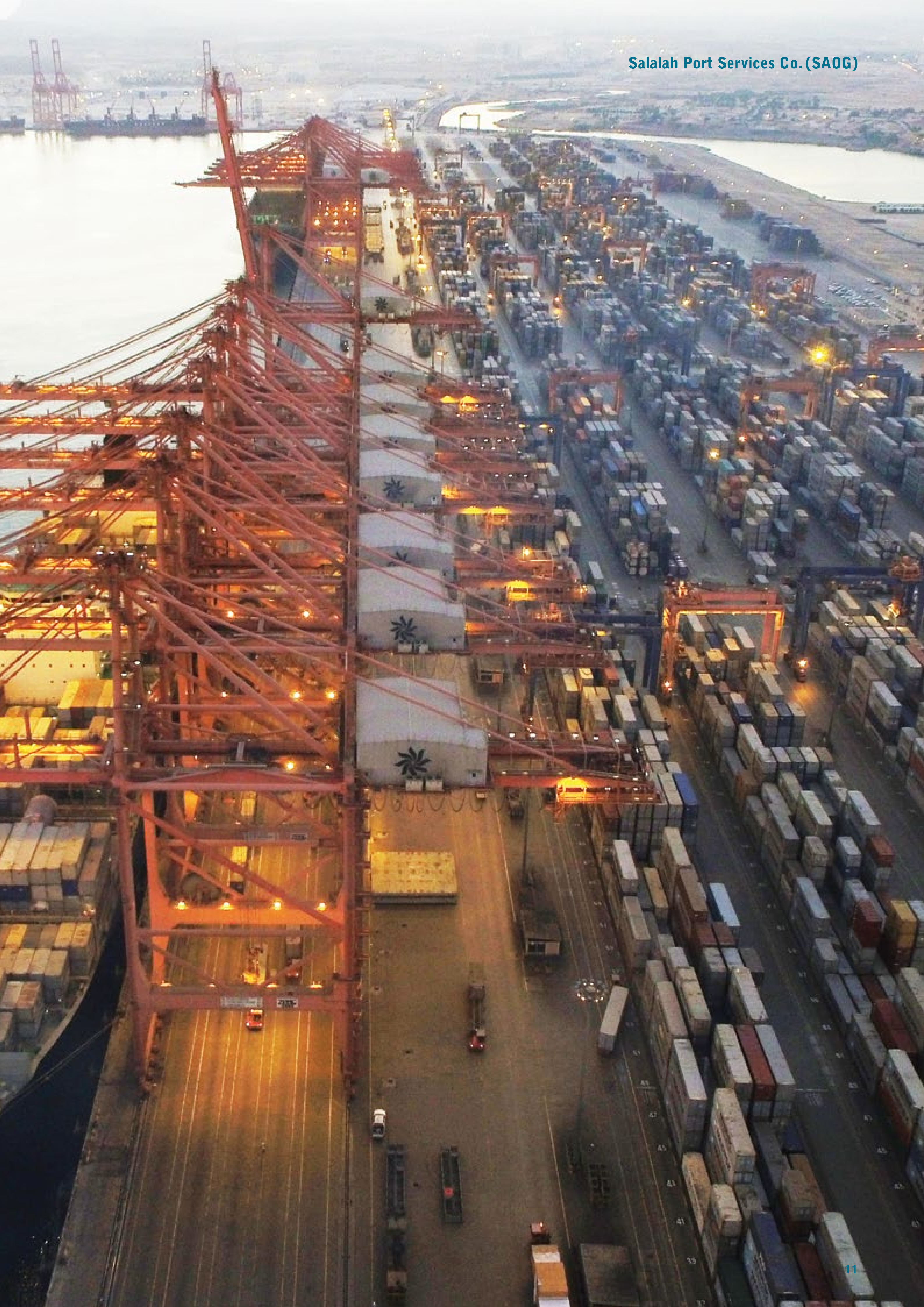
On behalf of the Board of Directors,

Ahmed Bin Nasser Al Mahrizi
Chairman of Board of Directors,
Salalah Port Services Co. SAOG
February 16, 2017

Management Discussion and Analysis Report

David Gledhill

Chief Executive Officer



Business of the company

The Port of Salalah, in the Sultanate of Oman, is one of the largest multi-purpose ports in the Middle East.

During 2016, Salalah Port Services handled 3.33 million TEUs at its Container Terminal and 13.04 million tons at its General Cargo Terminal. It is the region's leading transshipment port and has set its goals to be the port of choice in Oman. With the country's focus to optimize non-oil economic growth the port will be a key driver in lifting global trade in the region.

This world-class port was created under a 30-year concession agreement with the Government of Oman. It is managed by APM Terminals, a leading port developer and operator with a global network of 72 Terminals and 140 inland service businesses spanning 69 countries and employing more than 20,600 professionals. The company serves all the major shipping lines and has a global throughput of 36 million TEUs.

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

Container Industry structure and developments

Container shipping market has been facing rough weather during the past several years with inadequate global trade to meet or narrow down the supply – demand gap. This has forced review of several alliances between some of the world's major shipping lines and present interesting challenges for the Container Terminal (CT).

During the past year, CT handled 3.33 million TEUs, which represents a 29% growth over the previous year.

To attract all potential transshipment business, the terminal remains competitive through its dedication to the efficiency with which it handles vessels. Continued investment in CT, including pioneering systems to keep ships safe during the Khareef season, supports the Port's focus on productivity and has maintained high rank among the top most productive ports in the region, achieving new productivity records in recent months.

The Port of Salalah is also looking to emerging markets to achieve its growth targets. While the Chinese economy continues to slow down, others markets in the Indian sub-continent, Middle- East, Far East, Africa, amongst others, have become more dynamic and offer real opportunities for the Port. Efforts are continued to capture new growth markets like Iran.

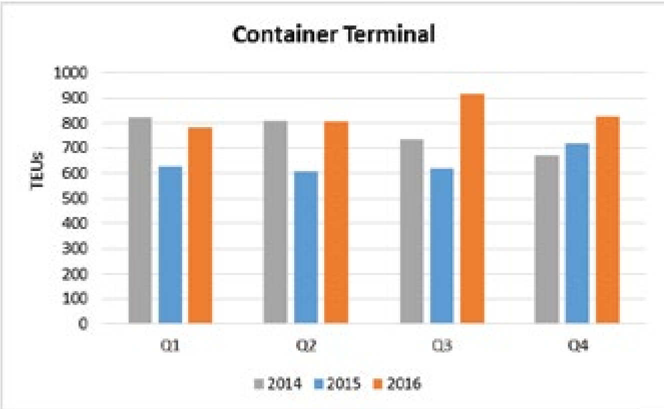
The Port is keen in the growth of businesses in Salalah Free Zone and is committed to provide services to these potential opportunities.

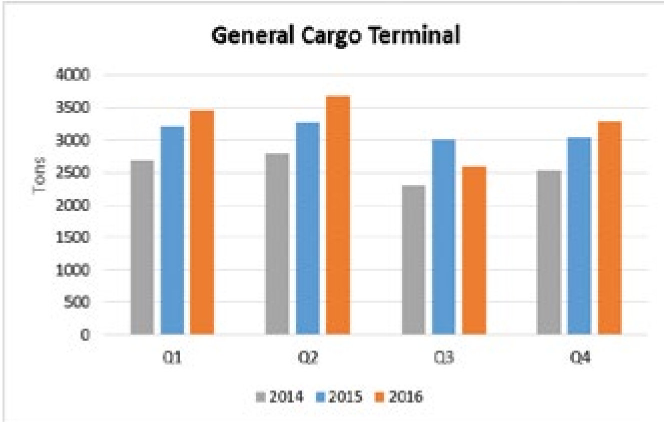
Operations Review: Enhanced efforts to improve efficiency enabled the port to set new records in productivity levels.

General Cargo Terminal

The General Cargo Terminal (GCT) continues to grow and registered throughput of 13.04 million tons in 2016, a growth of 4% over 2015 relatively slower growth compared to double digit growth in the previous years. GCT has been handling high volume through efficiently managing all the berths including the new berths made available by the Government in last quarter of 2015.

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. The outlook for GCT is positive as it attracts new business and works with existing customers to increase their throughput growth year on year.

Safety

The safety of employees, visitors, contractors, vehicles and ships at the Port of Salalah remains high on the agenda. Lost Time Injury Frequency for 2016 was recorded higher than in the previous year. This was largely due to an improvement in the reporting procedure; it is expect that the frequency will drop going forward as a result of actions taken across the port. The company is also seeking to invest in technology and infrastructure to mitigate the increased LTIF.

Human Resources, welfare and training

At the close of 2016 the Port of Salalah employed 2,249 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 and tuition by in-house experts.

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.

Financial review

Consolidated net profit for 2016 was recorded at RO 5.73 million.

Consolidated EBITDA was recorded at RO 16.2 million with a margin of 29.5%, few percentage points below 2015. While revenue had grown 11% cost had increased 14% which lead to the drop in EBITDA margin despite improvement through cost reduction of nearly OMR 1.5 Mio (3% of revenue).

Consolidated revenues year to date were RO 54.87 million as against year 2015 revenues of RO 49.51 million. Volume recorded at the CT was 29% higher while GCT registered a moderate growth of 4% compared to year 2015.

