







**General Organisation of Sea Ports**

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The Board of Directors, the management and staff of the General Organisation of Sea Ports wish to express their sincere thanks to His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, His Highness the Prime Minister Shaikh Khalifa bin Salman Al Khalifa and His Highness Shaikh Salman bin Hamad Al Khalifa, Crown Prince and Deputy Supreme Commander of the Bahrain Defence Force for their leadership, vision and support and for driving Bahrain into an era of continuous growth.



HH Shaikh Khalifa bin  
Salman Al Khalifa  
Prime Minister



HM King Hamad bin Isa  
Al Khalifa  
King of Bahrain



HH Shaikh Salman bin  
Hamad Al Khalifa  
Crown Prince and Deputy  
Supreme Commander of the  
Bahrain Defence Force





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## **Vision**

To be a catalyst for economic development through the provision of world-class ports and logistics zone facilities and related marine services.

## **Mission**

To regulate, develop and promote the Kingdom's maritime and logistics zone industries by applying international standards, and optimising all opportunities for our clients.



## CHAIRMAN'S MESSAGE



It is a matter of pride for the Kingdom of Bahrain that its new, world-class facility, Khalifa bin Salman Port (KBSP), is now operational. On this occasion, I would like to express my sincere thanks and gratitude to His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, His Highness the Prime Minister Shaikh Khalifa bin Salman Al Khalifa and His Highness Shaikh Salman bin Hamad Al Khalifa, Crown Prince and Deputy Supreme Commander of the Bahrain Defence Force for all their support, guidance and encouragement in accomplishing this huge infrastructure project. The KBSP is a valuable addition to the existing strong infrastructure of the Kingdom and will assist faster development of all sectors of the economy. On April 1, 2009, the APL Dalian made history as the first vessel to unload its commercial cargo at Bahrain's new state-of-the-art terminal. From its striking contemporary architecture to the latest Navis technology, KBSP is borne of the 21st century and makes an unmistakable icon for Bahrain's maritime industry.

Against this backdrop, I have great pleasure in presenting this report on the General Organisation of Sea Ports' (GOP) performance in 2008, a year in which our efforts were focused on completion of the new port facility. There can be few projects as complex as moving a working port – especially as in its final year of full operation, Mina Salman was operating to capacity much of the time, with full berths that brought in a 12.85% increase in container throughput and an 80.52% increase in the general cargo throughput in 2008 over the previous year – as well as a comfortable revenue when the economic downturn was beginning to take effect elsewhere in the maritime sector.

For the GOP, 2008 is a year we can look back upon with some pride. We have put in place the corporate infrastructure that should bring in rich rewards when growth returns to the regional and global economies.

I take this opportunity to thank His Excellency the Minister of Finance, whose guidance and vision continue to steer the GOP into being part of a new breed of regulators in the Kingdom.

The success of all corporate bodies depends upon the quality of its staff, and during the year we have focussed on recruiting the right, highly qualified professionals to enable our management team to handle the commercial and technical

aspects of our role – as well as to launch our ground-breaking logistics zone – backed by the best equipment, systems and training.

In this, we are well-matched by our friends at APM Terminals Bahrain (APMT), the port operating company. Their experience and expertise was crucial in the meticulous planning and implementation of strategies for improving port and maritime services throughout the last 12 months. And, of course, just as critical to this success was the support and co-operation of His Excellency the Minister of Works, and the MoW team, whose technical expertise and invaluable supervision of the project construction resulted in completion and delivery of the new port infrastructure to the highest international standards. And last but not least, the tireless work that was undertaken by Royal Haskoning and their local associates ACE Al Moayyed, in carrying out the actual construction of this massive project.

Hitherto our aim was to maximise the efficiency of Mina Salman – but now our guiding principle is to establish KBSP as the focus for trade to the Northern Gulf, to create a powerful transshipment hub that will be a magnet for industries seeking to benefit from Bahrain's unique geographic location.

The Bahrain Logistics Zone (BLZ) has been designed to complement KBSP's activities, and I am pleased to note the success of the team responsible for the research, promotion and marketing of this project during the last 12 months, which has resulted in an enthusiastic and positive response from the worldwide logistics industry. As a key industry for Bahrain's growth, our logistics facilities are benchmarked against the top facilities in the global logistics field, and we are confident that, once fully operational, the BLZ will yield multiple returns both to the Bahraini economy as well as to our tenants.

Another aspect of the GOP's quest for professional excellence is the importance we place on the complete transparency of all our operations and policies. To this end, sound corporate governance is vital and the Board gives this serious attention, putting in place rigorous guidelines and standards for good supervision, reporting and internal procedures to ensure the transparency and correctness of our operations.

**We are open for  
business – and  
ready for growth**



We are also dedicated to do whatever is necessary to promote the values and standards of IMO in this region by committing to reform Bahrain's maritime legislation which, once it passes through the executive and legislative channels, will give further impetus to placing Bahrain on the international maritime map. The GOP has also begun the process of ISO 9001-2008 accreditation which should be completed in 2009.

