

SALALAH PORT SERVICES COMPANY SAOG

Unaudited Consolidated Financial Statements

For the nine months ended 30 September 2007

Registered office and principal place of business:

PO Box 369, Postal Code 211

Salalah

Sultanate of Oman

Unaudited Consolidated Financial Statements

For the nine months ended 30 September 2007

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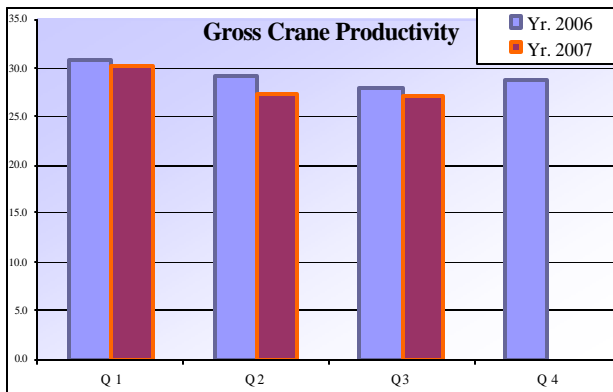
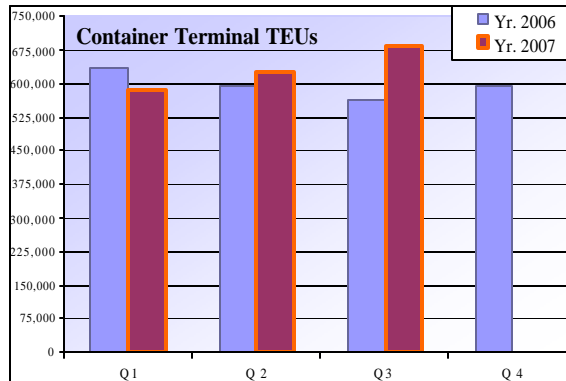
Directors' Report

On behalf of the Board of Directors, I am pleased to present the unaudited Consolidated financial results of Salalah Port Services Co. (SAOG) for the nine months ended 30 September 2007.

Operational review:

Container Terminal

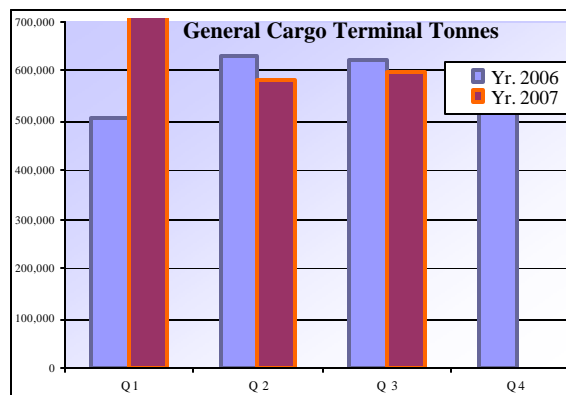
The Port handled 1.899 million TEU in the period under review as against 1.798 million TEU handled during the corresponding period in the previous year. The Quarter ended 30 September 2007 recorded a growth of 9% over the previous quarter and 21% over previous year.



The average gross productivity at the container terminal for the period ending September 2007 registered 28 moves per hour against 29.2 moves per hour achieved during the corresponding period last year. This is resulting from lower Productivity on the new Cranes as they settle down.

General Cargo Terminal

The Port handled 1.916 million tonnes of general and bulk cargo during the period under review as against the 1.760 million tonnes handled during the corresponding period in 2006 resulting in a growth of 9% mainly on account of increase in limestone shipments.



Financial highlights:

During the nine months ended September 2007, consolidated revenue stood at RO 22.751 million as against RO 21.230 million in the corresponding period of the last year.

The increase in 'direct operating costs' are primarily due to costs associated with dry docking of two out of the three tugs, Berth 5 related personnel and depreciation Costs. As the upscaling of the capacities continue, cost growths associated therewith have preceded the higher volumes that can be handled at these costs. This is a timing difference and is expected to fall in line in the long run. The 'other operating expenses' constituting primarily of payments to the Government and Management fee has reflected a reduction in line with the terms of relevant agreements.

The financing costs have gone up primarily due to additional draw down of USD 30 million from the Tranche 2 loan facility during the last quarter of the Yr 2006.