Direct operating costs comprises of manpower costs, repairs and maintenance costs, energy costs, marine costs and operating systems and communication increased by 14% compared to 2015. The total manpower costs increased by 12% as compared to 2015, an increase in man power to support higher volume in addition to increase in fixed salary related inflation, merit increases and incentive payout.

Operating depreciation in 2016 was higher by about 4% compared to 2015 on account of additions to assets during the year.
Repair and maintenance costs were higher by 20% compared to 2015 in view of age of equipment despite cost savings on account of condition based maintenance program.
Power and fuel increased by 42% over same period of 2015 mainly on account of withdrawal of subsidy by Government and increased volumes.
Concession costs, consists of costs on account of ground rent, fixed and variable royalty which increased by 13% mainly due to increase in franchise fees in general cargo terminal which witnessed 21% higher profit before variable royalty compared to year 2015. The management fee was in line with the change in revenues and volumes.
General and administration, costs were higher by 24% compared to 2015 mainly due to higher systems and communication costs, printing & stationary costs, provision for inventory obsolescence, provision for impairment of receivables Financing costs decreased by 25% over 2015 on account of lower outstanding loan balances.

Outlook

The company expects growth in the GCT throughput, led by increasing number of mining licenses issued for limestone and gypsum mining, to continue though at a moderate level and to exceed the current average of one million tons per month during the year ahead. This increased volume will be achieved mainly through planned investment in automated equipment for handling aggregates. With more flour mills in operation as well as with grain storage facility coming to operation in 2017 more importation of grain and other general cargo are anticipated to grow which will also benefit the terminal.

The Container Terminal has gained higher volume run rate since second half of 2015, a trend that is set to continue with more volumes and additional services during 2016. To grow the business, the Port will continue incentivize shipping lines that bring more volumes to the port. The port has been focusing on developing local volumes and will continue to develop the value added services it offers customers, enabling them to make the most of the opportunities available and to boost the Port's revenue. With few new container shipping customers having commenced business in Salalah the container terminal expects to broad base the container volume growth.

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

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 2016. We look forward to working with you and further developing the Port of Salalah in the year ahead.

David Gledhill
Chief Executive Officer
February 16, 2017

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 2016 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 2016. 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.

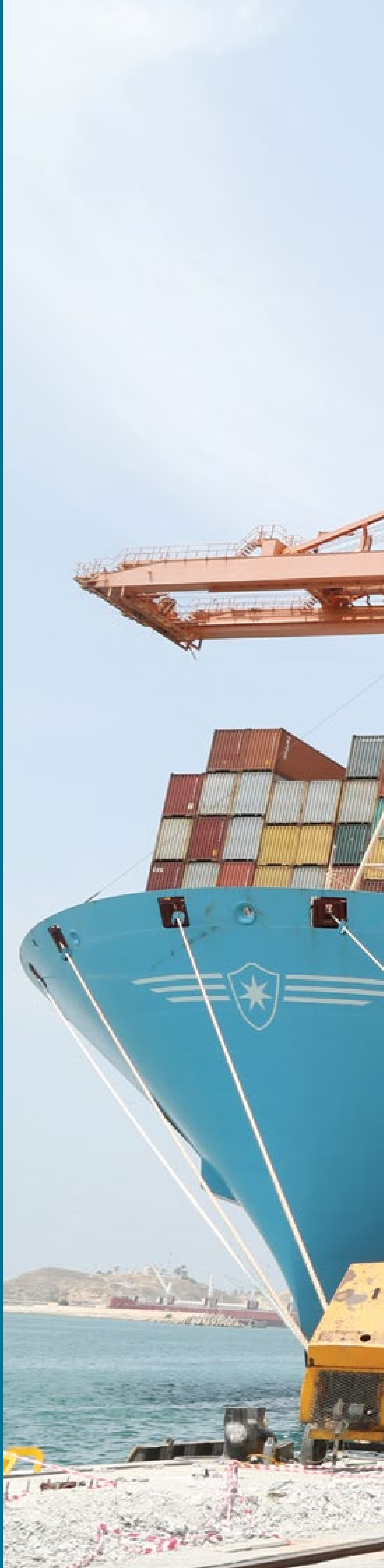
Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

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 2016 and does not extend to any consolidated financial statements of Salalah Port Services Company SAOG, taken as a whole.

Ernst & Young LLC

Muscat
16 February 2017

Corporate Governance Report




Port of Salalah
MAYVIEW MÆRSK

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, 2016 is as follows:

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

**Mr. Hartmut Goeritz resigned on August, 23rd 2016 and Mr. John Michael Craig has been appointed in his place by the Board till conclusion of the next annual general meeting scheduled for 27th March, 2017.*
*** Mr. Tiemen Meester resigned from the Board w.e.f. 31st Dec, 2016.*

Board of Directors profile

H.E. Ahmed Bin Nasser Al Mahrizi is Chairman of the Company and joined the Board on 4th 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.

Mr. Ali Mohammed Redha joined the Board of the Company during 2010. Presently he is Director General of Treasury and Accounts, Ministry of Finance, Sultanate of Oman. He has done Masters in Accounting and Development Finance from the University of Birmingham and has more than 31 years of experience. He has held many senior positions in the government. He also holds directorship positions in manufacturing, banking and service sector companies.

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

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

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.

Management profile

Mr. David Gledhill is the CEO of the Company since 1st April 2014. David has spent thirty five years in the Ports industry and has worked in most of the UK's largest Ports such as Dover, London, Harwich and Felixstowe. He has held senior management positions for businesses in Germany, Holland, Belgium, Luxembourg, and Portugal. He has extensive terminal experience last as CEO of Port of Felixstowe. David has an Honorary Doctorate from the University of East Anglia and the University of Essex. He has a proven ability to manage the relationship with a broad range of stakeholders: international shipping lines, strong owners, own organization, authorities, and unions. David is a very mature terminal leader who deploys a good balance between execution and strategy, a generalist with the ability to dive into detail when necessary. He is a great communicator, very good with people and is an excellent stakeholder relationship manager at all levels, internally as well as externally.

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 20 years and held positions as Head of Finance at Gujarat Pipavav Port, Chief Financial Officer in Meridian Port Services, Tema, Ghana and CFO with Gateway Terminals India, Mumbai.

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

Mr. Joseph Schofield has joined as Chief Operating Officer CT w.e.f. from 1st January, 2016 and has 20 years of experience with Port industry in all aspects of terminal operations including planning port development, national operations efficiency and national system development. His last appointment was as 'Regional General Manager Operations' responsible for operations in 15 port and terminal facilities in 12 nations spanning Western Africa, the Gulf and Sri Lanka, from the APM Terminal Africa & Middle East office located in Dubai.

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

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

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 2016 five Board meetings were held on the following dates:

- February 10, 2016
- March 28,2016
- May 9, 2016
- August 23, 2016
- November 8, 2016

The General Manager, Audit and Assurances acts as Board Secretary.

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	3	No	2,400	0
Mr. Ali Mohammed Redha	3	Yes	2,400	1
Mr. Hartmut Goeritz	2	No	1,600	0
Mr. Tiemen Meester	4	No	3,200	0
Sheikh Braik Musallam Al Amri	5	Yes	4,000	0
Brig. Sultan Saif Saud Al Akhzami	5	Yes	4,000	0
Mr. John Michael Craig	2	No	1,600	0

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

Audit and Other Committees

Audit Committee terms of reference:

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

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

- Sheikh Braik Musallam Al Amri – Chairman
- Brig. Sultan Saif Saud Al Akhzami
- Mr. Hartmut Goeritz (up to 23rd August,2016)
- Mr. John Michael Craig^

^ *Mr. John Michael Craig has been appointed the member of Audit committee in place of Mr.* Hartmut Goeritz *on August, 23rd 2016.*

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. The Internal Auditor acts as the Secretary of the Audit Committee.

During the year 2016, four Audit Committee meetings were held. Following is the number of meetings attended by each member.

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

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. Mr. Ashwani Jhamb has been working as General Manager, Audit and Assurances for the company. 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):

Tariff Committee 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. #

The tariff committee 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.

The tariff committee is responsible for setting minimum levels of all charges, fees and levies to be paid by users of the port facility (excluding the facility) ("port charges ")

Following Directors were the members of the Tariff Committee# till 9th Nov, 2016:

- Mr. Tiemen Meester – Chairman
- Mr. Ali Mohammed Redha
- Sheikh Braik Musallam Al Amri

During the year 2016, one tariff committee meeting was held on 10th Feb, 2016 as per details below:

Member	No of meetings	Sitting fees (in RO)
Mr. Tiemen Meester	1	500
Mr. Ali Mohammed Redha	1	500
Sheikh Braik Musallam Al Amri	1	500

with the new corporate governance code in Oman becoming effective during the year, the scope of tariff committee has been expanded to include nomination and remuneration committee. Accordingly a new committee namely "Tariff and Nomination and Remuneration Committee" (TNRC)

has been set up by the Board decision in its meeting dated 9th November, 2016 and its charter has been approved. TNRC consists of following four members:

- Mr. Tiemen Meester (resigned w.e.f. 31st Dec, 2016)
- Brig. Sultan Saif Saud Al Akhzami
- Mr. John Michael Craig
- *TBA*

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.

The Ministry of Finance, Government of Oman has transferred its 20.085 % shares held in the company (36,120,000 fully paid shares of RO 0.100 each) to Oman Global Logistics Group SAOC, a fully owned company by the Ministry of Finance, Government of Oman on 31st August, 2016.