One of the stimulating aspects of KBSP is the wealth of opportunity it offers, and we feel APMT are very much partners with us, in promoting this new entity internationally. We will continue to build joint initiatives with APMT in order to enable Bahrain to take its rightful position in the global maritime and logistics industries.

But in all of this, we must never forget that the role of the GOP is to be a regulator – not an operator. Being a semi-governmental organisation offers several advantages: we work with other Government entities concerned on a day-to-day basis and enjoy their confidence and trust, and at the same time, we have the flexibility to work as a commercially viable organisation. This was a significant advantage in maintaining good relations between the port operator and the port users during the transition phase from Mina Salman. We are sensitive to the economic and business realities

that 2008 brought with it, and accordingly we are placing even more emphasis on financial and fiscal prudence.

As a regulator, we have an open-mindedness to change and a willingness to listen. We are uncompromising in our investment in our people to ensure that they are equipped with all the tools and skills they need to deliver the kind of customer service that is characteristic of Bahrain's business-friendliness.

There can be no doubt that things have gone well for us this year – but it is just the beginning. There is a lot more to do to fulfil our role in serving the nation by achieving financial success and in providing a platform for prosperity – and we are confident that it will only be a matter of time before the port, maritime and logistics industries of Bahrain rank among the best in the region. We will strive hard to meet our responsibility to help deliver the Kingdom's proposition in line with Bahrain's Economic Vision 2030, which, when achieved, will be the ultimate gauge of our collective success.

We have delivered our port and put in place a world-renowned operator with state-of-the-art equipment. Now we encourage the business community to take advantage of this opportunity.

We are open for business – and ready for growth.

Daj bin Salman bin  
Daj Al Khalifa



## DIRECTOR GENERAL'S MESSAGE



It gives me great pleasure to announce the second successful year of operation of the General Organisation of Sea Ports. The year saw Mina Salman at its busiest, operating at levels of throughput and vessel tonnage far beyond what it was designed to handle. Moreover, from a revenue point of view, the year proved to be very successful, with a surplus of just under BD5 million.

The year also witnessed all-round frenetic activity on the part of all entities concerned to ensure completion of the new, state-of-the-art Khalifa Bin Salman Port (KBSP) infrastructure for handing it over to the port operating company, APM Terminals, in the first quarter of 2009. Now that this has been completed, in order to further enhance KBSP's capability, the GOP has commenced planning to dredge the Bahrain Approach Channel to 15 metres, and is also developing a service area outside KBSP to provide additional services to our clients.

Among the year's notable achievements related to the maritime industry were the conducting of a full review of the Kingdom's maritime legislation, the signing of an agreement with Pole Star Space Applications Ltd. to meet our long range identification and tracking (LRIT) of ships obligations and the implementation of new port security access codes.

On the port regulation side, in line with our commitment, we continued our work with strict adherence to international conventions and by implementing IMO standards of excellence in our work. The GOP continued its review of the maritime legislation of the Kingdom, and we hope to finalise and submit the new draft for further legislative processes by the fourth quarter of 2009.

Another landmark achievement recorded by GOP in 2008 towards making Bahrain a major logistics hub was the launching of the Bahrain Logistics Zone (BLZ). The BLZ, which will be a bonded area, completed its implementation planning in 2008 and the systems and procedures are now all in place to start signing the tenant agreements. This comes following a major local, regional and international campaign to promote the benefits of the zone to prospective clients in the logistics arena.

Hassan Ali Al Majed

On the operations side, we continued to strive to ensure that we worked as a professional organisation that is known for its efficient service-oriented way of doing business.

