

## **Unaudited financial statements**

**31 March 2007**

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

PO Box 369, Postal Code 211

Salalah

Sultanate of Oman

## **Unaudited financial statements**

*31 March 2007*

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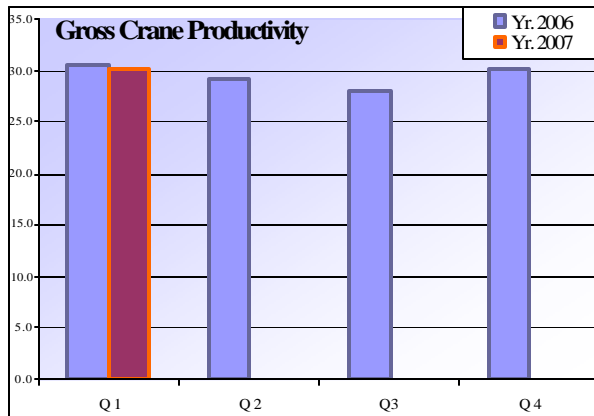
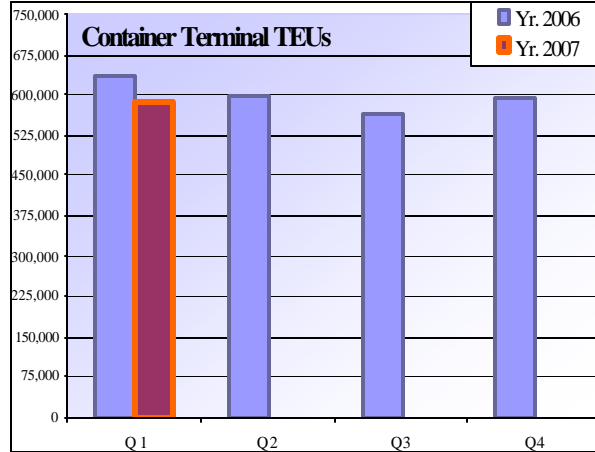
**Directors' Report**

On behalf of the Board of Directors, I am pleased to present the unaudited financial results of Salalah Port Services Co. (SAOG) for the three months ended 31 March 2007.

**Operational review:**

*Container Terminal*

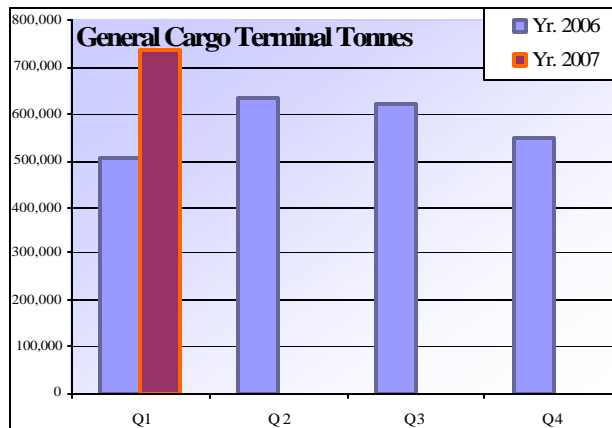
The Port handled 586,608 TEU in the period under review as against 633,830 TEU handled during the corresponding period in the previous year. This represents a decline of 7% over corresponding period of last year with Maersk line volumes dropping by 7% and APL volumes dropping by 4% compared to last year.



The average gross productivity at the container terminal for the first quarter registered 30.2 moves per hour as against 30.7 moves per hour achieved during the corresponding period last year.

*General Cargo Terminal*

The Port handled 737,412 tonnes of general and bulk cargo during the period under review as against the 506,653 tonnes handled during the corresponding period in 2006 resulting in a growth of 45% mainly on account of increase in cement volumes due to capacity expansion of M/s Raysut Cements and limestone shipments.



**Financial highlights:**

During the first quarter of the year ended March 2007, consolidated revenue of RO 6.970 million as against RO 7.035 in the corresponding period of the last year.

The 'direct operating costs' have gone up primarily due to costs associated with dry docking of Tug Hasik and Tug Salalah. The 'other operating expenses' constituting primarily of payments to the Government are in accordance with the concession agreement.