General Shareholders' information

AGM: Date Time Venue	**March 27, 2017** 3:00 PM Salalah Hilton, Salalah
Financial Year	2016
Date of Book Closure	**March 27, 2017**
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

Shares price (RO)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year 2016
High	0.640	-	0.636	0.620	0.620	-	-	0.648	-	-	-	0.620	0.620
Low	0.640	-	0.636	0.620	0.620	-	-	0.620	-	-	-	0.620	0.620
Opening	0.640	-	0.636	0.620	0.620	-	-	0.620	-	-	-	0.620	0.620
Closing	0.648	-	0.648	0.648	0.648	-	-	0.648	-	-	-	0.632	0.632
Volume	20	-	3,800	4,940	700	-	-	3,260	-	-	-	89,228	101,948
Trade Value (RO)	13	-	2,424	3,102	434	-	-	2,060	-	-	-	56,267	64,300
Service Sector Index													
Opening	5,029	5,384	5,473	5,941	5,839	5,780	5,854	5,771	5,726	5,487	5,481	5,780	5,029
Closing	5,179	5,395	5,467	5,943	5,811	5,777	5,844	5,735	5,726	5,481	5,488	5,783	5,783

Table 2 – Distribution of shareholding as on December 31, 2016

Number of Equity Shares held	No of shares held	% of total shares	No of Shareholders	% of total share-holders
1 to 100	31,563	0.02%	663	52.20%
101 to 500	94,703	0.05%	398	31.34%
501 to 1,000	39,668	0.02%	49	3.86%
1,001 to 10,000	350,589	0.19%	103	8.11%
10,001 to 100,000	1,429,525	0.79%	36	2.83%
100,001 and above	177,891,352	98.92%	21	1.65%
Total	179,837,400	100.00%	1,270	100.00%

Table 3 – Top 10 Shareholders as on December 31, 2016

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

Annual General Meeting/Extra-ordinary General meeting

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

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

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 www.portofsalalah.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 2016 (Year 2015 – OMR 120,000).

Details of the remuneration paid to top 5 officers
During the year 2016 gross salary and compensation paid to top 5 executives of the Company including variable components is RO 614,632 (Year 2015 – RO 559,939).

Professional profile of Statutory Auditor
EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.
The MENA practice of EY has been operating in the region since 1923 and employs over 6,500 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 4,400 partners and approximately 1,00,000 professionals. Globally, EY operates in more than 150 countries and employs 231,000 professionals in 700+ offices. Please visit ey.com for more information about EY.
During the year 2016, EY rendered audit services to the Company at fees of RO 14,500 plus out of pocket expenses.

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

Year	Particulars
2014	**None**
2015	**None**
2016	Delay in disclosing unaudited quarterly financial statements (Quarter 3 of 2016). The Company paid a fine of RO 2,200. However the company has been regular in filing initial unaudited unapproved quarterly results within stipulated time limits with Muscat Securities market.

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

16th February, 2017.

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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 2016, 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 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

1. Revenue recognition

Revenue comprises income earned from services rendered in connection with the facilities provided at Container and General Cargo Terminals, and is recognised when earned and when there are no significant uncertainties regarding recovery of the consideration due and associated costs. The Group also pays rebates to certain customers upon achievement of certain level of volumes based on contracts entered by the Group with the customers. We have considered this as a key audit matter as revenue requires special audit consideration and is material to the consolidated financial statements.

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

Key audit matters (continued)

1. Revenue recognition (continued)
Refer note 4(b) to the consolidated financial statements for the Group's disclosures of the related accounting policy.

Our audit procedures included, among others, the following:

- Inspected significant contracts to assess the identification of all relevant services provided;
- Performed substantive analytical procedures over the revenue streams by developing an expectation based on statistics received and tariff rates. Also, checked the data accuracy of statistics received and obtained an explanation for all the significant variances;
- Tested transactions, on a sample basis, posted to ensure that revenue journals were approved and corroborated with supporting evidence.
- Assessed sales transactions taking place before and after year-end to ensure that revenue was recognised in the appropriate period;
- Checked the calculation of rebates on a sample basis and ensured that those are recorded in line with the contractual terms agreed with the customers; and
- Assessed the appropriateness of the Group's revenue recognition accounting policies including those relating to rebates and assessing compliance with the policies in terms of applicable accounting standards.

Other information included in the Group's 2016 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 2016 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 2016 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 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.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Sanjay Kawatra
Muscat
16 February 2017

Audited consolidated statement of financial position

As at 31 December 2016

2015 US $'000	**2016 US $'000**		Notes	**2016 RO'000**	2015 RO'000
		ASSETS			
		Non-current assets			
186,207	**173,843**	Property and equipment	11	**66,863**	71,618
476	**437**	Intangible assets	12	**168**	183
772	**772**	Available-for-sale investments	13	**297**	297
39,000	**39,000**	Term deposits	14	**15,000**	15,000
226,455	**214,052**			**82,328**	87,098
		Current assets			
3,871	**5,085**	Inventories	15	**1,954**	1,490
20,420	**28,760**	Trade and other receivables	16	**11,062**	7,854
23,400	**10,400**	Term deposits	17	**4,000**	9,000
9,264	**8,962**	Cash and cash equivalents	17	**3,447**	3,564
70	**-**	Assets classified as held for sale	11	**-**	27
57,025	**53,207**			**20,463**	21,935
283,480	**267,259**	**TOTAL ASSETS**		**102,791**	109,033
		EQUITY			
46,758	**46,758**	Share capital	18(a)	**17,984**	17,984
7,666	**7,666**	Share premium	18(b)	**2,949**	2,949
15,584	**15,584**	Legal reserve	18(c)	**5,994**	5,994
(1,940)	**(1,292)**	Hedging deficit	26	**(497)**	(746)
252	**252**	Fair value reserve		**97**	97
65,957	**71,493**	Retained earnings		**27,498**	25,369
134,277	**140,461**	**Equity attributable to equity holders of the parent company**		**54,025**	51,647
86	**90**	Non-controlling interests	18(d)	**34**	33
134,363	**140,551**	**TOTAL EQUITY**		**54,059**	51,680
		LIABILITIES			
		Non-current liabilities			
46,430	**23,215**	Loans and borrowings	22	**8,929**	17,857
16,944	**15,434**	Deferred tax	25	**5,936**	6,517
5,686	**6,663**	Employees' end of service benefits	23	**2,563**	2,187
682	**345**	Derivative financial instruments	26	**133**	262
69,742	**45,657**			**17,561**	26,823
		Current liabilities			
54,902	**56,889**	Trade and other payables	24	**21,878**	21,117
23,215	**23,215**	Loans and borrowings	22	**8,929**	8,929
1,258	**947**	Derivative financial instruments	26	**364**	484
79,375	**81,051**			**31,171**	30,530
149,117	**126,708**	**TOTAL LIABILITIES**		**48,732**	57,353
283,480	**267,259**	**TOTAL EQUITY AND LIABILITIES**		**102,791**	109,033
0.75	**0.78**	**Net assets per share (US $ / RO)**	21	**0.300**	0.287

These audited consolidated financial statements were approved and authorised for issue by the Board of Directors on 16th February 2017 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 financial statements.

Audited consolidated statement of comprehensive income
For the year ended 31 December 2016

2015 US $'000	2016 US $'000		Notes	2016 RO'000	2015 RO'000
128,722	**142,667**	Revenue	28	**54,872**	49,508
(78,088)	**(89,402)**	Direct operating costs	5	**(34,385)**	(30,034)
(17,411)	**(18,342)**	Other operating expenses	6	**(7,055)**	(6,696)
(18,503)	**(19,409)**	Administration and general expenses	7	**(7,465)**	(7,117)
3,788	**4,267**	Other income	8	**1,641**	1,457
18,508	**19,781**	**Profit from operations**		**7,608**	7,118
(3,846)	**(2,878)**	Finance costs	9	**(1,107)**	(1,479)
14,662	**16,903**	**Profit for the year before tax**		**6,501**	5,639
(1,188)	**(2,015)**	Income tax	25	**(775)**	(457)
13,474	**14,888**	**Profit for the year**		**5,726**	5,182
		Other comprehensive income			
		Items that are or may be reclassified to profit or loss			
10	**-**	Fair value change of investments	13	**-**	4
1,781	**648**	Net movement in cash flow hedges		**249**	685
1,791	**648**	**Other comprehensive income for the year, net of tax**		**249**	689
15,265	**15,536**	**Total comprehensive income for the year, net of tax**		**5,975**	5,871
		Profit attributable to :			
13,482	**14,884**	Equity holders of the parent		**5,725**	5,185
(8)	**4**	Non-controlling interests		**1**	(3)
13,474	**14,888**			**5,726**	5,182
		Total comprehensive income attributable to :			
15,273	**15,532**	Equity holders of the parent		**5,974**	5,874
(8)	**4**	Non-controlling interests		**1**	(3)
15,265	**15,536**			**5,975**	5,871
0.07	**0.08**	**Basic earnings per share (US $ / RO)**	19	**0.032**	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 financial statements.