<i>Year 2006</i>		1 January 2007 to 30 Sept 2007	1 January 2006 to 30 Sept 2006
Volume'000			
2,390	Container Terminal – TEU	1,899	1,798
2,308	General Cargo Terminal – Tonnes	1,916	1,760
29.4	Gross Productivity - <i>Moves per hour</i>	28.0	29.2
Profitability			
4,724	Net Profit before tax (RO'000)	3,218	3,616
4,154	Net Profit after tax (RO'000)	2,661	3,176
Ratios			
15%	Net profit margin	12 %	15%
0.231	Earnings per share (RO)	0.148	0.177
1.825	Book value per share (RO)	1.836	1.772

Developments and outlook:

Development of Berth 6 and Breakwater is progressing well and we expect Berth 6 to become operational during Second quarter of 2008 enhancing the Annual capacity of the Port to 4.5 million TEU from the present 3.5 Million TEUs.

During the year, Port of Salalah along with Public Establishment for Industrial Estates (PEIE) formed POS Development Company LLC with a total investment of RO 150,000 to pursue the property related activities. Presently a warehouse project at a total capital outlay of RO 250,000 is being constructed and the same is expected to completed during the fourth quarter of this year.

Given the present trend, the Port is likely to handle around 2.55 million TEU at container terminal and 2.4 million tonnes at the General cargo terminal.

Abdul Aziz Ali Shanfari
Chairman

Consolidated Income statement

for nine months ended 30 September 2007

Year 2006 RO '000		Notes	Sep-07 RO'000	Sep-06 RO'000
27,918	Revenue	27	22,751	21,230
(15,348)	Direct operating costs	5	(13,226)	(11,764)
(3,482)	Other operating expenses	6	(2,790)	(2,783)
(3,763)	Administration and general expenses	7	(2,729)	(2,635)
196	Other income	8	157	133
-----			-----	-----
5,521	Profit from operations		4,163	4,181
(797)	Net financing costs	9	(945)	(565)
-----			-----	-----
4,724	Net profit for the year before tax		3,218	3,616
(570)	Deferred tax	24	(557)	(440)
-----			-----	-----
4,154	Net profit for the year		2,661	3,176
=====			=====	=====
0.231	Basic earnings per share (RO)	19	0.148	0.177
=====			=====	=====

The notes on pages 6 to 24 form part of these financial statements.

Consolidated Balance sheet

as at 30 September 2007

Year 2006 RO '000		Notes	Sep-07 RO'000	Sep-06 RO'000
	ASSETS			
50,348	Property and equipment	11	53,004	40,873
314	Intangible assets	12	303	318
100	Investments	13	100	100
141	Non current portion of positive fair value of derivatives	25	31	0
-----			-----	-----
50,903	Total non-current assets		53,438	41,291
-----			-----	-----
1,638	Inventories	14	1,573	1,743
3,792	Trade and other receivables	15	4,235	3,714
5,486	Cash and cash equivalents	16	3,070	2,687
5,630	Term deposits	17	6,270	5,709
309	Positive fair value of derivatives	25	85	484
-----			-----	-----
16,855	Total current assets		15,233	14,337
-----			-----	-----
67,758	TOTAL ASSETS		68,671	55,628
=====			=====	=====
	EQUITY			
17,984	Share capital	18	17,984	17,984
2,949	Share premium	18	2,949	2,949
2,206	Legal reserve	18	2,206	1,791
450	Hedging surplus	25	116	484
9,229	Retained earnings		9,732	8,666
-----			-----	-----
32,818			32,987	31,874
-	Minority Interest	18	30	-
-----			-----	-----
32,818	TOTAL EQUITY		33,017	31,874
-----			-----	-----
	LIABILITIES			
23,339	Non-current portion of term loans	21	21,433	13,578
2,262	Deferred tax	24	2,819	2,132
545	Employees' end of service benefits	22	618	530
-----			-----	-----
26,146	Total non-current liabilities		24,870	16,240
-----			-----	-----
5,254	Trade and other payables	23	7,103	3,991
3,540	Current portion of term loans	21	3,681	3,523
-----			-----	-----
8,794	Total current liabilities		10,784	7,514
-----			-----	-----
34,940	TOTAL LIABILITIES		35,654	23,754
-----			-----	-----
67,758	TOTAL EQUITY AND LIABILITIES		68,671	55,628

The notes on pages 6 to 24 form part of these financial statements.