The financing costs have gone up due to the increase in the interest rates and additional draw down of USD 30 million from the Tranch 2 loan facility during the last quarter of the Yr 2006.

<i>Year 2006</i>		<b>1 January 2007 to 31 March 2007</b>	<b>1 January 2006 to 31 March 2006</b>
	<b>Volume'000</b>		
2,390	Container Terminal – TEU	<b>587</b>	634
2,308	General Cargo Terminal – Tonnes	<b>737</b>	506
29.4	Gross Productivity - <i>Moves per hour</i>	<b>30.2</b>	30.6
	<b>Profitability</b>		
4,724	Net Profit before tax (RO'000)	<b>831</b>	1,323
4,154	Net Profit after tax (RO'000)	<b>645</b>	1,176
	<b>Ratios</b>		
15%	Net profit margin	<b>9%</b>	16%
0.231	Earnings per share (RO)	<b>0.036</b>	0.065
1.825	Book value per share (RO)	<b>1.735</b>	1.672

**Developments and outlook:**

Port of Salalah continues to work closely with Government and the contractor for handover of initial area of 300x250 meters of berth 5 and expects to put it to commercial use by 11<sup>th</sup> April 2007. We also expect to take the handover of the balance area of berth 5 by the end of May 2007. Out of the new six quay cranes at the Container Terminal, one has been successfully put to commercial use during March 2007 and the balance will be put to use after the handover of initial area of Berth 5.

Given the present trend of volumes, the port is likely to handle around 2.7 million TEU for the year compared to the 2.3 million TEU handled during the year 2006. 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 Shanfari**  
**Chairman**

**Unaudited Income statement**
*for three months ended 31 March 2007*

<i>Year 2006</i> <i>RO '000</i>		<i>Notes</i>	<b>Mar-07</b> <b>RO'000</b>	Mar-06 RO'000
27,918	Revenue	27	<b>6,970</b>	7,035
(15,348)	Direct operating costs	5	<b>(4,222)</b>	(3,692)
(3,482)	Other operating expenses	6	<b>(810)</b>	(1,036)
(3,763)	Administration and general expenses	7	<b>(844)</b>	(892)
196	Other income	8	<b>32</b>	98
----- 5,521	Profit from operations		----- <b>1,126</b>	----- 1,513
(797)	Net financing costs	9	<b>(295)</b>	(190)
----- 4,724	<b>Net profit for the period before tax</b>		----- <b>831</b>	----- 1,323
(570)	Deferred tax	24	<b>(186)</b>	(147)
----- 4,154	<b>Net profit for the period</b>		----- <b>645</b>	----- 1,176
=====			=====	=====
0.231	Basic earnings per share (RO)	19	<b>0.036</b>	0.065
=====			=====	=====

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

**Salalah Port Services Co. (SAOG)**
**Unaudited Balance sheet**
*as at 31 March 2007*

<i>Year 2006</i>			<b>Mar-07</b>	Mar-06
<i>RO '000</i>		<i>Notes</i>	<b>RO'000</b>	RO'000
<b>ASSETS</b>				
50,348	Property and equipment	11	<b>51,578</b>	41,320
314	Intangible assets	12	<b>311</b>	324
100	Investments	13	<b>100</b>	100
141	Non current portion of positive fair value of derivatives	25	<b>113</b>	272
-----				
50,903	<b>Total non-current assets</b>		<b>52,102</b>	42,016
-----				
1,638	Inventories	14	<b>1,483</b>	1,626
3,792	Trade and other receivables	15	<b>4,658</b>	5,011
5,486	Cash and cash equivalents	16	<b>3,624</b>	5,143
5,630	Term deposits	17	<b>7,322</b>	4,886
309	Positive fair value of derivatives	25	<b>232</b>	409
-----				
16,855	<b>Total current assets</b>		<b>17,319</b>	17,075
-----				
67,758	<b>TOTAL ASSETS</b>		<b>69,421</b>	59,091
=====				
<b>EQUITY</b>				
17,984	Share capital	18	<b>17,984</b>	17,984
2,949	Share premium	18	<b>2,949</b>	2,949
2,206	Legal reserve	18	<b>2,206</b>	1,791
450	Hedging surplus	25	<b>345</b>	681
9,229	Retained earnings		<b>7,716</b>	6,666
-----				
32,818	<b>TOTAL EQUITY</b>		<b>31,200</b>	30,071
-----				
<b>LIABILITIES</b>				
23,339	Non-current portion of term loans	21	<b>23,339</b>	15,344
2,262	Deferred tax	24	<b>2,448</b>	1,839
545	Employees' end of service benefits	22	<b>540</b>	482
-----				
26,146	<b>Total non-current liabilities</b>		<b>26,327</b>	17,665
-----				
5,254	Trade and other payables	23	<b>8,354</b>	7,849
3,540	Current portion of term loans	21	<b>3,540</b>	3,506
-----				
8,794	<b>Total current liabilities</b>		<b>11,894</b>	11,355
-----				
34,940	<b>TOTAL LIABILITIES</b>		<b>38,221</b>	29,020
-----				
67,758	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>69,421</b>	59,091
=====				
1.825	<b>Net assets per share (RO)</b>	20	<b>1.735</b>	1.672
=====				