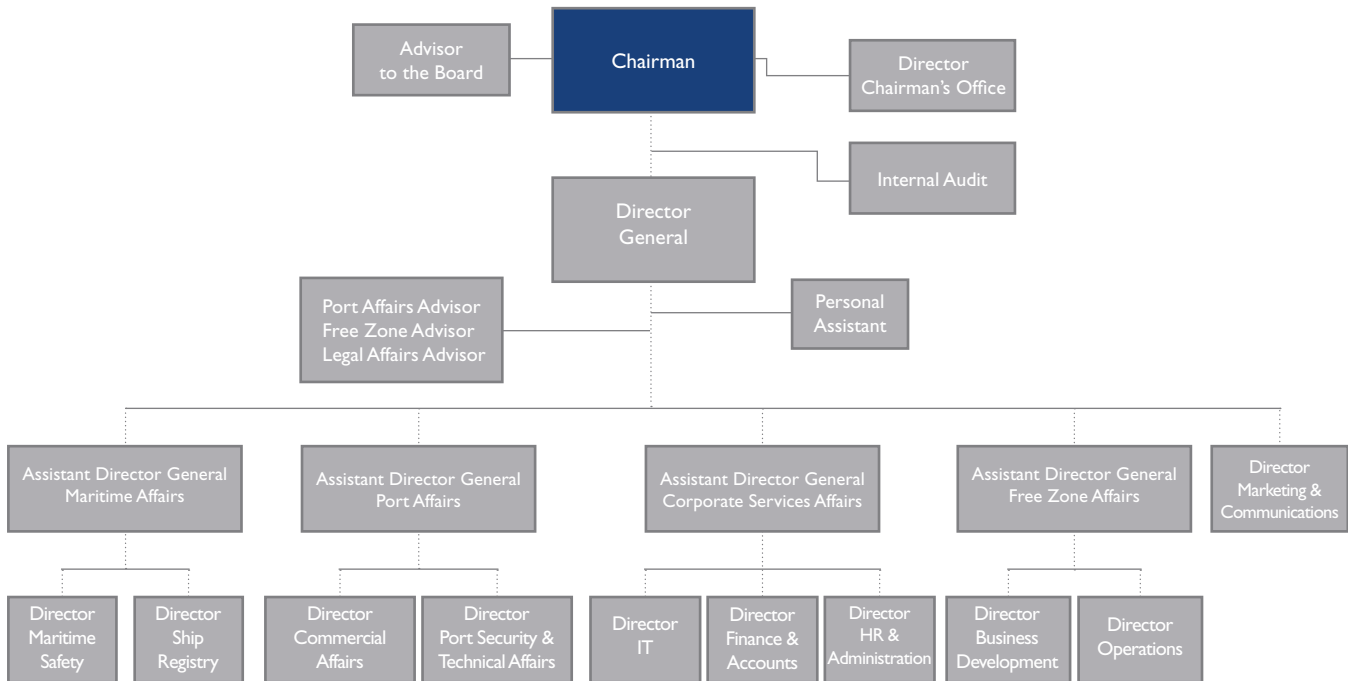
To enhance the level of its operational efficiency, the GOP continued to strengthen its organisational capabilities by recruiting suitably qualified and skilled Bahrainis to various positions, and I am pleased to say that our senior management team is now wholly in place. In addition, our Corporate Services Department has been working to put in place customised internal structures such as our financial control and IT systems, as well as other organisational systems and procedures.

The GOP is committed to strictly upholding the highest international standards in safety and security in the port operations and in protecting the marine environment. We have implemented the ISPS code requirements and have placed a substantial order for high-tech security equipment. Encouraged by the success of 2008, the GOP will continue to build itself as an exemplary regulator, focusing on efficiency, professionalism and genuine customer care. We will continue to develop the Organisation and uphold our role in regulating the port and maritime operations to the highest standards.

I take this opportunity to express my sincere thanks to His Excellency the Chairman and other members of the Board for their advice, guidance and support and to the GOP team members for their hard work, commitment and dedication. I would also like to express my sincere thanks and warm appreciation for the excellent co-operation and assistance extended by the port operating company, APM Terminals Bahrain and a number of Government entities and private sector organisations including Customs Affairs, the Electricity and Water Authority, the Economic Development Board, the Bahrain Chamber of Commerce and Industry, the Customs Clearing Society, the Bahrain Shipping Agents Association and all our customers. Lastly, a special note of thanks to the Ministry of Works, without whom KBSP would not have been possible.

Building on the success of this past year, the GOP Board, management and staff are looking forward to achieving even greater success in 2009.

# ORGANISATION CHART



## BOARD OF DIRECTORS

The GOP Board of Directors is composed of public and private sector representatives, appointed by Royal Decree for a fixed term. The Board is entrusted with the responsibility of providing policy guidelines and overseeing the implementation of GOP programmes within the agreed framework, in accordance with relevant regulatory structures. The Board also ensures the adequacy of financial and operational systems and controls, in line with best-practice corporate governance. Through its regular meetings, the Board maintains strong contact with the management team in order to ensure seamless execution of the agreed strategies and programmes.

### **Shaikh Daij bin Salman bin Daij Al Khalifa (1)** Chairman

Shaikh Daij bin Salman Al Khalifa is Chairman of the GOP Board and Undersecretary for Ports Affairs at the Ministry of Finance. He held the position of President of Customs from March 2006 until June 2008 and prior to that, Shaikh Daij was Assistant Undersecretary for Foreign Trade at the Ministry of Industry and Commerce. Other positions presently held by him include Chairman of Arab Shipbuilding and Repair Yard Company (ASRY), Asry Marketing Services Ltd. (ASRYMAR) and board member of the United Arab Shipping Company (UASC), Bahrain Convention and Exhibition Authority and Shaikha Hessa Girls School, Kingdom of Bahrain. Previous positions include Chairman of Bahrain Airport Company and GCC Patent Office, Deputy Chairman of the Bahrain Promotions and Marketing Board and board member of Tender Board, Aluminium Bahrain (ALBA) and the King Fahd Causeway Authority. Shaikh Daij holds a BSBA from the American University, Washington, D.C. and a Leadership Management Diploma (Gulf Executive Program) from the University of Virginia, USA.