Audited consolidated statement of changes in equity

For the year ended 31 December 2016

	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	Non-controlling interest RO '000	Total RO '000
Balance at 1 January 2015	17,984	2,949	5,994	(1,431)	93	22,882	48,471	36	48,507
Profit for the year	-	-	-	-	-	5,185	5,185	(3)	5,182
Other comprehensive income	-	-	-	685	4	-	689	-	689
Total comprehensive income	-	-	-	685	4	5,185	5,874	(3)	5,871
Dividend paid (note 20)	-	-	-	-	-	(2,698)	(2,698)	-	(2,698)
Balance at 31 December 2015	**17,984**	**2,949**	**5,994**	**(746)**	**97**	**25,369**	**51,647**	**33**	**51,680**
Balance at 1 January 2016	17,984	2,949	5,994	(746)	97	25,369	51,647	33	51,680
Profit for the year	-	-	-	-	-	5,725	5,725	1	5,726
Other comprehensive income	-	-	-	249	-	-	249	-	249
Total comprehensive income	-	-	-	249	-	5,725	5,974	1	5,975
Dividend paid (note 20)	-	-	-	-	-	(3,596)	(3,596)	-	(3,596)
Balance 31 December 2016	**17,984**	**2,949**	**5,994**	**(497)**	**97**	**27,498**	**54,025**	**34**	**54,059**

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 financial statements.

Audited consolidated statement of changes in equity (continued)

For the year ended 31 December 2016

	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	Non-controlling interest US $ '000	Total US $ '000
Balance at 1 January 2015	46,758	7,666	15,584	(3,721)	242	59,489	126,018	94	126,112
Profit for the year	-	-	-	-	-	13,482	13,482	(8)	13,474
Other comprehensive income	-	-	-	1,781	10	-	1,791	-	1,791
Total comprehensive income	-	-	-	1,781	10	13,482	15,273	(8)	15,265
Dividend paid (note 20)	-	-	-	-	-	(7,014)	(7,014)	-	(7,014)
Balance at 31 December 2015	**46,758**	**7,666**	**15,584**	**(1,940)**	**252**	**65,957**	**134,277**	**86**	**134,363**
Balance at 1 January 2016	**46,758**	**7,666**	**15,584**	**(1,940)**	**252**	**65,957**	**134,277**	**86**	**134,363**
Profit for the year	-	-	-	-	-	14,884	14,884	4	14,888
Other comprehensive income	-	-	-	648	-	-	648	-	648
Total comprehensive income	-	-	-	648	-	14,884	15,532	4	15,536
Dividend paid (note 20)	-	-	-	-	-	(9,348)	(9,348)	-	(9,348)
Balance at 31 December 2016	**46,758**	**7,666**	**15,584**	**(1,292)**	**252**	**71,493**	**140,461**	**90**	**140,551**

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 financial statements.

Audited consolidated statement of cash flows
For the year ended 31 December 2016

2015 US $'000	2016 US $'000		2016 RO'000	2015 RO'000
		OPERATING ACTIVITIES		
14,662	**16,903**	Profit for the year before tax	**6,501**	5,639
		Adjustments for:		
21,551	**22,345**	Depreciation and amortisation	**8,594**	8,289
828	**1,154**	Accrual for employees' end of service benefits	**444**	318
(13)	**(343)**	Gain on sale of equipment	**(132)**	(5)
(720)	**(1,812)**	Interest income	**(697)**	(277)
3,760	**2,790**	Finance cost	**1,073**	1,446
40,068	**41,037**	**Operating profit before working capital changes**	**15,783**	15,410
(172)	**(1,214)**	Change in inventories	**(464)**	(66)
2,387	**(8,340)**	Change in receivables	**(3,208)**	917
4,470	**1,468**	Change in payables	**562**	1,721
46,753	**32,951**	**Operating profit after working capital changes**	**12,673**	17,982
(427)	**(177)**	Employees' end of service benefits paid	**(68)**	(164)
(1,485)	**(3,008)**	Tax paid	**(1,157)**	(571)
44,841	**29,766**	**Net cash from operating activities**	**11,448**	17,247
		INVESTING ACTIVITIES		
(10,480)	**(9,951)**	Acquisition of property and equipment	**(3,828)**	(4,029)
13	**424**	Proceeds from sale of property and equipment	**163**	5
720	**1,812**	Interest received	**697**	277
(13,399)	**13,000**	Decrease / (Increase)in other term deposits	**5,000**	(5,154)
(23,146)	**5,285**	**Net cash from / (used in) investing activities**	**2,032**	(8,901)
		FINANCING ACTIVITIES		
(37,566)	**(23,215)**	Repayment of loans and borrowings	**(8,928)**	(14,449)
(7,014)	**(9,348)**	Dividend paid	**(3,596)**	(2,698)
(3,760)	**(2,790)**	Finance cost paid	**(1,073)**	(1,446)
(48,340)	**(35,353)**	**Net cash used in financing activities**	**(13,597)**	(18,593)
(26,645)	**(302)**	**Net change in cash and cash equivalents**	**(117)**	(10,247)
35,909	**9,264**	Cash and cash equivalents at the 1 January	**3,564**	13,811
9,264	**8,962**	**CASH AND CASH EQUIVALENTS AT 31 DECEMBER**	**3,447**	3,564

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 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 2016 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.

2 Basis of Preparation

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

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

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

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

3 Significant agreements

The Company has entered into the following significant agreements:

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

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

Notes
(Forming part of the consolidated financial statements)

3 Significant agreements (continued)

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

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

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

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

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

4 Significant accounting policies

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

For the year ended 31 December 2016, the Company has adopted all of the 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 2016.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

- Annual Improvements 2012-2014
  - IFRS Non- Current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying consolidation exception

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

a) Basis of consolidation

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

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

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

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

If the Group loses control over a subsidiary, it:

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

(b) Revenue

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

Notes

(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(c) Interest income

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

(d) Employee benefits

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

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

(e) Foreign currencies

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

4 Significant accounting policies (continued)

(g) Intangible asset

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

(h) Property and equipment

(i) Recognition and measurement

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

Capital work-in-progress

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

(ii) Depreciation

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

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

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(h) Property and equipment (continued)

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

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

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

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

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

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

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

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

Impairment of non-financial assets (continued)

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

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

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

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

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

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

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

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

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Notes

(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(u) Fair value (continued)
All assets and liabilities for which fair value is measured or disclosed in the consolidated 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) New Standards and interpretations not effective yet

A number of relevant new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016, and have not been applied in preparing these consolidated financial statements as follows:

- IFRS 9: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but comparative information is not compulsory. The Group has performed a high-level impact assessment of all three aspects of IFRS 9 and expects no significant impact on its balance sheet and equity. The Group plans to adopt the new standard on the required effective date.

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

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

- IFRS 15: IFRS 15 was issued in May 2014 and establishes 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 principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plan to adopt the new standard on the required effective date. The Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

- IFRS 16: The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. 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 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

5 Direct operating costs

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
42,315	**48,477**	Staff costs (note10)	**18,645**	16,275
19,378	**20,353**	Depreciation (note 11)	**7,828**	7,453
8,093	**9,672**	Repair and maintenance	**3,720**	3,113
5,527	**7,844**	Power and fuel	**3,017**	2,126
967	**1,185**	Marine services	**455**	372
824	**972**	Equipment leasing costs	**374**	317
984	**899**	System and communications	**346**	378
78,088	**89,402**		**34,385**	30,034

6 Other operating expenses

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
8,129	**9,177**	Ground rent and royalty	**3,530**	3,126
4,430	**4,810**	Management fees	**1,850**	1,704
1,830	**1,799**	Depreciation (note 11)	**692**	704
2,008	**1,366**	Insurance	**525**	772
975	**1,151**	Terminal maintenance	**443**	375
39	**39**	Amortisation (note 12)	**15**	15
17,411	**18,342**		**7,055**	6,696

Notes
(Forming part of the consolidated financial statements)

7 Administration and general expenses

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
15,039	**15,686**	Staff costs (note10)	**6,033**	5,784
648	**959**	Systems and communications	**369**	249
706	**616**	Travelling expenses	**237**	272
522	**405**	Sales and marketing	**155**	201
380	**458**	Directors remuneration and sitting fees	**176**	146
(52)	**(25)**	Provision for impairment of receivables / write back (note 16)	**(10)**	(20)
257	**309**	Office rent and land maintenance costs	**119**	99
348	**286**	Legal and professional fees	**110**	134
141	**186**	Corporate social responsibility	**72**	54
304	**154**	Depreciation (note 11)	**59**	117
322	**148**	Other claims	**57**	124
39	**147**	Postage, printing and stationery	**56**	15
(172)	**56**	Inventory obsolescence / write back (note 15)	**22**	(66)
21	**24**	General administration expenses	**10**	8
18,503	**19,409**		**7,465**	7,117

8 Other income

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
720	**1,812**	Interest income	**697**	277
1,916	**1,295**	Write back of provision for expenses made in prior years	**498**	737
1,139	**666**	Miscellaneous income	**256**	438
13	**343**	Gain on sale of property and equipment	**132**	5
-	**151**	Other income	**58**	-
3,788	**4,267**		**1,641**	1,457

Notes
(Forming part of the consolidated financial statements)

9 Finance costs

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
3,760	**2,790**	Term loan interest	**1,073**	1,446
86	**88**	Other finance charges	**34**	33
3,846	**2,878**		**1,107**	1,479

10 Staff costs

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
46,227	**51,693**	Wages and salaries	**19,883**	17,780
7,133	**8,038**	Other benefits	**3,090**	2,744
3,165	**3,278**	Contributions to defined contribution retirement plan	**1,261**	1,217
829	**1,154**	Un-funded defined benefit retirement plan	**444**	318
57,354	**64,163**		**24,678**	22,059

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

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
42,315	**48,477**	Direct operating costs	**18,645**	16,275
15,039	**15,686**	Administration and general expenses	**6,033**	5,784
57,354	**64,163**		**24,678**	22,059

Notes
(Forming part of the consolidated financial statements)

11 Property and equipment

Details of property and equipment are set out in pages 45, 46, 47 and 48.