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

Chairman

Chief Executive Officer

Chief Financial Officer

**Unaudited statement of changes in equity**
*for three months ended 31 March 2007*

	Share capital	Share premium	Legal reserve	Hedging surplus /(deficit)	Retained earnings	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
1 January 06	17,984	2,949	1,791	276	7,288	30,288
Dividend approved but not paid	-	-	-	-	(1,798)	(1,798)
Net profit for the period	-	-	-	-	4,154	4,154
Fair value adjustment	-	-	-	174	-	174
Transfer	-	-	415	-	(415)	-
	-----	-----	-----	-----	-----	-----
31 December 06	17,984	2,949	2,206	450	9,229	32,818
Dividend approved but not paid	-	-	-	-	(2,158)	(2,158)
Net profit for the period	-	-	-	-	645	645
Fair value adjustment	-	-	-	(105)	-	(105)
Transfer	-	-	-	-	-	-
	-----	-----	-----	-----	-----	-----
31 March 07	17,984	2,949	2,206	345	7,716	31,200
	=====	=====	=====	=====	=====	=====

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

## Unaudited Cash flow statement

for the three months ended 31 March 2007

Year 2006 RO '000	Mar-07 RO'000	Mar-06 RO'000
<b>Cash flow from operating activities</b>		
4,154	645	1,176
Net profit for the period		
Adjustments for:		
3,429	849	833
Depreciation and amortisation		
570	186	147
Deferred tax		
132	31	50
Accrual for employees' end of service benefits		
(4)	(12)	-
Gain on sale of equipment		
(310)	(94)	(75)
Interest income		
1,065	386	254
Interest expense		
9,036	1,991	2,385
Operating profit before working capital changes		
(97)	155	(85)
Change in inventories		
1	(866)	(1,217)
Change in receivables		
(199)	3,100	2,397
Change in payables		
(46)	(36)	(27)
Employees' end of service benefits paid		
-	(2,158)	(1,798)
Dividend approved but not paid		
8,695	2,186	1,655
<b>Net cash from operating activities</b>		
<b>Cash flow from investing activities</b>		
(12,207)	(2,081)	(594)
Acquisition of equipment		
4	17	-
Proceeds from sale of equipment		
(1,394)	(1,692)	1,345
(Increase)/ decrease in bank term deposits		
(503)	-	-
(Increase) in other term deposits		
310	94	75
Interest received		
(13,790)	(3,662)	826
<b>Net cash used in investing activities</b>		
<b>Cash flow from financing activities</b>		
11,535	-	-
Proceeds from term loan		
(3,506)	-	-
Repayment of term loans		
(1,798)	-	-
Dividend paid		
(1,065)	(386)	(254)
Interest paid		
5,166	(386)	(254)
<b>Net cash used in financing activities</b>		
71	(1,862)	2,227
Net increase in cash and cash equivalents		
5,415	5,486	5,415
<b>Cash and cash equivalents at 1 January</b>		
5,486	3,624	7,642
<b>Cash and cash equivalents at the end of the period (note 16)</b>		
=====	=====	=====

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

**Notes**

*(forming part of the unaudited financial statements)*

**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 Basis of Preparation***(a) Statement of compliance*

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

*(b) Basis of measurement and Presentation currency*

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 years.

