

**SALALAH PORT SERVICES COMPANY (SAOG)**

**Unaudited financial statements**

**For three months ended 31 March 2006**

**Registered office and principal place of business:**

PO Box 369, Postal Code 211

Salalah

Sultanate of Oman

## **Unaudited Financial statements**

*For the three months ended 31 March 2006*

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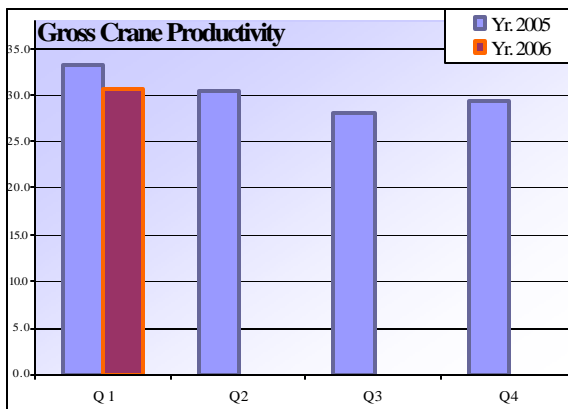
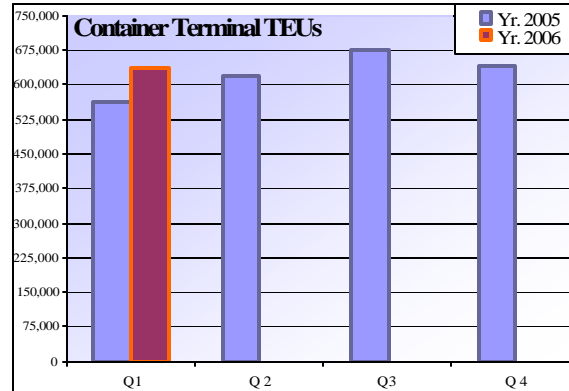
## Directors' Report

On behalf of the Board of Directors, I am pleased to present the un-audited financial results of Salalah Port Services Co. (SAOG) for the three months ended 31 March 2006.

### Operational Review:

#### Container Terminal:

The Port handled 633,830 TEU in the period under review as against 563,008 TEU handled during the corresponding period in the previous year recording a growth of over 13%. This growth is attributed to consolidation of M/s Maersk Line volumes after the take over of P&O Nedllyod and increase in M/s APL volumes. The Port is presently working close to its installed capacity of 2.5 million TEU.

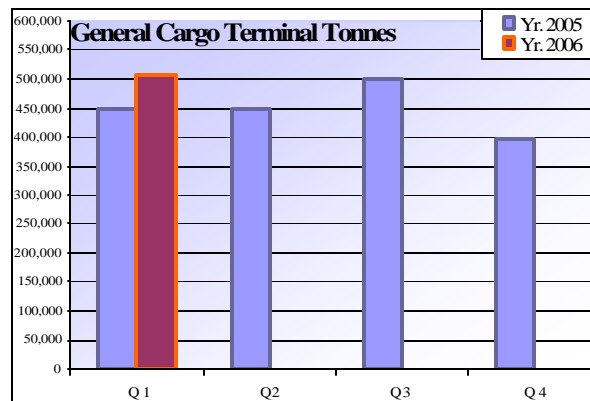


The average gross productivity at the container terminal for the first quarter registered 30.6 moves per hour as against 33.2 moves per hour achieved during the corresponding period last year. Even with the increase in volumes and resultant yard utilisation Port has been able to maintain productivity standards of 30 moves per hour.

#### General Cargo Terminal:

The Port handled 506,653 tonnes of general and bulk cargo during the period under review as against the 445,780 tonnes handled during the corresponding period in 2005 resulting in a growth of 14% mainly on account of increase in cement volumes due to capacity expansion of M/s Raysut Cements.

The volume forecast for the year is 2.1 million tonnes as against 1.8 Million tonnes of year 2005.



**Financial Highlights:**

During the first quarter of the year ended March 2006, consolidated revenue of RO 7.138 million was booked registering a growth of 18% when compared to first quarter of last year. This growth is in line with the growth in volumes at the Port.

The 'direct operating costs' have gone up primarily because of increase in diesel prices, depreciation and headcount of the Company. The total headcount has increased by 14% to 1,475 employees mainly due to change in the shift patterns when compared to 1,315 as of March 2005 last year. The 'other operating expenses' constituting primarily of payments to the Government are in accordance with the concession agreement. There are no other major variances.

Net profit for the first quarter of year 2006 is higher by 21% than the corresponding period of last year primarily due to the higher volumes.