### **Eid Abdullah Yousef Al-Yaqoub (2)** Deputy Chairman

Mr Al-Yaqoub has been Deputy Chairman since 2006. From 1995 to 2006, he was president of customs and ports at the Ministry of Finance and earlier served as Chairman of ASRY, the UASC, the Arab Maritime Petroleum Transport Company, and was on the board of Middle East Navigation Aids Services. Holding a second marine officer certificate from Southampton, UK and a Diploma in Marine Shipping

Management Studies from Sweden and Egypt, Mr Al-Yaqoub was the youngest GCC citizen to qualify as a Marine Pilot in 1970.

### **Ahmed Isa Bubshait (3)** Director

A senior representative of the Ministry of Industry and Commerce, Mr Bubshait is Assistant Undersecretary for Foreign Trade. Mr Bubshait is also a member of the board of the Bahrain Livestock Company, the General Poultry Company, the Bahrain Convention and Exhibition Authority, the King Fahd Causeway Authority and the GCC Patent Office. Mr Bubshait holds a Bachelor of Science degree in Geology from Al Azhar University Cairo, a Gemmology Diploma from FGA of Great Britain and a Leadership Management Diploma (Gulf Executive Program) from the University of Virginia, USA.

### **Jawad Yousuf Alhawaj (4)** Director

A prominent business entrepreneur in the GCC with diverse business interests in the fields of perfume, cosmetics, jewellery, watches, fashion and consumer electronics, Mr Alhawaj is also deputy chairman and managing director of Alhawaj. He is a member of the executive committee and Chairman of the Retail Sales and Traditional Markets Committee at the Bahrain Chamber of Commerce & Industry (BCCI). He is also Chairman of Techno Blue (Samsung), Al Manar in Qatar, Azadea, and Bahrain International Retail Development.

### **Lars-Peter Grönberg (5)** Director

A Swedish national, Lars-Peter Grönberg is managing director of the Gulf Agency Company (GAC) Bahrain and the Swedish honorary consul in Bahrain. He held senior management positions with GAC in Nigeria from 1994 to 2003, before which he was captain of BECH Management in Denmark from 1991 to 1993. He is a member of the Rotary Club of Manama. Mr Grönberg was an officer cadet at the Royal Swedish Naval School and holds a Bachelor of Science degree from the Swedish Nautical Science Merchant Marine Academy, a Postgraduate Diploma from Polytechnic South West (Plymouth, UK) and a Diploma in Management Studies (DMS Shipping).



1



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## THE GOP TEAM

Striving for Excellence

### MANAGEMENT TEAM

Hassan Ali Al Majed is Director General of the GOP. Prior to his appointment, Mr Al Majed held several positions in Bahrain's maritime and customs community, including deputy DG, acting DG customs affairs, director of custom inspection and assistant head of maritime safety and environmental protection. Mr Al Majed went to sea with UASC in 1982, qualifying as deck officer class 3, after which he served Bahrain as VTMS officer and senior marine pilot. Mr Al Majed has been on numerous committees and has attended more than 30 seminars and workshops, covering a wide range of industry issues, and served as a member of the board for the King Fahd Causeway Authority. He holds an M.Sc in Maritime Administration from the World Maritime University, Malmo, Sweden, a Second Mate Certificate from Scotland, a Diploma in Nautical Science from the UK and a Certificate in Leadership for Democratic Society from the Federal Executive Institute, USA.

In addition to the DG, the GOP's executive management team comprises four assistant director generals; Essa Abdulla Yateem, Hala Ramzy Fayez, Hamad Mohammed Fakhroo and Nasser Sultan AlSuwaidi. The team supervises all matters related to maritime and ports, logistics zones, corporate services and security issues.

### DIRECTORATES

#### Maritime Affairs

The Maritime Affairs Directorate is responsible for administering the Bahrain Ship's Registry, inspecting vessels flying the Bahrain flag, overseeing maritime safety and security and protection of the marine environment in respect of Bahrain registered ships and other ships in Bahraini waters, as well as monitoring safety and security matters for the ports and private jetties.

Specifically, the Maritime Affairs Directorate is responsible for the administration of the Merchant Shipping Act and for compliance with the provisions of international conventions and protocols relating to maritime matters.

The Directorate works with recognised classification societies for the survey and certification of Bahraini registered ships, and inspects and enforces necessary safety standards on vessels operating within domestic waters.

In addition, it issues seafarers' competency certificates both under international convention and local regulations, and inspects, assesses and approves maritime training institutes in Bahrain and elsewhere insofar as they relate to issue of Bahraini certificates.

The Directorate also issues Bahrain endorsement to foreign certificates in line with the STCW convention.

The Maritime Affairs Directorate oversees marine operations within the ports of Bahrain and provides marine, technical support and advice to port operators and ensures that navigational aids and equipment are safe for navigation in and around the Kingdom's port approaches.

In the event of marine accidents and casualties, the Directorate conducts preliminary safety inquiries as required and cooperates and coordinates with the coastguard on search and rescue and the operation of small boats, and with the Public Commission for the Protection of Marine Resources, Environment and Wildlife (PMEW) on matters concerning marine pollution on board ships and at sea.

With dedicated teams focused on maritime, marine and technical affairs, maritime safety and environmental protection and the registry of shipping and seamen, the Directorate is responsible for maintaining observance of IMO convention requirements for all foreign vessels visiting Bahrain under the Riyadh MoU on Port State Control (PSC) and other national conventions where applicable.