**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”) 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.

**Notes**

*(forming part of the unaudited financial statements)*

**3 Significant agreements (continued)**

- (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 varies dependant on the operating revenue handled by the Company.
- (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 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 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 dependant on the volumes handled by the Company.

**4 Significant accounting policies**

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

**(a) 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.

**(b) 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.

**Notes**

*(forming part of the unaudited financial statements)*

**4 Significant accounting policies***(c) 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, 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 balance sheet date.

*(d) Foreign currencies*

Transactions in foreign currencies are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the 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.

*(e) 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.

**Notes**

(forming part of the unaudited financial statements)

**4 Significant accounting policies (continued)**

(f) *Intangible asset*

Expenditure incurred on initial studies for development of Salalah Port have been capitalised by the Company. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses [refer accounting policy (1)]. Amortisation of development expenditure is charged to income statement on a straight line basis over the Concession Period.

(g) *Property and equipment*

(i) *Recognition and measurement*

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses [refer accounting policy (1)]. 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

(ii) *Depreciation*

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

(h) *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.

(i) *Receivables*

Receivables are stated at their cost less impairment losses [accounting policy (1)].

**Notes**

*(forming part of the unaudited financial statements)*

**4 Significant accounting policies (continued)****(j) 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.

**(k) 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.

**(l) Impairment**

The carrying amounts of the Company's assets, other than inventories [accounting policy (j)] and deferred tax assets [accounting policy (r)], 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.

**(m) Dividends**

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

**(n) Determination of directors remuneration**

The Annual General Meeting determines the total remuneration of the Chairman, Deputy Chairman and other members of the Board of Directors in respect of Board Meetings, positions held and sub-committee duties, not exceeding three percent (3%) of the net annual profits after deduction of the legal reserve, the special reserve (if any), and payment of dividends of not less than five percent (5%) to all shareholders. Directors' remuneration is recognized in the income statement.

**(o) Payables & provisions**

Payables are stated at cost and 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.

**Notes**

*(forming part of the unaudited financial statements)*

**4 Significant accounting policies (continued)****(p) 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.

**(q) 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, increasing at the rate of 3% per annum.

**(r) 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.

**Notes**
*(forming part of the unaudited financial statements)*
**5 Direct operating costs**

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
7,896	Staff costs	1,966	1,913
3,245	Depreciation	810	785
1,850	Repair and maintenance	440	511
1,640	Power and fuel	411	407
717	Other expenses	595	179
----- 15,348 =====		----- 4,222 =====	----- 3,795 =====

**6 Other operating expenses**

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
1,122	Ground rent and royalty	261	426
1,334	Management fees	274	344
142	Depreciation	28	37
884	Others	247	229
----- 3,482 =====		----- 810 =====	----- 1,036 =====

**7 Administration and general expenses**

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
2,263	Staff costs	544	523
28	Depreciation	8	7
184	Sales and marketing	29	49
222	Systems and communications	53	53
343	Legal and professional fees	41	70
723	Others	169	190
----- 3,763 =====		----- 844 =====	----- 892 =====

**8 Other income**

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
-	Professional services fee	-	0
196	Others	32	98
----- 196 =====		----- 32 =====	----- 98 =====

**Notes**
*(forming part of the unaudited financial statements)*
**9 Net financing costs**

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
1,065	Term loan interest	386	254
42	Other financing charges	3	11
-----			
1,107	Total financing cost	389	265
(310)	Interest income	(94)	(75)
-----			
797		295	190
=====			

**10 Salaries and related costs**

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

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
8,126	Wages and salaries	2,055	1,979
1,561	Other benefits	336	326
132	Increase in liability for unfunded defined benefit retirement plan	31	50
340	Contributions to defined contribution retirement plan	88	81
-----			
10,159		2,510	2,436
=====			

The number of employees at 31 March 2007 was 1,459 (March 2006: 1,475).