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 2016 amounted to RO 1.56 million (31 December 2015: RO 1.51 million) and increases based on contractual terms agreed with the Government.

During the prior year, the Board of Directors approved sale of 2 RTG cranes. Accordingly, RO 27 thousands (USD 70 thousands) had been recognised as "assets held for sale" which have been sold in the current year.

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

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
19,378	**20,353**	Direct operating costs	**7,828**	7,453
1,830	**1,799**	Other operating expenses	**692**	704
304	**154**	Administration and general expenses	**59**	117
21,512	**22,306**		**8,579**	8,274

12 Intangible assets

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
1,105	**1,105**	1 January	**425**	425
		Cumulative amortisation		
(590)	**(629)**	1 January	**(242)**	(227)
(39)	**(39)**	Additions	**(15)**	(15)
(629)	**(668)**	31 December	**(257)**	(242)
		Carrying amount		
515	**476**	1 January	**183**	198
(39)	**(39)**	Amortisation	**(15)**	(15)
476	**437**	31 December	**168**	183

Notes
(Forming part of the consolidated financial statements)

13 Available for sale investments

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
772	**772**	Ordinary shares – quoted	**297**	297

The Company holds 200,000 shares of Dhofar University SAOG at a cost of RO 200,000 (US$ 520,000).

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

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
10	-	Net movement on unrealised gain	**-**	4

14 Term deposits

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
13,000	**13,000**	Bank deposits – DSRA (i)	**5,000**	5,000
26,000	**26,000**	Bank deposits and others (ii)	**10,000**	10,000
39,000	**39,000**		**15,000**	15,000

(i) Under the terms of the debt financing agreement, the Company is required to maintain a debt service reserve amount (DSRA) equal to its next six months repayment instalment for the year till the final instalment of the term loan. Thus, at 31 December 2016, the fixed deposit constitutes DSRA of RO 4.46 million (US$ 11.61 million) [December 2015 – RO 4.46 million (US$ 11.61 million)] which are denominated in Rial Omani and the balance of RO 0.54 million (US$ 1.39 million) [December 2015 – RO 0.54 million (US$ 1.39 million)] is available for free use by the Company. The deposits carry effective annual interest rates of 3.25%.

(ii) As at 31 December 2016, the long term deposits are denominated in Rial Omani and are placed with a commercial bank in Oman and Bank Deposits and others carries effective interest rate of 4.50%.

Notes
(Forming part of the consolidated financial statements)

15 Inventories

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
5,917	**7,187**	Spares and consumables	**2,763**	2,277
(2,046)	**(2,102)**	Less: provision for slow moving inventories	**(809)**	(787)
3,871	**5,085**		**1,954**	1,490

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

For the year 31 December 2015 US $ '000	**For the year 31 December 2016 US $ '000**		**For the year 31 December 2016 RO'000**	For the year 31 December 2015 RO'000
2,218	**2,046**	1 January	**787**	853
(172)	**56**	Provided / write back during the year	**22**	(66)
2,046	**2,102**	31 December	**809**	787

16 Trade and other receivables

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
8,445	**13,426**	Receivables from related parties	**5,164**	3,248
9,885	**12,478**	Trade receivables	**(4,799)**	3,802
(491)	**(466)**	Less : provision for impairment	**(179)**	(189)
9,394	**12,012**		**4,620**	3,613
1,754	**936**	Receivables from the Government of Sultanate of Oman	**360**	675
783	**2,329**	Prepaid expenses	**896**	301
44	**57**	Other receivables	**22**	17
20,420	**28,760**		**11,062**	7,854

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

Notes
(Forming part of the consolidated financial statements)

16 Trade and other receivables *(continued)*

Movement for provision for impairment of trade receivables:

For the year 31 December 2015 US $ '000	**For the year 31 December 2016 US $ '000**		**For the year 31 December 2016 RO'000**	For the year 31 December 2015 RO'000
543	**491**	1 January	**189**	209
(52)	**(25)**	Provided / write back during the year	**(10)**	(20)
491	**466**	31 December	**179**	189

17 Cash and bank balances

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
6,450	**3,081**	Cash and bank balances	**1,185**	2,481
2,814	**5,881**	Call deposit accounts	**2,262**	1,083
9,264	**8,962**	Cash and cash equivalents	**3,447**	3,564

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
23,400	**10,400**	Short term deposits	**4,000**	9,000

At 31 December 2016, call and deposits are placed in US$ and RO with local commercial banks in Oman. Term deposits carry effective annual interest rates of 4.25% (2015: 2.3%) and call deposits in US$ and RO carry an effective annual interest rate of 1.06% (2015: 0.39%) and 2.5% (2015: 1.72%) respectively.

Notes
(Forming part of the consolidated financial statements)

18 Equity

(a) Share capital

	Authorised		Issued and fully paid	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
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.

(a) Share premium

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

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

	31 December 2016		31 December 2015	
	No. of shares	**%**	No. of shares	%
A.P. Terminals BV	54,180,000	30	54,180,000	30
Oman Global Logistics Group *	36,120,000	20	36,120,000	20
HSBC BK PLC a/c IB Account	25,778,730	14	25,778,730	14
HSBC A/C Ministry of Defense – Pension Fund	17,803,740	10	17,983,740	10

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

(b) Legal reserve

The Commercial Companies Law of 1974 as amended, requires that 10% of a company's net 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.

(c) 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.

Notes
(Forming part of the consolidated financial statements)

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 ended 31 December 2016 as follows:

31 December 2015	**31 December 2016**		**31 December 2016**	31 December 2015
13,474	**14,888**	Profit for the year (US $ '000 / RO '000)	**5,726**	5,182
179,837	**179,837**	Weighted average number of shares outstanding at 31 December ('000)	**179,837**	179,837
0.07	**0.08**	Basic earnings per share (US $ / RO)	**0.032**	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 0.020 (2015: RO 0.015) [USD 0.052 (2015: USD 0.039)] per share totalling to amount of approximately RO 3.596 million (2015: RO 2.698 million) [USD 9.348 million (2015: USD 7.013 million)] for the year ended 31 December 2016 which is subject to approval by the shareholders at the forth coming Annual General Meeting.

Shareholders approved cash dividend of RO 0.020 (USD 0.052) per share for 2015 totalling to RO 3.596 million (USD 9.348 million) as against the board's proposal of RO 0.015 (USD 0.039) amounting to RO 2,698 (USD 7.013 million) in the Company's annual general meeting held in March 2016.

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 2016, total amount of unclaimed dividend amounted to RO 38,102 (December 2015: RO 45,021). Any outstanding unpaid dividend more than six months has been transferred to the Investors' Trust Fund during October 2016.

21 Net assets per share

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

31 December 2015	**31 December 2016**		**31 December 2016**	31 December 2015
134,277	**140,460**	Net assets (US $ '000 / RO '000)	**54,025**	51,647
179,837	**179,837**	Shares outstanding at 31 December ('000)	**179,837**	179,837
0.75	**0.78**	Net assets per share (US $ / RO)	**0.300**	0.287

Notes

(Forming part of the consolidated financial statements)

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 of RO 8.93 million (USD 23.22 million) in the year ended 31 December 2016. Repayment of RO 3.81 million (USD 9.9 million) was made towards Tranche III and RO 5.12 million (USD 13.32 million) towards Tranche IV.

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

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

Notes
(Forming part of the consolidated financial statements)

22 Loans and borrowings *(continued)*

At 31 December 2015, 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	11,421	3,807	3,807	3,807	-
Tranche 4	15,365	5,122	5,122	5,121	-
	26,786	8,929	8,929	8,928	-
US $ '000					
Tranche 3	29,691	9,897	9,897	9,897	-
Tranche 4	39,955	13,318	13,318	13,318	-
	69,646	23,215	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 3.00% (31 December 2015: 4.02%) incorporating the effect of hedging instrument.

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

23 Employee's end of service benefits

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

31 December 2015	**31 December 2016**		**31 December 2016**	31 December 2015
US $ '000	**US $ '000**		**RO'000**	RO'000
5,286	**5,686**	As at 1 January	**2,187**	2,033
829	**1,154**	Accruals during the year	**444**	318
(427)	**(177)**	End of service benefit paid	**(68)**	(164)
5,686	**6,663**	As at 31 December	**2,563**	2,187

Notes
(Forming part of the consolidated financial statements)

24 Trade and other payables

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
41,097	**46,174**	Accrued expenses and other liabilities	**17,757**	15,806
4,992	**2,100**	Trade payables	**808**	1,920
4,540	**4,841**	Amounts due to related parties (note 27)	**1,862**	1,746
3,255	**3,774**	Current tax payable (note 25)	**1,451**	1,252
1,018	**-**	Amounts due to Government of Sultanate of Oman	**-**	393
54,902	**56,889**		**21,878**	21,117

25 Taxation

The parent company and its subsidiary are assessed separately for taxation. The tax rate applicable is 12% (31 December 2015: 12%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes relating to both income and expense items. After giving effect to these adjustments, the average effective tax rate is estimated to be 11.92% (31 December 2015: 8%).