<i>Year 2005</i>		<b>1 January 2006 to 31 March 2006</b>	<b>1 January 2005 to 31 March 2005</b>
	<b>Volume'000</b>		
2,492	Container Terminal – TEU	<b>634</b>	563
1,788	General Cargo Terminal – Tonnes	<b>507</b>	446
29.8	Gross Productivity - <i>Moves per hour</i>	<b>30.6</b>	33.2
	<b>Profitability</b>		
4,625	Net Profit before tax (RO'000)	<b>1,323</b>	1,142
4,095	Net Profit after tax (RO'000)	<b>1,176</b>	974
	<b>Ratios</b>		
15%	Net profit margin	<b>16%</b>	16%
0.228	Earnings per share (RO)	<b>0.065</b>	0.054
1.684	Book value per share (RO)	<b>1.750</b>	1.593

**Developments and Outlook:**

Our focus continues to maintain high standards of customer satisfaction in both Container & General Cargo Terminal. The changes in the employee shift pattern and investments in testing new technology for mooring the ships are some of the initiatives taken towards achieving this objective.

During the quarter General Cargo Terminal at the Port has taken delivery of two mobile harbour cranes which would further boost its productivity in the coming months. Port of Salalah continues to work closely with Government and the contractor for development of berth 5 & 6 to have additional berth available by the end of 2006. Container Terminal expects the six new gantry cranes to be delivered in the last quarter of the year.

Given the present trend of volumes, the port is likely to handle around 2.7 Million TEU for the year compared to the 2.5 Million TEU handled during the year 2005. Barring any unforeseen circumstances, the existing trend of profitability from berth 1 to 4 operations is likely to be maintained.

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**Abdul Aziz Ali Al Shanfari**  
Chairman

## Income statement

for three months ended 31 March 2006

<i>Year 2005</i>			<i>Mar 2006</i>	<i>Mar 2005</i>
<i>RO'000</i>			<i>RO'000</i>	<i>RO'000</i>
26,960	<b>Revenue</b>	26	<b>7,138</b>	<b>6,032</b>
(14,119)	Direct operating costs	4	<b>(3,795)</b>	<b>(3,106)</b>
(4,022)	Other operating expenses	5	<b>(1,036)</b>	<b>(911)</b>
(3,607)	Administration and general expenses	6	<b>(892)</b>	<b>(730)</b>
228	Other income	7	<b>98</b>	<b>40</b>
<u>5,440</u>	<b>Profit from operations</b>		<u><b>1,513</b></u>	<u><b>1,325</b></u>
(815)	Net financing costs	8	<b>(190)</b>	<b>(183)</b>
<u>4,625</u>	<b>Net profit for the period before tax</b>		<u><b>1,323</b></u>	<u><b>1,142</b></u>
(530)	Deferred tax	23	<b>(147)</b>	<b>(168)</b>
<u>4,095</u>	<b>Net profit for the period</b>		<u><b>1,176</b></u>	<u><b>974</b></u>
<u><u>0.228</u></u>	<b>Basic earnings per share (RO)</b>	<u>18</u>	<u><b>0.065</b></u>	<u><b>0.054</b></u>

The notes on pages 9 to 28 form part of these financial statements.

## Balance sheet

as at 31 March 2006

Year 2005 RO'000		Note	Mar 2006 RO'000	Mar 2005 RO'000
	<b>ASSETS</b>			
41,556	Property and equipment	10	41,320	38,942
328	Intangible assets	11	324	339
100	Investments	12	100	100
41,984	<b>Total non-current assets</b>		41,744	39,381
1,541	Inventories	13	1,626	1,245
3,793	Receivables and prepayments	14	5,011	3,332
1,691	Cash and bank	15	5,143	2,072
7,457	Term deposits	16	4,886	6,670
276	Positive fair value of derivatives	25	681	-
14,758	<b>Total current assets</b>		17,347	13,319
56,742	<b>TOTAL ASSETS</b>		59,091	52,700
	<b>EQUITY</b>			
17,984	Share capital	17	17,984	17,984
2,949	Share premium	17	2,949	2,949
1,791	Legal reserve	17	1,791	1,381
276	Hedging (deficit)/ surplus	24	681	(47)
7,288	Retained earnings		6,666	6,375
30,288	<b>TOTAL EQUITY</b>		30,071	28,642
	<b>LIABILITIES</b>			
15,344	Non-current portion of term loans	20	15,344	14,237
1,692	Deferred tax	23	1,839	1,330
-	Negative fair values of derivatives	24	-	47
459	Employees' end of service benefits	21	482	402
17,495	<b>Total non-current liabilities</b>		17,665	16,016
5,453	Payable and accruals	22	7,849	4,570
3,506	Current portion of term loans	20	3,506	3,472
8,959	<b>Total current liabilities</b>		11,355	8,042
26,454	<b>TOTAL LIABILITIES</b>		29,020	24,058
56,742	<b>TOTAL EQUITY AND LIABILITIES</b>		59,091	52,700
1.684	<b>Net assets per share (RO)</b>	19	1.669	1.593

The notes on pages 9 to 28 form part of these financial statements.