**11 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 based on contractual terms agreed with the Government.

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

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
3,245	Direct operating costs	810	785
142	Other operating expenses	28	37
28	Administration expenses	8	7
-----			
3,415		846	829
=====			

**Notes**
*(forming part of the unaudited financial statements)*
**12 Intangible assets**

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
425	Cost at the end of the period	425	425
<b>Cumulative amortisation</b>			
(97)	01-Jan	(111)	(93)
(14)	Additions	(3)	(4)
(111)	31-Mar	(114)	(97)
<b>Carrying amount</b>			
328	01-Jan	314	328
(14)	Additions	(3)	(4)
314	31-Mar	311	324

**13 Investments**

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

**14 Inventories**

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
2,037	Spares and consumables	1,900	1,953
(399)	Less: Provision for slow moving inventories	(417)	(327)
1,638		1,483	1,626

**Salalah Port Services Co. (SAOG)**
**Notes**
*(forming part of the unaudited financial statements)*
**15 Trade and other receivables**

<i>Year</i> 2006 RO '000		<b>Mar-07</b> <b>RO'000</b>	Mar-06 RO'000
452	Amounts due from related parties	<b>1,544</b>	2,207
2,379	Amounts due from the Government of Sultanate of Oman	<b>1,435</b>	1,677
717	Trade receivables	<b>703</b>	698
110	Prepaid expenses	<b>281</b>	250
134	Other receivables	<b>695</b>	179
----- 3,792 =====		----- <b>4,658</b> =====	----- 5,011 =====

**16 Cash and bank balances**

<i>Year</i> 2006 RO '000		<b>Mar-07</b> <b>RO'000</b>	Mar-06 RO'000
246	Cash and bank balances	<b>365</b>	237
5,240	Call deposit accounts	<b>3,259</b>	4,906
----- 5,486 =====		----- <b>3,624</b> =====	----- 5,143 =====

During 2007, the call deposit accounts earned interest at the rates ranging from 0.1% to 1.5% per annum (2006: 0.1% to 1.5% per annum).

**Cash and cash equivalents**

<i>Year</i> 2006		<b>Mar-07</b>	Mar-06
5,486	Cash and bank balances	<b>3,624</b>	5,143
-	Bank deposits with less than 3 months maturity (note 17)	-	2,499
----- 5,486 =====		----- <b>3,624</b> =====	----- 7,642 =====

**Notes**
*(forming part of the unaudited financial statements)*
**17 Term deposits**

<i>Year</i> 2006 <i>RO '000</i>		<b>Mar-07</b> <b>RO'000</b>	Mar-06 RO'000
-	Bank deposits with a maturity of three months or less	-	2,499
2,740	Bank deposits with a maturity of greater than three months	<b>4,432</b>	-
2,890	Debt service deposit	<b>2,890</b>	2,387
----- 5,630 =====		----- <b>7,322</b> =====	----- 4,886 =====

Bank deposits carry effective annual interest at the rates ranging between 2% and 5.15% (March 2006: 4% and 4.72%) and include fixed deposits of RO 4,431,768 (March 2006 - RO 2,499,250) with commercial banks in Oman, denominated in US Dollars.

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 instalment of the term loan. The deposits are in USDollars with commercial banks in Oman and carrying effective annual interest rates ranging between 1% and 5.15% (March 2006: 1% and 5.15%).

**Notes**

(forming part of the unaudited financial statements)

**18 Share capital**

	<b>Authorised</b>		<b>Issued and fully paid</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
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:

	<b>Mar 2007</b>		Mar 2006	
	<b>No. of shares</b>	<b>%</b>	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)*
**19 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 year as follows:

Year 2006		Mar-07	Mar-06
4,154	Net profit for the period RO '000	645	1,176
----- 17,984	Weighted average number of ordinary shares outstanding during the period ('000)	----- 17,984	----- 17,984
----- 0.231	Basic earnings per share in RO	----- 0.036	----- 0.065
-----		-----	-----

**20 Net assets per share**

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

Year 2006		Mar-07	Mar-06
32,818	Net assets RO '000	31,200	30,071
=====		=====	=====
17,984	Weighted average number of shares outstanding at the end of the period ('000)	17,984	17,984
=====		=====	=====
1.825	Net assets per share in RO	1.735	1.672
=====		=====	=====

**21 Term loan**

The Company has a 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 facilities, comprises two Tranch of RO 21.2 million (USD 55 million) each. During the year 2005, the drawdown was RO 4.6 million (USD 12 million) and in 2006 RO 11.5 million (USD 30 million) from Tranch 2 of the loan facility. The remaining amount of Tranch 2 facility is available to the Company till 4 May 2008. The Company has already availed Tranch 1 facility in the amount of RO 21.2 million (USD 55 million).