Chairman

Chief Executive Officer

Chief Financial Officer

Statement of Consolidated changes in equity

for nine months ended 30 September 2007

	Share capital	Share premium	Legal reserve	Hedging surplus /(deficit)	Retained earnings	Minority Interest	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Jan-06	17,984	2,949	1,791	276	7,288	-	30,288
Dividend paid	-	-	-	-	(1,798)	-	(1,798)
Net profit for the year	-	-	-	-	4,154	-	4,154
Fair value adjustment	-	-	-	174	-	-	174
Transfer	-	-	415	-	(415)	-	-
	-----	-----	-----	-----	-----	-----	-----
Dec-06	17,984	2,949	2,206	450	9,229	-	32,818
Dividend paid	-	-	-	-	(2,158)	-	(2,158)
Net profit for the year	-	-	-	-	2,661	-	2,661
Fair value adjustment	-	-	-	(334)	-	-	(334)
Acquisition	-	-	-	-	-	30	30
	-----	-----	-----	-----	-----	-----	-----
Sep-07	17,984	2,949	2,206	116	9,732	30	33,017
	=====	=====	=====	=====	=====	=====	=====

The notes on pages 6 to 24 form part of these financial statements.

Consolidated Cash flow statement

for nine months ended 30 September 2007

Year 2006 RO '000		Sep-07 RO'000	Sep-06 RO'000
	Cash flow from operating activities		
4,154	Net profit for the year	2,661	3,176
	Adjustments for:		
3,429	Depreciation and amortisation	2,925	2,559
570	Deferred tax	557	440
132	Accrual for employees' end of service benefits	124	120
(4)	Gain on sale of equipment	(37)	(4)
(310)	Interest income	(209)	(222)
1,065	Interest expense	1,154	787
	-----	-----	-----
9,036	Operating profit before working capital changes	7,175	6,856
(97)	Change in inventories	65	(202)
1	Change in receivables	(443)	79
(199)	Change in payables	1,849	(1,462)
(46)	Employees' end of service benefits paid	(51)	(49)
	-----	-----	-----
8,695	Net cash from operating activities	8,595	5,222
	-----	-----	-----
	Cash flow from investing activities		
(12,207)	Acquisition of equipment	(5,570)	(1,865)
4	Proceeds from sale of equipment	37	4
(1,394)	(Increase)/ decrease in bank term deposits	(1,031)	(1,923)
(503)	(Increase) in other term deposits	391	(54)
310	Interest received	209	222
-	(Increase)/ decrease in Investments	-	-
-	Acquisition of Minority Interest	30	-
	-----	-----	-----
(13,790)	Net cash used in investing activities	(5,934)	(3,616)
	-----	-----	-----
	Cash flow from financing activities		
11,535	Proceeds from term loan	-	-
(3,506)	Repayment of term loans	(1,766)	(1,749)
(1,798)	Dividend paid	(2,158)	(1,798)
(1,065)	Interest paid	(1,154)	(787)
	-----	-----	-----
5,166	Net cash used in financing activities	(5,078)	(4,334)
	-----	-----	-----
71	Net increase in cash and cash equivalents	(2,416)	(2,728)
5,415	Cash and cash equivalents at 1 January	5,486	5,415
	-----	-----	-----
5,486	Cash and cash equivalents at the end of the period (note 16)	3,070	2,687

The notes on pages 6 to 24 form part of these financial statements.

Notes

(forming part of the 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 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 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 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 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 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 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) Subsidiaries

Financials of the subsidiaries are consolidated into the companies accounts in line with IAS 27 for "Consolidated and Separate Financial Statements"

(n) Dividends

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

(o) 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.

(p) 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 financial statements)

4 Significant accounting policies (continued)**(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 income statement over the period of borrowings on an effective interest rate basis.

(r) 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.

(s) 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 financial statements)
5 Direct operating costs

Year 2006 RO '000		Sep-07 RO'000	Sep-06 RO'000
7,896	Staff costs	6,877	5,780
3,245	Depreciation	2,819	2,417
1,850	Repair and maintenance	1,340	1,794
1,640	Power and fuel	1,404	1,229
717	Other expenses	786	544
-----		-----	-----
15,348		13,226	11,764
=====		=====	=====

6 Other operating expenses

1,122	Ground rent and royalty	1,013	988
1,334	Management fees	888	1,009
142	Depreciation	70	111
884	Others	819	675
-----		-----	-----
3,482		2,790	2,783
=====		=====	=====

7 Administration and general expenses

2,263	Staff costs	1,730	1,657
28	Depreciation	25	20
184	Sales and marketing	131	95
222	Systems and communications	179	171
343	Legal and professional fees	123	190
723	Others	541	502
-----		-----	-----
3,763		2,729	2,635
=====		=====	=====