Chairman

Chief Executive Officer

General Manager Finance

## Statement of changes in equity

for three months ended 31 March 2006

	Share Capital	Share Premium	Legal reserve	Hedging (deficit)/ surplus	Retained earnings	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
1 January 2004	17,984	2,949	1,019	-	3,937	25,889
Dividend paid	-	-	-	-	(1,798)	(1,798)
Net profit for the year	-	-	-	-	3,624	3,624
Fair value adjustment	-	-	-	(47)	-	(47)
Transfer to legal reserve	-	-	362	-	(362)	-
<b>31 December 2004</b>	<b>17,984</b>	<b>2,949</b>	<b>1,381</b>	<b>(47)</b>	<b>5,401</b>	<b>27,668</b>
Dividend paid	-	-	-	-	(1,798)	(1,798)
Net profit for the year	-	-	-	-	4,095	4,095
Fair value adjustment	-	-	-	323	-	323
Transfer to legal reserve	-	-	410	-	(410)	-
<b>31 December 2005</b>	<b>17,984</b>	<b>2,949</b>	<b>1,791</b>	<b>276</b>	<b>7,288</b>	<b>30,288</b>
Approved dividend	-	-	-	-	(1,798)	(1,798)
Net profit for the period	-	-	-	-	1,176	1,176
Fair value adjustment	-	-	-	405	-	405
<b>31 March 2006</b>	<b>17,984</b>	<b>2,949</b>	<b>1,791</b>	<b>681</b>	<b>6,666</b>	<b>30,071</b>

The notes on pages 9 to 28 form part of these financial statements.

## Cash flow statement

for three months ended 31 March 2006

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
	<b>Operating activities</b>		
4,095	Net profit for the period	1,176	974
	Adjustments for:		
3,372	Depreciation and amortisation	833	741
530	Deferred tax	147	168
	Accrual for employees' end of service		
116	benefits	50	33
(7)	Profit on disposal of equipment	-	-
(172)	Interest income	(75)	(40)
932	Interest expense	254	209
323	Fair value adjustment to derivatives	405	-
	Operating profit before working capital		
9,189	changes:	2,792	2,085
(376)	Inventories	(85)	(80)
(846)	Receivables	(1,217)	(385)
1,492	Payables	2,397	610
9,459	Cash from operations	3,885	2,230
(33)	Employees' end of service benefits paid	(27)	(7)
(323)	Fair value adjustments of derivatives	(405)	-
-	Dividend approved but not paid	(1,798)	-
9,103	<b>Net cash from operating activities</b>	<b>1,655</b>	2,223
	<b>Investing activities</b>		
(7,469)	Purchase of equipment	(594)	(2,235)
7	Proceeds from disposal of equipment	-	-
1,839	Decrease (increase) in bank term deposits	1,345	(12)
(79)	Decrease in other term deposits	-	-
172	Interest income	75	40
(5,530)	<b>Net cash used in investing activities</b>	<b>826</b>	(2,207)
	<b>Financing activities</b>		
4,614	Dividend paid	-	-
(3,472)	New term loan	-	-
(1,798)	Termination of interest rate hedge	-	-
(932)	Interest expense	(254)	(209)
(1,588)	<b>Net cash used in financing activities</b>	<b>(254)</b>	(209)
	Net increase/(decrease) in cash and cash	2,227	(193)
1,985	equivalents		
3,430	<b>Cash and cash equivalents at the beginning of the period</b>	<b>5,415</b>	3,430
5,415	<b>Cash and cash equivalents at the end of the period (note 15)</b>	<b>7,642</b>	3,237

The notes on pages 9 to 28 form part of these financial statements.

## Notes

*(forming part of the unaudited financial statements for the three months ended 31 March 2006)*

### 1 Legal status and principal activities

Salalah Port Services Company SAOG (“the Company”) is registered as a joint stock company in the Sultanate of Oman under the Commercial Companies Law of Oman. The Company is primarily engaged in leasing, equipping, operating and managing Container Terminal and General Cargo Terminal facilities in Salalah, Sultanate of Oman.