**Notes**

(forming part of the unaudited financial statements)

**21 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 Tranch 1 term loan is repayable in 12 instalments of six-monthly intervals commencing from 30 June 2005. 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 26).

The Tranch 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 26).

At 31 March 2007, the outstanding balances for the two tranch are as follows:

	<u>Total</u>	<u>Payable within one year</u>	<u>Payable between 1 and 2 years</u>	<u>Payable between 2 and 5 years</u>	<u>Payable after 5 years</u>
RO'000					
Tranch 1	10,730	3,540	3,578	3,612	-
Tranch 2	16,149	-	317	6,522	9,310
	<u>26,879</u>	<u>3,540</u>	<u>3,895</u>	<u>10,134</u>	<u>9,310</u>

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 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)*
**22 Employees end of service benefits**

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

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
459	Opening balance	545	459
132	Accruals during the year	31	50
(46)	End of service benefit paid	(36)	(27)
----- 545	Closing balance	----- 540	----- 482
=====		=====	=====

**23 Trade and other payables**

Year 2006 RO '000		Mar-07 RO'000	Mar-06 RO'000
915	Trade payables	759	969
1,500	Amounts due to related parties	1,797	2,234
2,839	Accrued expenses and other liabilities	5,798	4,646
----- 5,254		----- 8,354	----- 7,849
=====		=====	=====

**24 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 40/2005 dated 19 June 2005 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 2005 have not been finalised with the Department of Taxation Affairs, Ministry of Finance.

**Salalah Port Services Co. (SAOG)**
**Notes**

(forming part of the unaudited financial statements)

**25 Derivative financial instruments and hedging deficit**

The Term loan facilities of the Company bear interest at USD LIBOR plus applicable margins of 1.25%. 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 March 2007, the USD LIBOR was approximately 5.36% per annum, whereas the Company had fixed interest on its long term borrowings at 3.7% on Tranche 1 and 4.7% on Tranche 2.

Based on the interest rates gap, over the life of the respective IRS, the indicative gains were assessed at RO 345000 by the counter parties to IRS. In case the Company terminates the IRS at 31 March 2007, it may result in a gain to the extent of RO 345,000. In order to comply with International Accounting Standard 39 “Financial Instruments: Recognition and Measurement” fair value of the hedge instruments’ indicative gains in the amount of RO 345,000 has been recorded within the equity of the Company under “Hedging surplus” and a similar amount is recorded under assets.

**26 Related party transaction**

The Company has entered into transactions with entities over which certain Directors may be able to exercise significant influence. In the normal course of business, the Company provides and avails services from related parties on commercial terms and at arms 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:

<i>Year 2006 RO '000</i>		<b>Mar-07 RO'000</b>	Mar-06 RO'000
	<i>Revenue</i>		
21,672	Maersk Shipping Services Co. LLC ( Agent of Maersk Line)	<b>5,236</b>	5,422
8	Others (individually not material)	-	4
----- 21,680 =====		----- <b>5,236</b> =====	----- 5,426 =====
	<i>Purchases and service rendered</i>		
80	AP Moller Terminals Co. LLC	-	26
194	Cory Towage LLC	<b>40</b>	66
252	Maersk Shipping Services Co. LLC ( Agent of Maersk Line)	-	122
18	Others (individually not material)	<b>11</b>	6
----- 544 =====		----- <b>69</b> =====	----- 220 =====
1,334	Management fees to A P Moller Terminals Co LLC	<b>274</b>	344
----- 30 =====	Directors’ remuneration	----- -	----- -
----- 23 =====	Directors’ sitting fees	----- <b>6</b> =====	----- 7 =====

**Notes**
*(forming part of the unaudited financial statements)*
**27 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:

	<b>Container Terminal</b>		<b>General Cargo Terminal</b>		<b>Total</b>	
	<b>Mar-07</b> <b>RO'000</b>	Mar-06 RO'000	<b>Mar-07</b> <b>RO'000</b>	Mar-06 RO'000	<b>Mar-07</b> <b>RO'000</b>	Mar-06 RO'000
Revenue	<b>6,120</b>	6,340	<b>850</b>	695	<b>6,970</b>	7,035
	-----	-----	-----	-----		
Direct operating cost	<b>(3,790)</b>	(3,516)	<b>(432)</b>	(279)	<b>(4,222)</b>	(3,692)
	-----	-----	-----	-----		
Common Costs					<b>(1,622)</b>	(1,830)
					-----	-----
<b>Profit from operations</b>					<b>1,126</b>	1,513
Finance costs (net)					<b>(295)</b>	(190)
					-----	-----
<b>Net profit for the period before tax</b>					<b>831</b>	1,323
<b>Deferred tax</b>					<b>(186)</b>	(147)
					-----	-----
<b>Net profit for the period</b>					<b>645</b>	1,176
					-----	-----

**Notes**
*(forming part of the unaudited financial statements)*
**27 Segmental reporting (continued)**

	<b>Container Terminal</b>		<b>General Cargo Terminal</b>		<b>Total</b>	
	<b>Mar-07</b>	Mar-06	<b>Mar-07</b>	Mar-06	<b>Mar-07</b>	Mar-06
	<b>RO'000</b>	RO'000	<b>RO'000</b>	RO'000	<b>RO'000</b>	RO'000
<b>Other Information</b>						
Segment total Assets	<b>68,511</b>	57,458	<b>1,335</b>	2,804	<b>69,846</b>	60,262
	-----	-----	-----	-----		
Inter division bal. eliminated					<b>(425)</b>	(1,171)
					-----	-----
<b>Total Assets</b>					<b>69,421</b>	59,091
					-----	-----
Segment total liabilities	<b>68,511</b>	57,458	<b>1,335</b>	2,804	<b>69,846</b>	60,262
	-----	-----	-----	-----		
Inter division bal. eliminated					<b>(425)</b>	(1,171)
					-----	-----
<b>Total Assets</b>					<b>69,421</b>	59,091
					-----	-----

**Notes**

*(forming part of the unaudited financial statements)*

**28 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. 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. Six top customers account for 91% of outstanding accounts receivable at 31 March 2007 (March 2006 – six top customers accounted for 94%).

*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.

**29 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.

**30 Comparative figures**

Certain comparative figures have been reclassified in order to conform to the presentation of the current year. Such reclassifications do not affect previously reported net profit or shareholders' equity.

**Salalah Port Services Co. (SAOG)**
**Schedule I**
**Property and Equipment**
*for the year ended 31 March 2007*

	Leasehold improvements	Quay gantry cranes	Rubber tyre gantry cranes	Tractors and trailors	Forklifts and reach Stackers	Marine equipment	Motor vehicles	Computer equipment and software	Furniture ,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
<b>Cost</b>											
01-Jan-07	1,141	26,974	15,509	4,318	1,401	5,944	537	1,750	1,794	13,347	72,715
Additions				-	-	-	-	1	12	2,032	2,045
Transfer from CWIP	36	-	-								36
Disposal	-	-	-	(27)	(2)	-	-	-	-	-	(29)
31-Mar-07	1,177	26,974	15,509	4,291	1,399	5,944	537	1,751	1,806	15,379	74,767
<b>Accumulated depreciation</b>											
01-Jan-07	(1,034)	(7,834)	(5,344)	(2,174)	(997)	(1,368)	(462)	(1,600)	(1,554)	-	(22,367)
Depreciation for the period	(24)	(287)	(258)	(97)	(43)	(59)	(12)	(28)	(38)	-	(846)
Disposal	-	-	-	22	2	-	-	-	-	-	24
31-Mar-07	(1,058)	(8,121)	(5,602)	(2,249)	(1,038)	(1,427)	(474)	(1,628)	(1,592)	-	(23,189)
<b>Carrying amounts</b>											
31-Mar-06	145	19,095	10,940	2,399	533	4,753	90	208	294	2,863	41,320
<b>31-Mar-07</b>	<b>119</b>	<b>18,853</b>	<b>9,907</b>	<b>2,042</b>	<b>361</b>	<b>4,517</b>	<b>63</b>	<b>123</b>	<b>214</b>	<b>15,379</b>	<b>51,578</b>