The Directorate continues to ascertain that Bahrain is in compliance with IMO conventions which are a prerequisite for international recognition within the maritime industry.

Finally, the Directorate is responsible for liaising with other government departments and agencies on maritime related matters and for representing the Kingdom as part of government delegations in various international and regional forums on maritime matters.

#### Free Zone Affairs

The Free Zone Affairs Directorate is responsible for overseeing the Bahrain Logistics Zone (BLZ). The BLZ organisation structure was completed in 2008 and core members of the team were recruited. The BLZ is run by two complementary teams providing a full suite of services to existing and potential tenants:

the Business Development Directorate, responsible for planning, research, and attracting potential customers, and the Operations Directorate which is responsible for all client services and operations once tenants wish to set up shop at the BLZ.

Following the 2008 launch of the BLZ, the teams worked closely together to implement activities and establish a smooth running system that knits together their various tasks.

The Operations Directorate consists of two sections: Tenant Services is responsible for leasing, client liaison and client services, while Engineering and Facilities Management ensures the coordination of the planning, design and project management and has responsibility for overseeing the construction of facilities at the BLZ, as well as overall facilities management within the BLZ once it is fully operational.

In particular, by the nature of its responsibilities at the site during the project's start-up period when there was an above average amount of interaction with the engineering consultants, Royal Haskoning, the Operations Directorate often found itself in project-management mode, deploying its specialist skills to fine-tune the different tasks at hand.

Meanwhile, the Business Development Directorate has developed an extensive network of clients, stakeholders and partners following a series of local, regional and international events and interaction with logistics companies and retailers, culminating in highly successful road shows in Manama, Dubai and London among other cities, which attracted over 100 prospective organisations.

### **Corporate Services Affairs**

The Corporate Services Affairs Directorate is at the core of the GOP, responsible for the Organisation's financial operations, HR and administration and IT systems. Supervising the Organisation's structure and making sure that all the appropriate checks and balances are in place, the Directorate ensures that the GOP is managed and operated professionally.

In 2008, the team was mainly involved in developing a purpose-designed system for the GOP, which includes specialist programs for financial operations, personnel and recruiting, as well as the necessary IT communications tools. This system will come online in 2009 with a phased approach.

In 2008, the Directorate launched the first phase of the GOP website. In addition, the Directorate produced a detailed personnel manual and financial manual including all organisational policies and procedures concerning HR and Finance which are now under implementation. With these critical elements in place, the focus is now on providing high level service to GOP customers by recruiting high-calibre individuals as the Organisation grows.

Supervising this recruitment is a specially-formed Recruitment Committee, which is chaired by the Assistant Director General Corporate Services and consists of four other senior representatives from key departments. The Committee considers applications and conducts interviews for vacancies, before making recommendations for recruitment.

### **Port Affairs**

Port Affairs consists of two directorates: Commercial Affairs and Port Security. The Commercial Affairs Directorate is responsible for all the landside port operations in the Kingdom. One of its main responsibilities is to monitor the port operator's performance through analysing operation's statistics, conducting site visits, holding regular meetings and other monitoring tools. The Directorate plays an important role in facilitating port operations by maintaining good relationships with the port's stakeholders such as Customs Affairs, shipping agents, freight forwarders, custom clearing agents and other related entities. Issuing licenses that enable companies to provide services in the ports is another responsibility of the Commercial Affairs Directorate in addition to the management of the Mina Salman and Muharraq Port operations.

The Port Security Directorate is charged with supervising and maintaining all landside safety and security for KBSP, Mina Salman and Muharraq Port. The Directorate's responsibilities are twofold: to oversee and maintain secure perimeters for all ports' and BLZ property, and to ensure that no unauthorised persons gain entry to port territory. During 2008, the Directorate developed a new security-coded access pass regime and specified a range of hi-tech port security equipment.

## CORPORATE GOVERNANCE

Benchmarking  
Best Practice

With an ambition to lead by example in setting a framework of rules and practices, and as a semi-governmental organisation, the GOP has a clear regard for the need to have strong, well-defined corporate governance.

The Legislative Decree No. (61) of 2006 with respect to promulgating the Law of the General Organisation of Sea Ports which established the GOP also stipulated its duties and obligations, by which the Organisation is committed to abide, as well as its internal rules which are approved and supervised by the Board of Directors.

Backing this safeguard is the GOP's own internal audit department, created in 2008, which oversees all audit activity, while the Board meets regularly throughout the year to oversee the overall performance of the Organisation.

Although it is still early to set more global structures in place, the GOP is working towards ISO certification, which it hopes to achieve by the end of 2009.

The GOP plans to implement a Corporate Governance charter to ensure that the Organisation can demonstrate full transparency in all its activities.