The difference between the applicable tax rate of 12% and the effective tax rate of 11.92% arises due to the tax effect of income not considered to be taxable and expenses that are not considered to be deductible. The adjustments are based on the current understanding of the existing tax laws; regulations and practices. Deferred tax has been computed at the tax rate of 12% (31 December 2015: 12%).

During the year tax assessments up to tax year 2012 have been finalised by the tax department for the parent company. The assessment for the years from 2013 to 2015 have not been finalised with the Department of Taxation affairs. The Corporate tax rate in Oman is expected to increase to 15% in accordance with expected amendments to the Income Tax Law of the Sultanate of Oman. The Board of Directors are of the opinion that the additional taxes assessed, if any, would not be material to the Group's consolidated financial position as at 31 December 2016.

Notes
(Forming part of the consolidated financial statements)

25 Taxation *(continued)*

31 December 2015	**31 December 2016**		**31 December 2016**	31 December 2015
		Profit and loss		
3,045	**3,525**	Current tax - current year	**1,356**	1,170
(1,857)	**(1,510)**	Deferred tax - current year	**(581)**	(713)
1,188	**2,015**		**775**	457
		Tax provision		
1,698	**3,255**	As at 1 January	**1,252**	653
3,045	**3,525**	Charged during the year	**1,356**	1,170
(1,488)	**(3,006)**	Paid during the year	**(1,157)**	(571)
3,255	**3,774**	As at 31 December	**1,451**	1,252

Deferred tax liability comprises the following temporary differences:

		Deferred tax liability		
18,801	**16,944**	As at 1 January	**6,517**	7,230
(1,857)	**(1,510)**	Movement for the year	**(581)**	(713)
16,944	**15,434**	As at 31 December	**5,936**	6,517

Deferred tax adjustments relates to the following:

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
(143,746)	**(131,526)**	Net book value of property and equipment	**(50,586)**	(55,287)
2,538	**2,909**	Provisions and losses	**1,119**	976
(141,208)	**(128,617)**		**(49,467)**	(54,311)

Port of Salalah Development Company LLC:
Tax assessments have been completed up to tax year 2009.

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 2016, the USD LIBOR was approximately 1.317% (December 2015: 0.846%) per annum, whereas the Company had fixed interest on its long term borrowings at 4.895% on Tranche 3 and 3.350% on Tranche 4. Management had performed hedge effectiveness test as required under reporting standards.

Based on the interest rates gap over the life of the IRS on tranche 3 and 4, the indicative loss as at 31 December 2016 were assessed at RO 0.50 million (US$1.29 million) [December 2015: loss of RO 0.75 million (US$ 1.94 million)] by the counter parties to IRS. In case, the Company terminates the IRS at 31 December 2016, it may incur the above stated loss.

Notes

(Forming part of the consolidated financial statements)

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

In order to comply with International Accounting Standard 39 “Financial Instruments: Recognition and Measurement” fair value of the hedge instruments’ indicative loss of RO 0.50 million (US$1.29 million) [December 2015: loss of RO 0.75 million (US$1.94 million)] has been recorded as other comprehensive income and liability.

Interest rate swaps- Notional amounts by term to maturity

	Positive fair value	Negative fair value	Notional Amount	Within 1 Year	1 year to 5 years	Over 5 Years
	RO’000	RO’000	RO’000	RO’000	RO’000	RO’000
2016	-	**497**	**11,514**	**3,838**	**7,676**	**-**
2015	-	746	19,190	7,676	11,514	-
	US $ ’000	US $ ’000	US $ ’000	US $ ’000	US $ ’000	US $ ’000
2016	**-**	**1,292**	**29,937**	**9,979**	**19,958**	**-**
2015	-	1,940	49,895	19,958	29,937	-

As at 31 December 2016, the foreign currency forward contract commitment amounted to RO 2.54 million (2015 - 1.03 million) to purchase EURO. The aggregate fair value of the rights and obligations of the foreign currency forward contracts, which were in EURO at 31 December 2016 were insignificant and therefore were not recognised in the consolidated financial statements.

27 Related party transactions

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

	31 December 2016			31 December 2015		
	Purchases	**Services**	**Others**	Purchases	**Services**	Others
	RO '000	**RO '000**	**RO '000**	RO'000	RO '000	RO '000
Other related parties	**128**	**26,229**	**2,258**	89	21,203	1,999
	128	**26,229**	**2,258**	89	21,203	1,999
	USD '000	**USD '000**	**USD '000**	USD '000	USD '000	USD '000
Other related parties	**333**	**68,195**	**5,871**	231	55,128	5,198
	333	**68,195**	**5,871**	231	55,128	5,198

Notes
(Forming part of the consolidated financial statements)

27 Related party transactions *(continued)*

Compensation of key management personnel:

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

31 December 2015	**31 December 2016**		**31 December 2016**	31 December 2015
US $ '000	**US $ '000**		**RO'000**	RO'000
1,328	**1,515**	Short term benefits	**583**	511
128	**83**	End of service benefits	**32**	49
312	**390**	Remuneration of directors	**150**	120
68	**68**	Sitting fees of directors	**26**	26
1,836	**2,056**		**791**	706

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

	31 December 2016		31 December 2015	
	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	**5,164**	**1,862**	3,248	1,746
	US $ '000	**US $ '000**	US $ '000	US $ '000
Other related parties	**13,426**	**4,841**	8,445	4,540

Amounts due from and due to the related parties are disclosed in notes 16 and 24 respectively. Amount due to related parties represents amount payable towards management fees.Outstanding balances at the year-end arise in the normal course of business. Amounts due from related parties are not impaired and are estimated to the collectible based on the past experience.

28 Operating Segment information

For management purposes, the Company is organised into two major operating divisions – Container Terminal and General Cargo Terminal. The Container Terminal Division is engaged in leasing, equipping, operating and managing a Container Terminal. The General Cargo Terminal Division is engaged in providing stevedoring and other cargo related services to vessel and cargo operators. No operating segments have been aggregated to form the above reportable operating segment. The two segments are organised on the basis of the classification of individual berths as set out in the two concession agreements with the Government of the Sultanate of Oman. As such, all operational revenues of berths which are classified as Container Terminal are classified within the Container Terminal segment, whether or not they constitute Container operations, and vice versa. The impact of the segmentation on royalty fees is currently under discussion with the government and the management believes that no significant adjustment on the basis of royalty fees calculation will be warranted.

Notes
(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	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015
	RO'000	RO'000	**RO'000**	RO'000	**RO'000**	RO'000
Revenue	**40,915**	37,920	**13,957**	11,588	**54,872**	49,508
Depreciation and amortisation	**(7,351)**	(7,412)	**(1,243)**	(878)	**(8,594)**	(8,289)
Net profit	**3,050**	2,974	**2,676**	2,208	**5,726**	5,182
Operating assets	**81,498**	91,021	**21,293**	18,012	**102,791**	109,033
Operating liabilities	**81,498**	91,021	**21,293**	18,012	**102,791**	109,033
Other disclosures						
Capital expenditure	**3,787**	3,670	**41**	399	**3,828**	4,029

	Container terminal		General cargo terminal		Total	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015
	US $ '000	US $ '000	**US $'000**	US $ '000	**US $ '000**	US $ '000
Revenue	**106,380**	98,593	**36,287**	30,129	**142,667**	128,722
Depreciation and amortisation	**(19,112)**	(19,271)	**(3,233)**	(2,280)	**(22,345)**	(21,551)
Net profit	**7,927**	7,735	**6,961**	5,739	**14,888**	13,474
Operating assets	**210,998**	236,650	**56,261**	46,830	**267,259**	283,480
Operating liabilities	**210,998**	236,650	**56,261**	46,830	**267,259**	283,480
Other disclosures						
Capital expenditure	**9,846**	9,542	**106**	1,037	**9,952**	10,579

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.

Notes
(Forming part of the consolidated financial statements)

28 Operating Segment information *(Continued)*

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

31 December 2015	**31 December 2016**		**31 December 2016**	31 December 2015
US $ '000	**US $ '000**		**RO'000**	RO'000
38,465	**45,085**	Oman	**17,340**	14,794
88,690	**95,043**	Europe	**36,555**	34,112
573	**1,817**	Other Asia	**699**	220
994	**722**	Africa	**278**	382
128,722	**142,667**		**54,872**	49,508

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 no further action is required in this regard. The matter is being taken up suitably by the Company with the State Audit Institution.

29.2 Capital expenditure commitments

31 December 2015	**31 December 2016**		**31 December 2016**	31 December 2015
US $'000	**US $'000**		**RO'000**	RO'000
5,455	**8,318**	Capital expenditure commitments	**3,199**	2,098
5,455	**8,318**		**3,199**	2,098

Notes
(Forming part of the consolidated financial statements)

29 Commitments and contingencies *(Continued)*

29.3 Operating lease commitments

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

31 December 2015	**31 December 2016**		**31 December 2016**	31 December 2015
US $'000	**US $'000**		**RO'000**	RO'000
4,520	**4,795**	Not later than one year	**1,844**	1,738
24,719	**20,664**	Between one and five years	**7,948**	9,507
47,995	**42,596**	After five years	**16,383**	18,459
77,234	**68,055**		**26,175**	29,704

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) [2015 RO 1.4 million (USD 3.68 million)].