8 Other income

-	Professional services fee	5	0
196	Others	152	133
-----		-----	-----
196		157	133
=====		=====	=====

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

Year 2006 RO '000		Sep-07 RO'000	Sep-06 RO'000
1,065	Term loan interest	1,145	753
42	Other financing charges	9	34
-----		-----	-----
1,107	Total financing cost	1,154	787
(310)	Interest income	(209)	(222)
-----		-----	-----
797		945	565
=====		=====	=====

10 Salaries and related costs

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

8,126	Wages and salaries	6,834	6,011
1,561	Other benefits	1,372	1,053
132	Increase in liability for unfunded defined benefit retirement plan	124	120
340	Contributions to defined contribution retirement plan	277	253
-----		-----	-----
10,159		8,607	7,437
=====		=====	=====

The number of employees at 30 September 2007 was 1,694 (September 2006: 1,430).

11 Property and equipment

Details of property and equipment are set out in Schedule I on page 24.

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:

3,245	Direct operating costs	2,819	2,417
142	Other operating expenses	70	111
28	Administration expenses	25	20
-----		-----	-----
3,415		2,914	2,548
=====		=====	=====

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

Year 2006 RO '000		Sep-07 RO'000	Sep-06 RO'000
	Cost		
425	1 January and 30 September	425	425
=====			
	Cumulative amortisation		
(97)	01-Jan	(111)	(93)
(14)	Additions	(11)	(10)

(111)	30-Sep	(122)	(103)
=====			
	Carrying amount		
328	01-Jan	314	328
(14)	Additions	(11)	(10)

314	30-Sep	303	318
=====			

13 Investments

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

14 Inventories

2,037	Spares and consumables	2,038	2,113
(399)	Less: Provision for slow moving inventories	(465)	(370)

1,638		1,573	1,743
=====			

Notes

(forming part of the financial statements)

15 Trade and other receivables

Year 2006 RO '000		Sep-07 RO'000	Sep-06 RO'000
452	Amounts due from related parties	1,478	680
2,379	Amounts due from the Government of Sultanate of Oman	1,475	1,767
717	Trade receivables	746	727
110	Prepaid expenses	318	333
134	Other receivables	218	207
----- 3,792 =====		----- 4,235 =====	----- 3,714 =====

16 Cash and cash equivalents

246	Cash and bank balances	207	2,510
5,240	Call deposit accounts	2,863	177
----- 5,486 =====		----- 3,070 =====	----- 2,687 =====

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).

17 Term deposits

-	Bank deposits with a maturity of three months or less	3,771	0
2,740	Bank deposits with a maturity of greater than three months	0	3,268
2,890	Debt service deposit	2,499	2,441
----- 5,630 =====		----- 6,270 =====	----- 5,709 =====

Bank deposits carry effective annual interest at the rates ranging between 2% and 5.5% (Sept 2006: 4.5% and 5.35%) and include fixed deposits of RO 3,771,134 (Sept 2006 - RO 3,268,250) 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 5.15% and 5.23% (Sept 2006: 4.5% and 5.35%).

Notes
(forming part of the financial statements)
18 Share capital

	Authorised		Issued and fully paid	
	Sept 2007	Sept 2006	Sept 2007	Sept 2006
Shares of RO 1 each (RO '000)	20,000	20,000	17,984	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:

	Sept 2007		Sept 2006	
	No. of shares	%	No. of shares	%
A.P. Moller Finance S.A.	5,418,000	30	5,418,000	30
Government of the Sultanate of Oman (represented by Ministry of Finance)	3,612,000	20	3,612,000	20
Dhofar International Development and Investment Company SAOG	1,958,800	11	1,958,800	11
Ministry of Defence – Pension Fund	1,798,374	10	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.

Minority Interest

During the year Port of Salalah and Public Establishment for Industrial Estates (PEIE) together formed a 80:20 venture "POS Development Company LLC" to pursue the property related opportunities with a share capital of RO 150,000. Currently, the company is developing warehouse at a total outlay of RO 250,000 which is likely to be operational by the year end. The accounts under review includes financials of the POS Development Company LLC. In line with IAS 27 for "Consolidated and Separate Financial Statements" minority interests of PEIE is represented under Equity.