“ Despite the economic downturn, to which maritime trade is particularly sensitive, the Organisation continued to turn in a profitable performance ”

## FINANCIAL HIGHLIGHTS

### Another Profitable Year

As a semi-governmental organisation, the General Organisation of Sea Ports produces its financial statements covering the 12-month period from January 1 to December 31, and presents these in accordance with international auditing and accounting standards. 2008 is the second year for which financial statements are available, as it was the second year of the Organisation's existence.

#### Financial review

2008 marked another year of stellar performance for Bahrain's maritime regulatory body. Relatively unaffected by the scenarios playing out on the global stage and elsewhere in the Gulf, this was a highly encouraging second-year performance for the GOP. Despite the economic downturn, to which maritime trade is particularly sensitive, the Organisation continued to turn in a profitable performance.

While the GOP incurred higher expenses in its second year as a result of considerable expansion and investment in its business and people, the Organisation nevertheless achieved a surplus of BD 4.9 million, reflecting healthy growth in an early period of the young organisation's life.

On the income side, higher income was recorded in 2008 (BD 8.3 million) compared to that in the previous reporting period (BD 7.6 million), registering a 9% growth, largely a result of increases in royalty revenues, marine dues, handling charges, tanker revenues, rent, administrative and interest income.

Under the Mina Salman Concession Agreement, the GOP's share of the revenue generated by the port operating company from port operations and marine services amounted to BD 3.8 million, up by some 24 per cent over the previous year, reflecting greater operational activity

through Mina Salman. Given the global economic downturn, these figures showed the resilience of Bahrain's ports in the face of adversity.

However, the total surplus in 2008 of BD 4.9 million was just over 8% lower than the BD 5.4 million surplus in 2007, due to a 50% increase in the Organisation's expenses (BD 3.3 million, compared to BD 2.2 million in 2007). As the GOP was expanding its capabilities and resources in 2008, substantial investment was made in developing its core business areas, most notably the Bahrain Logistics Zone, to position the Organisation for long term growth.

In addition, at this stage in the Organisation's life, staff expenses in terms of recruitment and training also rose as the GOP worked on attracting additional talent to further strengthen its team. Continuing planned investment into assets including staff is reflected in such items as the 2008 salaries and related costs, which at BD 1.2 million was more than double the previous period (BD0.6 million).

Consultancy fees (BD1.2 million) increased by a similar proportion compared to BD 0.6 million in 2007.

As of January 1, 2009, the accumulated fund stood at BD10.3 million (BD4.9 million together with BD5.4 million carried forward from 2007). Of this, BD 5.4 million was transferred to the Ministry of Finance in 2008, solidifying the GOP's position as a revenue generator for the Kingdom of Bahrain.

## MILESTONES

### 2008

- Launch of an initiative to develop a service area outside KBSP
- Review of national legislation in order to open Bahrain's ship registry and the updating of the existing Maritime Law in line with Bahrain's international obligations
- Completion of feasibility study for Mina Salman building construction materials ports
- Supervision of the process of preparing Sheds 1 and 3 in Mina Salman to accommodate companies that were relocated from the industrial area due to construction of new intersection
- Launch of initiative to dredge the Bahrain Approach Channel to 15m
- Signing of agreement with Pole Star Space Applications Ltd. to meet Bahrain's LRIT obligation
- Launch of Bahrain Ship's Registry online to facilitate electronic registration
- Launch of Bahrain Logistics Zone (BLZ) following completion of implementation study
- Implementation of BLZ branding
- Identification of BLZ tenant selection criteria
- Signing of Letter of Intent with Danzas as BLZ's first anchor tenant
- Appointment of Royal Haskoning as consultant to execute BLZ's master planning works
- Execution of BLZ book-building presentation in Manama
- Selection of accepted tenants at BLZ
- Signing of MoU with Edamah to develop pre-built warehouses at BLZ
- Coordination with the designated authority with regard to compliance with ISPS code requirements at all ports facilities in Bahrain
- Introduction of port security access pass codes

- Assessment of all GOP ports facilities to ensure that equipment complies with security and safety requirements
- Development of customised systems, including programs for financial operations, personnel and recruitment and essential IT systems
- Implementation of recruitment mechanism via Recruitment Committee
- Launch of GOP website (phase I)

### Subsequent Events: 2009 (as of June)

- Handover of KBSP to the GOP following completion of construction by Ministry of Works
- Handover of KBSP to APM Terminals by the GOP
- Handover of Mina Salman to the GOP by APM Terminals
- Accounting and financial services software comes on line
- HR and personnel software comes on line
- Initiation of ISO accreditation procedure
- Specification and order for hi-tech ports security equipment
- Supervision of remaining operations at Mina Salman following the move to KBSP
- Completion of review of GOP tariffs
- Completion of licenses and setting standards for all ports and maritime activities
- Formulation of BLZ tenant building design code
- Allocation of BLZ land blocks
- Dispatch of BLZ leasing agreements to prospective tenants



## DRIVING THE MARITIME INDUSTRY

Khalifa Bin Salman Port:  
New transshipment hub  
for the Northern Gulf

In early 2008, a joint task force consisting of representatives from the GOP and APM Terminals was established to start the process of moving from Mina Salman, which had served for almost 50 years as Bahrain's principal port, to a new maritime gateway: Khalifa Bin Salman Port (KBSP), the new transshipment hub of the Northern Gulf.