### 2 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”) for a period of thirty years commencing from 29 November 1998 (“Concession Period”). 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, 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 period. In consideration of the services provided by the manager the Company pays a fee, which vary dependent on the revenue earned by the Company.
- (iii) Concession agreement 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 September 2000, with retrospective effect from 1 October 1998. The agreement is effective for a period 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 is payable 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 excluding Container Terminal facilities on behalf of the Company. The agreement is effective for the Concession Period. In consideration of the services provided by the manager the Company pays a fee, which varies dependent on the volumes handled by the Company.

## Notes

*(forming part of the unaudited financial statements for the three months ended 31 March 2006)*

### 3 Principal accounting policies

*(a) Statement of compliance*

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as promulgated by the International Accounting Standards Board, the minimum disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

*(b) Basis of preparation*

These financial statements are presented in Rials Omani (“RO”) rounded off to the nearest thousand. The financial statements have been prepared under the historical cost basis modified for derivative financial instruments and investments available for sale, which are stated at fair value.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

*(c) 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.

*(d) Net financing expense*

Net financing expense comprises interest payable on borrowings and interest receivable on bank deposits.

Interest income is recognised in the income statement as it accrues. Interest expense is recognised in the income statement as incurred.

*(e) Employee benefits*

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

Provision for non-Omani employee terminal contributions, 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 balance sheet date.

## Notes

*(forming part of the unaudited financial statements for the three months ended 31 March 2006)*

### **3 Principal accounting policies (continued)**

*(f) 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 balance sheet date are translated to Rials Omani at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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.

*(g) Derivative financial instruments and hedging*

The Company uses derivative financial instruments to hedge its exposure to certain portion of its interest rate risks arising from financing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at their fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised liability, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

*(h) 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 (n)]. Amortisation of development expenditure is charged to income statement on a straight line basis over the Concession Period.

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 3 Principal accounting policies (continued)

#### (i) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses [refer accounting policy (n)]. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Depreciation is charged to income statement. Capital work-in-progress is not depreciated. Depreciation on property and equipment is calculated so as to write off their cost by equal instalments as follows:

	<i>Years</i>
Leasehold improvements	3 - 5
Quay gantry cranes	6 - 25
Rubber tyre gantry cranes	15
Tractors and trailers	10 - 15
Forklifts and reach stackers	3 - 5
Marine equipment	25 - 30
Motor vehicles	3 - 5
Computer equipment and software	1 - 5
Furniture, fixtures and equipment	3 - 5

#### (j) Investments

Investments are classified as available for sale and are stated at fair value, with any resultant gain or loss recognised in equity.

The fair value of the investments available for sale is their quoted bid price at the balance sheet date. Available for sale investments are recognised /de-recognised by the Company on the date it commits to purchase/sell the investments.

#### (k) Receivables

Receivables are stated at their cost less impairment losses [accounting policy (n)].

#### (l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

#### (m) 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.

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 3 Principal accounting policies (continued)

(n) *Impairment*

The carrying amounts of the Company's assets, other than inventories [accounting policy (l)] and deferred tax assets [accounting policy (t)], are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of the Company's receivables is calculated as the present value of expected future cash flows, discounted at the original interest rate inherent in the asset. Receivables with a short duration are not discounted.

(o) *Dividends*

Dividends are recognised as a liability in the period in which they are declared.

(p) *Payables*

Payables are stated at cost.

(q) *Provisions*

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation 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.

(r) *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 income statement over the period of borrowings on an effective interest rate basis.

(s) *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease, considering inflation factor at 3% per annum.

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 3 Principal accounting policies (continued)

#### (t) Income tax

Income tax on the results for the year comprises deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Deferred tax is provided using the balance sheet liability method on 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 calculated on the basis of the tax rates that are expected to apply to the period 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.

### 4 Direct operating costs

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
7,082	Staff costs	1,913	1,651
3,213	Depreciation	785	706
1,654	Repair and maintenance	511	391
1,409	Power and fuel	407	254
761	Other expenses	179	104
<u>14,119</u>		<u>3,795</u>	<u>3,106</u>

### 5 Other operating expenses

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
1,206	Ground rent and royalty	426	262
1,848	Management fees	344	425
126	Depreciation	37	27
842	Others	229	197
<u>4,022</u>		<u>1,036</u>	<u>911</u>

### 6 Administration and general expenses

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
2,099	Staff costs	523	486
18	Depreciation	7	4
211	Sales and marketing	49	21
168	System and communications	53	46
491	Legal and professional fees	70	27
620	Others	190	146
<u>3,607</u>		<u>892</u>	<u>730</u>