Notes

(forming part of the 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		Sep-07	Sep-06
4,154	Net profit for the year (RO'000)	2,661	3,176
17,984	Weighted average number of ordinary shares outstanding during the year ('000)	17,984	17,984
0.231	Basic earnings per share (RO)	0.148	0.177

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:

32,818	Net assets (RO '000)	33,017	31,874
17,984	Weighted average number of shares outstanding at 30 June ('000)	17,984	17,984
1.825	Net assets per share (RO)	1.836	1.772

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 Tranches 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 Tranche 2 of the loan facility. The remaining amount of Tranche 2 facility is available to the Company till 4 May 2008. The Company has already availed Tranche 1 facility in the amount of RO 21.2 million (USD 55 million).

Notes

(forming part of the 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 Tranche 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 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 26).

At 30 Sept 2007, the outstanding balances for the two tranches 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					
Tranche 1	8,965	3,559	3,595	1,811	-
Tranche 2	16,149	121	397	7,907	7,724
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total RO'000	25,114	3,680	3,992	9,718	7,724
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </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 financial statements)
22 Employees end of service benefits

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

Year 2006 RO '000		Sep-07 RO'000	Sep-06 RO'000
459	Opening balance	545	459
132	Accruals during the year	124	120
(46)	End of service benefit paid	(51)	(49)
-----		-----	-----
545	Closing balance	618	530
=====		=====	=====

23 Trade and other payables

915	Trade payables	880	387
1,363	Amounts due to related parties	1,375	1,061
2,976	Accrued expenses and other liabilities	4,848	2,543
-----		-----	-----
5,254		7,103	3,991
=====		=====	=====

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.

Notes

(forming part of the 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 30 September 2007, the USD LIBOR was approximately 5.38% 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 116,803 by the counter parties to IRS. In case the Company terminates the IRS at 30 Sept 2007, it may result in a gain to the extent of RO 116,803. 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 116,803 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 ashareholding of 10% or more in the Company and / or related to Directors, were as follows:

Year 2006 RO '000		Sep-07 RO'000	Sep-06 RO'000
	<i>Revenue</i>		
21,672	Maersk Shipping Services Co. LLC (Agent of Maersk Line)	16,991	15,229
8	Others (individually not material)	0	8
----- 21,680 =====		----- 16,991 =====	----- 15,237 =====
	<i>Purchases and service rendered</i>		
80	AP Moller Terminals Co. LLC	0	62
194	Cory Towage & Marine Services (SAOC)	123	154
252	Maersk Shipping Services Co. LLC (Agent of Maersk Line)	115	232
18	Others (individually not material)	88	45
----- 544 =====		----- 326 =====	----- 493 =====
1,334	Management fees to A P Moller Terminals Co LLC	894	1,071
----- 30 =====	Directors' remuneration	----- 0 =====	----- 0 =====
----- 23 =====	Directors' sitting fees	----- 17 =====	----- 18 =====

Notes
(forming part of the 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:

	Container Terminal		General Cargo Terminal		Total	
	Sep-07	Sep-06	Sep-07	Sep-06	Sep-07	Sep-06
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Revenue	20,262	18,829	2,489	2,401	22,751	21,230
	-----	-----	-----	-----		
Direct operating cost	(12,157)	(10,848)	(1,069)	(916)	(13,226)	(11,764)
	-----	-----	-----	-----		
Common Costs					(5,362)	(5,285)
					-----	-----
Profit from operations					4,163	4,181
Finance costs (net)					(945)	(565)
					-----	-----
Net profit for the year before tax					3,218	3,616
Deferred tax					(557)	(440)
					-----	-----
Net profit for the year					2,661	3,176

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

	Container Terminal		General Cargo Terminal		Total	
	Sep-07 RO'000	Sep-06 RO'000	Sep-07 RO'000	Sep-06 RO'000	Sep-07 RO'000	Sep-06 RO'000
Other Information						
Segment total Assets	67,078	53,623	3,010	2,578	70,088	56,201
	-----	-----	-----	-----		
Inter division bal. eliminated					(1,417)	(573)
					-----	-----
Total Assets					68,671	55,628
					-----	-----
Segment total liabilities	67,078	53,623	3,010	2,578	70,088	56,201
	-----	-----	-----	-----		
Inter division bal. eliminated					(1,417)	(573)
					-----	-----
Total Assets					68,671	55,628

Notes

(forming part of the 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 92% of outstanding accounts receivable at 30 September 2007 (September 2006 – six top customers accounted for 91%).

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.