As the complexities of moving from an old—and very active—port to a newly-constructed port grew, much of the GOP's attention was focused on enabling a smooth transition while ensuring that the existing operations were not disrupted.

The transition from the familiar straddle carriers at the old port to the new RTGs involved radically different operational practice, both for the operators of the vehicles and for the teams overseeing security, technology and software. With the higher handling capacity came the need for more sophisticated surveillance equipment and security measures. Undoubtedly, the key to the successful start-up of KBSP was the training of operatives on the new equipment which took place as part of a planned programme during the latter part of 2008.

Another important factor that contributed to the smooth transition phase was the close liaison with port users and stakeholders to keep them informed of developments and the transfer timetable. This was implemented through the regular dissemination of the latest information of progress at the port as the transition date drew nearer and was repaid by a seamless migration of services from Mina Salman to KBSP.

Perhaps the most significant aspect of the transition is not the new equipment and the extra space, but the fact that Bahrain's maritime landscape has changed forever. Initially, the new container port will have a throughput of 1.1 million containers per year, but this figure is capable of expansion to 2.5 million containers as required.

Recognising the impact that such a large expansion will undoubtedly have on Bahrain's maritime industry, the GOP also launched several initiatives that will serve to strengthen the industry's capabilities in the long-term.

These include a complete review of Bahrain's maritime legislation in order to enhance the Kingdom's regulatory framework to enable Bahrain's Ship Registry to become an open registry, and the completion of a study to build a 41,817sqm service area outside KBSP that will provide additional services to port users and clients. In addition, the GOP also commenced a review of capacity-building needs in terms of maritime and marine training and certification. Implementation of programmes to address these needs is planned for 2009.

With numerous initiatives launched in 2008 that fit together in a holistic manner to build a comprehensive maritime and marine business environment, the GOP and APM Terminals started to market the port to worldwide ship-owners, capitalising on the vastly improved value proposition that Bahrain now has to offer – specifically, opportunities for savings through new network configurations due to its position in the Northern Gulf.

KBSP will be a fulcrum that will leverage Bahrain's new status – and the year's encompassing achievement has been the meticulous and successful preparations for the opening of KBSP scheduled for the fourth quarter of 2009, a momentous occasion which will spur commercial and economic returns not just for the Kingdom's maritime industry, but for the economy as a whole.





## BAHRAIN PORTS

The GOP is the regulator for Bahrain's seaports and jetties. In addition to KBSP, these include the following facilities:

### **Mina Salman**

Mina Salman, which was Bahrain's main port for almost 50 years, is now handling bulk vessels with cargoes for the flour and chicken feed mills located at the port.

### **Muharraq Port**

Muharraq Port mainly accommodates dhows with draught of up to 3.5 metres.

## THE PRIVATE JETTIES

### **Bapco**

The Bapco terminal is located at Sitra and consists of seven berths which handle petroleum products as well as chemical products coming from GPIC. The company operates the Bahrain refinery and related facilities.

### **ALBA**

Aluminium Bahrain (ALBA) operates a plant producing aluminium ingots which are exported in containers via KBSP. ALBA owns and operates two berths; one is used for the import of raw material (alumina) and the other for export of petroleum coke products.

### **GPIC**

The Gulf Petrochemical Industries Company (GPIC) operates a plant producing urea which is exported from the GPIC berth at Sitra and liquefied ammonia and methanol which are exported through Sitra wharf (BAPCO).

### **GIIC**

The Gulf Industrial Investment Company (GIIC) operates a plant producing iron pellets from imported iron ore. GIIC has three jetties with another two jetties coming into service by the end of 2009 and one planned for the near future.

### **ASRY**

Arab Shipbuilding and Repair Yard (ASRY) is the principal shiprepair facility in the Arabian Gulf and operates a repair yard with a graving dock, two floating docks and two slip docks plus four adjacent VLCC repair berths.

### **Basrec**

Basrec is Bahrain's second shiprepair facility, with a yard able to provide a full service facility for a wide range of small vessels. It has two 80m slipways and a floating dock.

## OTHER JETTIES

There are several privately operated jetties dedicated to offloading sand, cement and aggregate in bulk.

## BAHRAIN'S SHIP REGISTRY

In 2008, the GOP started work to prepare for legislation to upgrade the present "closed" registry, to an "open" one.

This work primarily entails signing up to the major maritime conventions adopted by the IMO, such as SOLAS, MARPOL and STCW, among others, and then transposing the provisions of the same in the national legislation. Plans are in hand to upgrade the IT system and facilities so that shipowners may access the registry electronically and most of the registration process can be conducted online.