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 7 Other income

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
70	Professional services fee	-	7
158	Others	98	33
<u>228</u>		<u>98</u>	<u>40</u>
<u><u>228</u></u>		<u><u>98</u></u>	<u><u>40</u></u>

### 8 Net financing costs

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
932	Term loan interest	254	209
55	Other financing charges	11	14
<u>987</u>	Total financing cost	<u>265</u>	<u>223</u>
(172)	Interest income	(75)	(40)
<u>815</u>		<u>190</u>	<u>183</u>
<u><u>815</u></u>		<u><u>190</u></u>	<u><u>183</u></u>

### 9 Salaries and related costs

Salaries and related costs included in notes 4 and 6 are as follows:

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
7,391	Wages and salaries	1,979	1,742
1,377	Other benefits	326	304
142	Increase in liability for un-funded defined benefit retirement plan	50	33
271	Contributions to defined contribution retirement plan	81	58
<u>9,181</u>		<u>2,436</u>	<u>2,137</u>
<u><u>9,181</u></u>		<u><u>2,436</u></u>	<u><u>2,137</u></u>

The number of employees at 31 March 2006 was 1,475 (March 2005: 1,315).

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 10 Property and equipment

Details of property and equipment are set out in Schedule I on page 28.

Buildings are situated on land-leased upto the year 2028, from the Ministry of Transport and Communications. Annual lease rental is RO 286,140 and increases by 3% per annum compounded beginning from 1 January 1999.

The depreciation charge has been allocated in the income statement as follows:

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
3,213	Direct operating costs	785	706
126	Other operating expenses	37	27
18	Administration expenses	7	4
<u>3,357</u>		<u>829</u>	<u>737</u>

### 11 Intangible assets

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
425	Cost	425	425
(97)	Cumulative amortisation	(101)	(86)
<u>328</u>	Net book value	<u>324</u>	<u>339</u>

### 12 Investments

The company has invested RO 100,000 for the purchase of 100,000 shares of Dhofar university SAOG.

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 13 Inventories

Year 2005 RO'000		<b>Mar 2006 RO'000</b>	Mar 2005 RO'000
1,850	Spares	<b>1,953</b>	1,511
(309)	Less: Provision for slow moving inventories	<b>(327)</b>	(266)
<u>1,541</u>		<u><b>1,626</b></u>	<u>1,245</u>
<u><u>1,541</u></u>		<u><u><b>1,626</b></u></u>	<u><u>1,245</u></u>

### 14 Receivables and prepayments

Year 2005 RO'000		<b>Mar 2006 RO'000</b>	Mar 2005 RO'000
870	Amounts due from related parties	<b>2,207</b>	1,618
2,032	Amounts due from the Government of Sultanate of Oman	<b>1,677</b>	726
662	Trade receivables	<b>698</b>	566
162	Prepaid expenses	<b>250</b>	324
67	Other receivables	<b>179</b>	98
<u>3,793</u>		<u><b>5,011</b></u>	<u>3,332</u>
<u><u>3,793</u></u>		<u><u><b>5,011</b></u></u>	<u><u>3,332</u></u>

### 15 Cash and bank balances

Year 2005 RO'000		<b>Mar 2006 RO'000</b>	Mar 2005 RO'000
170	Cash and bank balances	<b>4,352</b>	1,296
1,521	Call deposit accounts	<b>791</b>	776
<u>1,691</u>		<u><b>5,143</b></u>	<u>2,072</u>
<u><u>1,691</u></u>		<u><u><b>5,143</b></u></u>	<u><u>2,072</u></u>

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 15 Cash and bank balances (continued)

#### Cash and cash equivalents

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
1,691	Cash and bank balances	5,143	2,072
3,724	Bank deposits with less than 3 months maturity (note 16)	2,499	1,165
<u>5,415</u>		<u>7,642</u>	<u>3,237</u>

### 16 Term deposits

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
3,724	Bank deposits with a maturity of three months or less	2,499	1,165
1,346	Bank deposits with a maturity of greater than three months	-	3,197
2,387	Debt service deposit	2,387	2,308
<u>7,457</u>		<u>4,886</u>	<u>6,670</u>

Bank deposits carry effective annual interest at the rates ranging between 4.5% and 4.72% (2005: 3% and 4.5%) and include the following:

- ? fixed deposits of RO 2,499,250 (Mar 2005 - RO 2,331,260) with commercial banks in Oman, denominated in US Dollars; and
- ? As of 31 March 2005 fixed deposits of RO 2,031,216 were with commercial banks in Oman, denominated in Rial Omani.