30 Financial risk management

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

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

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

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

Notes
(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

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

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

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
15,693	**19,074**	Within credit period	**7,336**	6,036
2,936	**2,478**	Past due 31-60 days	**953**	1,130
671	**1,937**	Past due 61-90 days	**745**	258
784	**2,056**	Past due 90-180 days	**791**	301
-	**1,638**	More than 180 days	**630**	-
20,084	**27,183**		**10,455**	7,725

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

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
543	**491**	1 January	**189**	209
(52)	**(25)**	Write back for the year	**(10)**	(20)
491	**466**	31 December	**179**	189

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

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
4,228	**6,217**	Oman	**2,392**	1,627
15,667	**20,923**	Europe	**8,048**	6,025
189	**43**	Other & Asia	**15**	73
20,084	**27,183**		**10,455**	7,725

Notes
(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

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

31 December 2015	**31 December 2016**		**31 December 2016**	31 December 2015
US $ '000	**US $ '000**		**RO'000**	RO'000
15,865	**20,932**	Shipping lines	**8,051**	6,102
4,220	**6,251**	Others	**2,404**	1,623
20,085	**27,183**		**10,455**	7,725

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

Notes
(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

	31 December 2015				
	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	16,402	1,868	965	136	19,370
Loans and borrowings	-	5,055	4,931	18,646	28,632
Amount due to related parties	1,746	-	-	-	1,746
	18,148	6,923	5,896	18,782	49,748
	US $'000	US $'000	US $'000	US $'000	US $'000
Trade and other payables	42,642	4,857	2,508	354	50,361
Loans and borrowings	-	13,143	12,823	48,480	74,446
Amount due to related parties	4,540	-	-	-	4,540
	47,182	18,000	15,331	48,834	129,347

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 2016, approximately 64% of the outstanding loans are at fixed rate of interest (December 2015: 72%).The following table summarises the impact of interest rate changes.

31 December 2015	**31 December 2016**		**31 December 2016**	31 December 2015
US$ '000	**US$ '000**		**RO '000**	RO '000
100	**100**	Increase in basis points	**100**	100
(198)	**165**	Effect on profit before tax	**63**	(76)
100	**100**	Decrease in basis points	**100**	100
198	**165**	Effect on profit before tax	**63**	76

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 2016.

Notes
(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

	Profit or loss		Equity	
	100 bps Increase RO'000	**100 bps decrease RO'000**	**100 bps increase RO'000**	**100 bps decrease RO'000**
31 December 2016				
Interest rate swap	**63**	**(63)**	**63**	**(63)**
31 December 2015				
Interest rate swap	**76**	**(76)**	76	(76)

		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 2016				
Interest rate swap	**165**	**(165)**	**129**	**(129)**
31 December 2015				
Interest rate swap	**198**	**(198)**	194	(194)

Investments: The Company generally does not invest in stock markets. The Company has an investment in 200,000 equity shares of face value RO 1.000 in Dhofar University SAOG. The investment was made primarily with an objective of promoting higher education in the Dhofar region.

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 Oman Commercial Companies Law of 1974, as amended.

31 Fair values of the financial instruments

Financial instruments comprise financial assets, financial liabilities and derivatives.

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

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

Notes
(Forming part of the consolidated financial statements)

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

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

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

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

- Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2016, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

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

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

Fair value hierarchy

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

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

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

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

Notes
(Forming part of the consolidated financial statements)

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

Assets measured at fair value at 31 December 2016

	31 December 2016	Level 1	Level 2	Level 3
	RO '000	RO '000	RO '000	RO '000
Available-for-sale investments	297	-	-	297
	US $ '000	US $'000	US $ '000	US $ '000
Available-for-sale investments	772	-	-	772

Liabilities measured at fair value

	RO '000	RO '000	RO '000	RO '000
Interest rate swap	497	-	497	-
	US $ '000	US $'000	US $ '000	US $ '000
Interest rate swap	1,292	-	1,292	-

Notes
(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 2015

	31 December 2015	Level 1	Level 2	Level 3
	RO '000	**RO '000**	**RO '000**	**RO '000**
Available-for-sale investments	297	297	-	-
	US $ '000	**US $'000**	**US $ '000**	**US $ '000**
Available-for-sale financial assets	772	772	-	-
Liabilities measured at fair value				
	RO '000	**RO '000**	**RO '000**	**RO '000**
Interest rate swap	746	-	746	-
	US $ '000	**US $'000**	**US $ '000**	**US $ '000**
Interest rate swap	1,940	-	1,940	-

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements. However, available-for-sale investments amounting to RO 297 K (US$ 772 K) were transferred from level 1 to level 3 during the year.

32 Key sources of estimation uncertainty

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

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

At the end of the reporting date, gross trade and other related party receivable were approximately RO 9.97 million (US$ 25.90 million) [December 2015 – RO 7.05 million (US$ 18.33 million)] and the provision for impairment was made RO 0.18 million (US$ 0.47 million) [December 2015 - RO 0.2 million (US$ 0.49 million)]. Any difference between the amounts actually collected in future period and the amounts expected will be recognised in the profit and loss.

Notes
(Forming part of the consolidated financial statements)

32 Key sources of estimation uncertainty *(continued)*

Impairment of inventories

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

At the end of the reporting date, gross inventories were approximately RO 2.8 million (US$ 7.19 million [December 2015 – RO 2.3 million (US$ 5.92 million)] and provisions for old and obsolete inventories was RO 0.8 million (US$ 2.1 million) [December 2015 – RO 0.8 million (US$ 2.0 million)]. Any difference between the amounts actually realised in future period and the amounts expected will be recognised in the profit and loss

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.

33 Comparative amounts

Certain corresponding figures for year ended 31 December 2016 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.


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Notes
(Forming part of the consolidated financial statements)

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

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

Notes
(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment *for the year ended 31 December 2016* *(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 2016	18,780	178,634	98,348	17,783	7,360	36,708	743	7,991	10,385	2,058	378,790
Additions / recognition	446	-	-	1,825	474	4,608	311	64	390	1,833	9,951
Disposal / derecognition	-	-	-	(91)	-	(2,283)	(56)	-	-	-	(2,430)
31 December 2016	19,226	178,634	98,348	19,517	7,834	39,033	998	8,055	10,775	3,891	386,311
Accumulated depreciation											
1 January 2016	(12,095)	(78,685)	(52,059)	(13,296)	(5,748)	(15,413)	(667)	(6,599)	(8,021)	-	(192,583)
Depreciation for the year	(1,050)	(7,797)	(6,315)	(1,284)	(226)	(3,850)	(73)	(723)	(988)	-	(22,306)
Disposal	-	-	-	82	-	2,283	56	-	-	-	2,421
31 December 2016	(13,145)	(86,482)	(58,374)	(14,498)	(5,974)	(16,980)	(684)	(7,322)	(9,009)	-	(212,469)
Carrying amounts											
31 December 2016	**6,081**	**92,152**	**39,974**	**5,019**	**1,860**	**22,053**	**314**	**733**	**1,766**	**3,891**	**173,843**
31 December 2015	6,685	99,949	46,259	4,487	1,612	21,295	76	1,392	2,364	2,058	186,207

Notes
(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment *for the year ended 31 December 2015*

	Leasehold improvements	Quay gantry cranes	Rubber tyre gantry cranes	Tractors and trailors	Forklifts and reach Stackers	Marine equipment	Motor vehicles	Computer equipment and software	Furnitures, fixtures and equipment	Capital work in progress	Total
	RO ‘000	**RO ‘000**	**RO ‘000**	**RO ‘000**	**RO ‘000**	**RO ‘000**	**RO ‘000**	**RO ‘000**	**RO ‘000**	**RO ‘000**	**RO ‘000**
Cost											
1 January 2015	7,093	68,307	38,637	6,893	2,831	11,594	285	2,973	3,943	23	142,579
Additions / recognition	132	399	-	-	-	2577	-	102	49	770	4,029
Disposal / derecognition	-	-	(812)	(54)	-	(54)	-	-	-	-	(920)
31 December 2015	7,225	68,706	37,825	6,839	2,831	14,117	285	3,075	3,992	793	145,688
Accumulated depreciation											
1 January 2015	(4,234)	(27,358)	(18,295)	(4,659)	(2,038)	(4,804)	(236)	(2,210)	(2,855)	-	(66,689)
Depreciation for the year	(420)	(2,905)	(2,513)	(508)	(174)	(1,178)	(21)	(327)	(228)	-	(8,274)
Disposal / derecognition	-	-	785	54	-	54	-	-	-	-	893
31 December 2015	(4,654)	(30,263)	(20,023)	(5,113)	(2,212)	(5,928)	(257)	(2,537)	(3,083)	-	(74,070)
Carrying amounts											
31 December 2015	**2,571**	**38,443**	**17,802**	**1,726**	**619**	**8,189**	**28**	**538**	**909**	**793**	**71,618**
31 December 2014	2,859	40,949	20,342	2,234	793	6,790	49	763	1,088	23	75,890

Notes
(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment *for the year ended 31 December 2015*