Under the terms of the debt financing agreement, the Company is required to maintain a debt service deposit equal to its next six months debt repayments for the period until the final installment of the term loan. The deposit is in USDollars carrying effective annual interest rates of 4.5% (Mar 2005- 2.2%)

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 17 Share capital

	Authorised		Issued and fully paid	
	2006	2005	2006	2005
Shares of RO 1 each (RO '000)	<b>20,000</b>	20,000	<b>17,984</b>	17,984

#### Share premium

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

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

	Mar 2006		Mar 2005	
	No. of shares	%	No. of shares	%
A.P. Moller Finance S.A.	<b>5,418,000</b>	<b>30</b>	5,418,000	30
Government of the Sultanate of Oman (represented by Ministry of Finance)	<b>3,612,000</b>	<b>20</b>	3,612,000	20
Dhofar International Development and Investment Company SAOG	<b>1,958,800</b>	<b>11</b>	1,958,800	11
Ministry of Defence – Pension Fund	<b>1,798,374</b>	<b>10</b>	1,798,374	10

#### Legal reserve

The Commercial Companies Law of 1974 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.

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 18 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the period as follows:

Year 2005		Mar 2006	Mar 2005
4,095	Net profit for the year/period (RO'000)	1,176	974
17,984	Weighted average number of ordinary shares outstanding during the year/period ('000)	17,984	17,984
0.228	Basic earnings per share(RO)	0.065	0.054

### 19 Net assets per share

Net assets per share is calculated by dividing the net assets at the year end by the number of shares outstanding as follows:

Year 2005		Mar 2006	Mar 2005
30,288	Net assets (RO '000)	30,023	28,642
17,984	Weighted average number of ordinary shares outstanding during the year/period ('000)	17,984	17,984
1.684	Net assets per share (RO)	1.669	1.593

### 20 Term loan

The Company has syndicated long-term loan facility, denominated in US Dollars, from financial institutions in the aggregate amount of approximately RO 42.3 million (USD 110 million). The facility, comprises two Tranches of RO 21.2 million (USD 55 million) each. During the year 2005, the company made a drawdown of RO 4.6 million (USD 12 million) from Tranche 2 of the loan facility. The remaining amount of Tranche 2 facility is available to the Company till 4 May 2008. Company has already availed Tranche 1 facility in the amount of RO 21.2 million (USD 55 million) in the previous years.

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 20 Term Loans (continued)

The secured lenders for the Company are Bank Muscat, Gulf International Bank B.S.C & Bank Dhofar. Bank Muscat has been appointed as security agents and trustees for the secured lenders. They are also the Facility Agent for administration and monitoring of the overall loan facilities

The Tranche 1 term loan is repayable in 12 instalments of six-monthly intervals commencing from 30 June 2004. The Company has capped the rate of interest through an interest rate swap agreement for 75% of its loan facility at a maximum interest rate of 3.7% per annum (refer note 24).

The Tranche 2 term loan is repayable in 14 instalments of six-monthly intervals commencing from 30 June 2008. The Company has fixed the rate of interest through an interest rate swap agreement for 75% of its loan facility at a maximum interest rate of 4.7% per annum (refer note 24).

At 31 March 2006, the outstanding balance for the two tranches is as follows:

	Total	Payable within one year (Current portion)	Payable between 1 and 2 years	Payable between 2 and 5 years	Payable after 5 years
RO'000					
Tranche 1	<b>14,236</b>	3,506	3,540	7,190	-
Tranche 2	<b>4,614</b>	-	-	1,068	3,546
Total	<b>18,850</b>	3,506	3,540	8,258	3,546

The loan agreement contains certain restrictive covenants, which include, amongst others, restrictions over debt service, net worth limit, debt equity ratios, 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 bear an effective interest rate of 4.98% (Mar 2005 – 4.78%) incorporating the effect of hedging instrument.

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

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 21 Employees end of service benefits

Movements in the liability recognised in the balance sheet are as follows:

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
376	Opening balance	459	376
116	Accruals during the year	50	33
(33)	End of service benefit paid	(27)	(7)
<u>459</u>	Closing balance	<u>482</u>	<u>402</u>

### 22 Payable and accruals

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
1,016	Trade accounts payable	969	827
1,862	Amounts due to related parties	2,043	2,010
2,575	Accrued expenses and other liabilities	4,837	1,733
<u>5,453</u>		<u>7,849</u>	<u>4,570</u>

### 23 Taxation

In accordance with Ministerial decision 73/2000 dated 28 June 2000, the Company had obtained a tax exemption for a period of 5 years commencing 29 November 1998.

The Company has been granted further tax exemption in accordance with Ministerial decision 40/2004 dated 19 June 2004 for a period of further five years commencing 1 November 2003.

Deferred tax liability represents the amount of income tax payable in future periods in respect of taxable temporary / timing differences between accounting and tax depreciation. The provision for deferred tax liability reserves the impact of incidence of tax in the future periods when the carrying amount of asset would be recovered in the form of revenues. There by matching the effective rate of tax to the actual tax rate.

The assessments for the years 2001 to 2004 have not been finalised with the Department of Taxation Affairs, Ministry of Finance.

**Notes**

*(forming part of the unaudited financial statements for the three months ended 31 March 2006)*

**24 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 rate of interest through Interest Rate Swap Agreements (“IRS”) for approximately 75% of its Tranch I loan facility (refer note 20) amounting to approximately RO 10.69 million (USD 27.8 million) at a fixed interest rate of 3.7% per annum, excluding margin and for 100% of its drawdown (limited to 75% of the Tranch II loan facility - refer note 20) amounting to RO 4.61 million (USD 12 million) at a fixed interest rate of 4.7% per annum, excluding margin.

As at 31 March 2006, the USD LIBOR was approximately 5.11% per annum, whereas the Company has fixed interest on its long term borrowing at 3.7% on Tranche I and 4.7% on Tranche 2. Based on the interest rates gap, over the life of the IRS, the indicative gains were assessed at approximately RO 681,000 to the counter parties to IRS. Had the company terminated the IRS on 31 March 2006, it would have resulted in a gain of RO 681,000. However, under the term of Loan Agreements, the Company is not permitted to terminate the interest rate swap agreements. In order to comply with International Financial Reporting Standard 39, “Financial Instruments: Recognition and Measurement” fair value of the hedge instruments indicative against in the amount of approximately RO 681,000 has been recorded within the equity of the Company under “Hedging surplus” and a similar amount is recorded under assets.

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 25 Related party transaction

These represent transactions with related parties, i.e. shareholders and senior management of the Company, and companies of which they are principal owners. The Company's management approves pricing policies and terms of these transactions.

Transactions with related parties or holders of 10% or more of the Company's shares or their family members, included in the statement of income are as follows:

Year 2005 RO'000		Mar 2006 RO'000	Mar 2005 RO'000
	<i>Revenue</i>		
	Maersk Shipping Services Company		
20,453	LLC (Agent of Maersk Line)	5,422	4,484
9	Others	4	-
<u>20,462</u>		<u>5,426</u>	<u>4,484</u>
	<i>Purchases and service rendered</i>		
	AP Moller Terminals and Company		
136	LLC	26	30
200	Cory Towage LLC	66	50
	Maersk Shipping Services Company		
333	LLC (Agent of Maersk Line)	122	3
24	Others	6	12
<u>693</u>		<u>220</u>	<u>95</u>
	Management fees to A P Moller Terminals and Company L.L.C	344	425
<u>30</u>	Directors' remuneration	<u>0</u>	<u>0</u>
<u>23</u>	Directors' sitting fees	<u>7</u>	<u>4</u>

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 26 Segmental reporting

#### *Operating Segment*

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. All activities are undertaken in the Sultanate of Oman. These Divisions are the basis on which the Company reports its primary segment information, as follows:

	Container Terminal		General Cargo Terminal		Total	
	Mar 2006 RO '000	Mar 2005 RO '000	Mar 2006 RO '000	Mar 2005 RO '000	Mar 2006 RO '000	Mar 2005 RO '000
Revenue	6,443	5,414	695	618	7,138	6,032
Direct operating costs	(3,516)	(2,892)	(279)	(214)	(3,795)	(3,106)
Common costs					(1,830)	(1,601)
<b>Profit from operations</b>					<b>1,513</b>	1,325
Net financing costs					(190)	(183)
<b>Net profit for the year before tax</b>					<b>1,323</b>	1,142
Deferred tax					(147)	(168)
<b>Net profit for the period</b>					<b>1,176</b>	974

## Notes

(forming part of the unaudited financial statements for the three months ended 31 March 2006)

### 26 Segmental reporting (continued)

	Container Terminal		General Cargo Terminal		Total	
	Mar 2006 RO '000	Mar 2005 RO '000	Mar 2006 RO '000	Mar 2005 RO '000	Mar 2006 RO '000	Mar 2005 RO '000
<b>Other Information</b>						
Segment total						
Assets	<b>57,458</b>	51,870	<b>2,804</b>	1,206	<b>60,262</b>	53,076
	-----	-----	-----	-----		
Inter division						
balances eliminated					<b>(1,171)</b>	(376)
					-----	-----
<b>Total assets</b>					<b>59,091</b>	52,700
					-----	-----
Segment total						
liabilities &						
equity	<b>57,458</b>	51,870	<b>2,804</b>	1,206	<b>60,262</b>	53,076
	-----	-----	-----	-----		
Inter division						
balances eliminated					<b>(1,171)</b>	(376)
					-----	-----
<b>Total liabilities &amp; equity</b>					<b>59,091</b>	52,700
					-----	-----