	Leasehold improvements	Quay gantry cranes	Rubber tyre gantry cranes	Tractors and trailors	Forklifts and reach stackers	Marine equipment	Motor vehicles	Computer equipment and software	Furnitures, fixtures and equipment	Capital work in progress	Total
	US $ ’000	**US $ ’000**	**US $ ’000**	**US $ ’000**	**US $ ’000**	**US $ ’000**	**US $ ’000**	**US $ ’000**	**US $ ’000**	**US $ ’00**	**US $ ’000**
Cost											
1 January 2015	18,437	177,597	100,459	17,924	7,360	30,148	743	7,726	10,256	53	370,703
Additions / recognition	343	1,037	-	-	-	6,700	-	265	129	2,005	10,478
Disposal	(3)	-	(2,111)	(141)	-	(140)	-	-	-	-	(2,392)
31 December 2015	18,780	178,634	98,348	17,783	7,360	36,708	743	7,991	10,385	2,058	378,790
Accumulated depreciation											
1 January 2015	(11,004)	(71,132)	(47,566)	(12,116)	(5,296)	(12,490)	(612)	(5,749)	(7,428)	-	(173,393)
Depreciation for the year	(1,091)	(7,553)	(6,534)	(1,321)	(452)	(3,063)	(55)	(850)	(593)	-	(21,512)
Disposal	-	-	2,041	141	-	140	-	-	-	-	2,322
31 December 2015	(12,095)	(78,685)	(52,059)	(13,296)	(5,748)	(15,413)	(667)	(6,599)	(8,021)	-	(192,583)
Carrying amounts											
31 December 2015	**6,685**	**99,949**	**46,259**	**4,487**	**1,612**	**21,295**	**76**	**1,392**	**2,364**	**2,058**	**186,207**
31 December 2014	7,433	106,465	52,893	5,808	2,064	17,658	131	1,977	2,828	53	197,310

Schedule to the audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of comprehensive income

For the year ended 31 December 2016

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
128,729	**142,592**	Revenue	**54,843**	49,511
(78,088)	**(89,365)**	Direct operating costs	**(34,371)**	(30,034)
(17,379)	**(18,335)**	Other operating expenses	**(7,052)**	(6,684)
(18,496)	**(19,404)**	Administration and general expenses	**(7,463)**	(7,115)
3,788	**4,267**	Other income	**1,641**	1,457
18,554	**19,755**	**Profit from operations**	**7,598**	7,135
(3,846)	**(2,878)**	Finance costs	**(1,107)**	(1,479)
14,708	**16,877**	**Profit for the year before tax**	**6,491**	5,656
(1,188)	**(2,015)**	Income tax	**(775)**	(457)
13,520	**14,862**	**Profit for the year**	**5,716**	5,199
		Other comprehensive income		
		Items that are or may be reclassified to profit or loss		
10	**-**	Fair value change of investments	**-**	4
1,781	**648**	Net movement in cash flow hedges	**249**	685
1,791	**648**		**249**	689
1,791	**648**	Other comprehensive income for the year, net of tax	**249**	689
15,311	**15,510**	**Total comprehensive income for the year, net of tax**	**5,965**	5,888
0.08	**0.09**	**Basic earnings per share (US $ / RO)**	**0.033**	0.029

Schedule to the audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of financial position

As at 31 December 2016

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
		ASSETS		
		Non-current Assets		
185,819	**173,465**	Property and equipment	**66,717**	71,469
476	**445**	Intangible assets	**168**	184
772	**772**	Available-for-sale investments	**297**	297
312	**312**	Investment in a subsidiary	**120**	120
39,000	**39,000**	Term deposits	**15,000**	15,000
226,379	**213,994**		**82,302**	87,070
		Current assets		
3,871	**5,085**	Inventories	**1,954**	1,490
20,420	**28,760**	Trade and other receivables	**11,062**	7,854
23,400	**10,400**	Short term deposits	**4,000**	9,000
9,115	**8,801**	Cash and cash equivalents	**3,385**	3,503
70	**-**	Assets classified as held for sale	**-**	27
56,876	**53,046**		**20,401**	21,874
283,255	**267,031**	**TOTAL ASSETS**	**102,703**	108,944
		EQUITY		
46,758	**46,758**	Share capital	**17,984**	17,984
7,666	**7,666**	Share premium	**2,949**	2,949
15,586	**15,586**	Legal reserve	**5,994**	5,994
(1,940)	**(1,292)**	Hedging deficit	**(497)**	(746)
252	**252**	Fair value reserve	**97**	97
65,889	**71,403**	Retained earnings	**27,462**	25,342
134,211	**140,373**	**TOTAL EQUITY**	**53,989**	51,620
		LIABILITIES		
		Non-current Liabilities		
46,430	**23,215**	Loans and borrowings	**8,929**	17,857
16,944	**15,434**	Deferred tax	**5,936**	6,517
5,686	**6,663**	Employees' end of service benefits	**2,563**	2,187
681	**345**	Derivative financial instruments	**133**	262
69,741	**45,657**		**17,561**	26,823
		Current liabilities		
54,830	**56,839**	Trade and other payables	**21,860**	21,088
23,215	**23,215**	Loans and borrowings	**8,929**	8,929
1,258	**947**	Derivative financial instruments	**364**	484
79,303	**81,001**		**31,153**	30,501
149,044	**126,658**	**TOTAL LIABILITIES**	**48,714**	57,324
283,255	**267,031**	**TOTAL EQUITY AND LIABILITIES**	**102,703**	108,944
0.75	**0.78**	**Net assets per share (US $/ RO)**	**0.300**	0.287

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 2016

	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 2015	17,984	2,949	5,650	(1,431)	93	22,841	48,430
Profit for the year	-	-	-	-	-	5,199	5,199
Other comprehensive income	-	-	-	685	4	-	689
Total comprehensive income	-	-	-	685	4	5,199	5,888
Dividend paid	-	-	-	-	-	(2,698)	(2,698)
Balance at 31 December 2015	**17,984**	**2,949**	**5,994**	**(746)**	**97**	**25,342**	**51,620**
Balance 1 January 2016	17,984	2,949	5,994	(746)	97	25,342	51,620
Profit for the year	-	-	-	-	-	5,716	5,716
Other comprehensive income	-	-	-	249	-	-	249
Total comprehensive income	-	-	-	249	-	5,716	5,965
Dividend paid	-	-	-	-	-	(3,596)	(3,596)
Balance at 31 December 2016	**17,984**	**2,949**	**5,994**	**(497)**	**97**	**27,462**	**53,989**

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 2016

	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 2015	46,758	7,666	15,586	(3,721)	242	59,383	125,914
Net profit for the year	-	-	-	-	-	13,520	13,520
Other comprehensive income	-	-	-	1,781	10	-	1,791
Total comprehensive income	-	-	-	1,781	10	13,520	15,311
Dividend paid	-	-	-	-	-	(7,014)	(7,014)
Transfer	-	-	-	-	-	-	-
Balance at 31 December 2015	**46,758**	**7,666**	**15,586**	**(1,940)**	**252**	**65,889**	**134,211**
Balance 1 January 2016	46,758	7,666	15,586	(1,940)	252	65,889	134,211
Net profit for the year	-	-	-	-	-	14,862	14,862
Other comprehensive income	-	-	-	648	-	-	648
Total comprehensive income	-	-	-	648	-	14,862	15,510
Dividend paid	-	-	-	-	-	(9,348)	(9,348)
Balance at 31 December 2016	**46,758**	**7,666**	**15,586**	**(1,292)**	**252**	**71,403**	**140,373**

Schedule to the Audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of cash flows

For the year ended 31 December 2016

31 December 2015 US $ '000	**31 December 2016 US $ '000**		**31 December 2016 RO'000**	31 December 2015 RO'000
		Operating activities		
14,708	**16,877**	Profit for the year before tax	**6,491**	5,656
		Adjustments for:		
21,523	**21,814**	Depreciation and amortisation	**8,403**	8,278
828	**1,154**	Accrual for employees' end of service benefits	**444**	318
(13)	**(343)**	Gain on sale of equipment	**(132)**	(5)
(720)	**(1,812)**	Interest income	**(697)**	(277)
3,760	**2,790**	Finance cost	**1,073**	1,446
40,086	**40,480**	**Operating profit before working capital changes**	**15,582**	15,416
(172)	**(1,214)**	Change in inventories	**(464)**	(66)
813	**(8,340)**	Change in receivables	**(3,208)**	313
5,877	**2,013**	Change in payables	**772**	2,257
6,518	**(7,541)**	**Operating profit after working capital changes**	**(2,900)**	2,504
(427)	**(177)**	Employees' end of service benefits paid	**(68)**	(164)
(1,485)	**(3,008)**	Tax paid	**(1,157)**	(571)
44,692	**29,754**	**Net cash from operating activities**	**11,457**	17,185
		Investing activities		
(10,480)	**(9,951)**	Acquisition of property and equipment	**(3,838)**	(4,029)
13	**424**	Proceeds from sale of property and equipment	**163**	5
720	**1,812**	Interest received	**697**	277
(13,399)	**13,000**	Increase / (decrease) in other term deposits	**5,000**	(5,154)
(23,146)	**5,285**	**Net cash from / (used in) investing activities**	**2,022**	(8,901)
		Financing activities		
(37,566)	**(23,215)**	Repayment of loans and borrowings	**(8,928)**	(14,448)
(7,014)	**(9,348)**	Dividend paid	**(3,596)**	(2,698)
(3,760)	**(2,790)**	Finance cost	**(1,073)**	(1,446)
(48,340)	**(35,353)**	**Net cash used in financing activities**	**(13,597)**	(18,592)
(26,794)	**(314)**	**Net change in cash and cash equivalents**	**(118)**	(10,308)
35,909	**9,115**	Cash and cash equivalents at 1 January	**3,503**	13,811
9,115	**8,801**	**Cash and cash equivalents at 31 December**	**3,385**	3,503