**Notes**

*(forming part of the unaudited financial statements for the three months ended 31 March 2006)*

**27 Financial instruments**

Exposure to interest rate, credit, liquidity, currency and fair value risks arises in the normal course of the Company's business.

*Interest rate risk*

The Company adopts a policy of ensuring that at least 75% of its exposure to changes in interest rates on long-term loans is on a fixed rate basis. Interest rate swap, denominated in US Dollars, has been entered into to achieve this purpose. The swap matures over the next two years. While this is subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

However, the Company is also exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and 25% of the term loans). The management monitors the interest rate risk by setting limits on the interest rate gaps for stipulated periods.

*Credit risk*

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Company provides services to number of customers in Oman. Top six customers account for 94% of outstanding accounts receivable at 31 March 2006 (March 2005- 92%).

*Liquidity risk*

The Company limits its liquidity risk by ensuring bank facilities is available. The Company's terms of service require amounts to be paid within 30 to 60 days of the date of sale. Trade payables are normally settled within 30 to 90 days of the date of purchase.

*Currency risk*

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of financial assets and liabilities. The Company has not hedged its currency exposure, the majority of which is denominated in US Dollars as a significant part of its current and expected revenue flows will be in US Dollars.

**28 Fair values of financial instruments**

Financial instruments comprise financial assets and liabilities.

Financial assets consist of cash and bank balances, term deposits and receivables. Financial liabilities consist of payables term loans and accrued expenses.

The fair values of the financial assets and liabilities at the balance sheet date are not materially different from their carrying values.

**29 Comparative figures**

Certain comparative figures have been reclassified in order to confirm with the presentation for the period under review. Such reclassifications do not affect previously reported net profit or shareholders' equity.

**Schedule I**
**Property and Equipment**
*forming part of the unaudited financial statements for the three months ended 31 March 2006*

	Leasehold improvements RO '000	Quay gantry cranes RO '000	Rubber tyre gantry cranes RO '000	Tractors and trailors RO '000	Forklifts and reach Stackers RO '000	Marine equipment RO '000	Motor vehicles RO '000	Computer equipment and software RO '000	Furniture, fixtures and equipment RO '000	Capital work in progress RO '000	Total RO '000
Balance at 1 Jan 2006											
net of accumulated dep.	139	19,353	11,199	2,496	576	4,812	100	199	283	2,399	41,556
Additions	-	-	-	-	-	-	6	46	50	492	594
Transfer from CWIP	28	-	-	-	-	-	-	-	-	(28)	-
Depreciation for the period	(22)	(258)	(259)	(97)	(43)	(59)	(16)	(37)	(39)	-	(830)
<b>Balance at 31 Mar 2006</b>	<b>145</b>	<b>19,095</b>	<b>10,940</b>	<b>2,399</b>	<b>533</b>	<b>4,753</b>	<b>90</b>	<b>208</b>	<b>294</b>	<b>2,863</b>	<b>41,320</b>
1 January 2006											
Cost	1,076	26,072	15,509	4,279	1,406	5,944	513	1,657	1,678	2,399	60,533
Accumulated Dep.	(937)	(6,719)	(4,310)	(1,783)	(830)	(1,132)	(413)	(1,458)	(1,395)	-	(18,977)
<b>Net carrying amount</b>	<b>139</b>	<b>19,353</b>	<b>11,199</b>	<b>2,496</b>	<b>576</b>	<b>4,812</b>	<b>100</b>	<b>199</b>	<b>283</b>	<b>2,399</b>	<b>41,556</b>
31 March 2006											
Cost	1,104	26,072	15,509	4,279	1,406	5,944	519	1,703	1,728	2,863	61,127
Accumulated Dep.	(959)	(6,977)	(4,569)	(1,880)	(873)	(1,191)	(429)	(1,495)	(1,434)	-	(19,807)
<b>Net carrying amount</b>	<b>145</b>	<b>19,095</b>	<b>10,940</b>	<b>2,399</b>	<b>533</b>	<b>4,753</b>	<b>90</b>	<b>208</b>	<b>294</b>	<b>2,863</b>	<b>41,320</b>