In 2008, the Bahrain Registry had more than 300 vessels on its books, mostly tugs and barges working in the Gulf. It is estimated that when the open register is in operation, this number will at least double. In addition to the obvious benefits that the open registry is expected to yield in terms of vessel numbers, it will also give Bahrain the first-mover advantage as the Kingdom's flag can become the flag of choice in the Gulf, resulting in increased income and higher employment, and positioning the Kingdom as a front-runner in the global maritime industry. For shipowners, the open registry presents a fast, efficient and friendly service, as well as the knowledge that their vessels are sailing under a flag that represents the best international industry standards.

## BAHRAIN LOGISTICS ZONE

Leveraging KBSP's logistics opportunities

Located on one square kilometre (km) of land, 3km from Khalifa Bin Salman Port (KBSP), the Bahrain Logistics Zone (BLZ) is a boutique logistics area designed to accommodate re-export and value-added activities, to generate cargoes through KBSP and to boost Bahrain's national economy.

The BLZ is the region's first boutique logistics area offering a high quality environment to companies that meet its stringent tenancy requirements for plots spread across 454,000sqm of leasable space. Operated by the GOP and run on a commercial basis, the BLZ is designed to offer local, regional and international companies a base to operate in a bonded area to take advantage of Bahrain's highly advantageous position to cater to the Northern Gulf market.

While logistics firms are the favoured candidates, the BLZ also welcomes retailers and distributors – such as clothing retailers and auto parts exporters. Typical favoured logistics activities include component assembly, labelling, packaging and re-packaging and mixing, weighing and filling, kitting and palletizing, and testing and repair.

Focused on attracting commercial activities that encourage job creation for Bahrainis, foreign investment and volume throughput, the BLZ was launched in 2008 following a feasibility study that was carried out the previous year by management consultancy firm AT Kearney. The implementation study was completed in 2008, including developing the BLZ's organisation structure, hiring of key team members, building the tenant selection criteria and the subsequent selection of tenants through a book-building exercise.

While the construction of the key infrastructure was underway, Royal Haskoning was appointed to develop and finalise the zone's master plan which involved the completion of the definitive layout of the BLZ site, including the plots, roads and location of utilities. The allocation of plots involved setting out their precise location to geographical coordinates, dimensions and area.

As part of a full-fledged marketing campaign which was implemented in 2008 and included branding, advertising and investment promotion, the BLZ's marketing efforts culminated with the team's participation in a number of successful roadshows and seminars. Extensive promotional activities and events in the regional and international spheres were also implemented during the year in order to attract leading names in the logistics industry.

The final roll of applications totalled 73 firms and an evaluation committee was formed to evaluate the applicants until 20 companies were selected.

The select band that met the criteria to join this world-class project includes Danzas, Ceva, Marina Gulf Trading and Landmark Group, among other leading names.

With the master plan finalised, the BLZ will hand over the lease agreements to all its tenants.

The rapidity with which the plots for Phase I have been snapped up shows the appetite for this type of specialist zone among international logistics service providers who are taking the opportunity of the current world economic downturn to put in place their facilities for future growth in the regional markets.

As a result of the success witnessed in 2008 with the launch of the first phase, the BLZ's management team is now in the early stages of planning Phase 2 which will release a further 1.5 square kilometre of space.

Standing within a few minutes by road from KBSP, which can accommodate ocean-going containerhips, the new logistics location represents a unique opportunity for companies to access GCC markets more quickly and economically than from other regional centres.

After the BLZ's first year of preparation and operational structuring, the GOP is looking forward to leveraging the opportunities to serve prospective tenants by building a full suite of tenant services and facilities to create an entity which will produce positive benefits for Bahrain.







## MOVING IN

BLZ tenants can choose from various options to suit their requirements. These include leasing land to build their own warehouse or to employ the GOP's developer to build according to the tenant's specific requirements.

From the moment that tenants operate at the BLZ, they are subject to monitoring, in line with BLZ's overarching aim of establishing a base for high-quality logistical operations. Tenants

are monitored to gauge three key performance indicators: the creation of local skilled jobs, the attraction of foreign investment and generation of high commodity throughput.

Another important aspect assessed by the BLZ operations team is the training of skilled, semi skilled and unskilled staff that the prospective tenant is able to offer.



## LOOKING FORWARD

Notwithstanding the financial and operational achievements of 2008 and the successful handover of KBSP, the GOP is cognisant of the many opportunities and challenges that lie ahead. In 2009, the GOP will continue working on the initiatives that were in the pipeline in 2008, as well as initiating new projects that will have a positive impact on Bahrain's maritime and logistics industries.

### ISO Accreditation

Perhaps the most significant prospect is the process of applying for ISO accreditation, which began in late 2008. The various procedures are expected to be completed towards the end of 2009, thereby adding an important industry standard to the Organisation's operations.

### Ship's Registry

Another major project which will be ongoing throughout 2009 and 2010 is the drafting of the necessary legislation to enable the Bahrain Ship's Registry to become an open registry.

### KBSP Services Centre

In order to complement the new facilities at KBSP, the GOP is working to provide additional services for port users and clients. Consequently plans are in the pipeline for a comprehensive services centre to be built just outside the port gates which will provide office space, restaurants, retail outlets and a filling station. A part of the centre will lie inside the port perimeter for a warehouse and multi-storey car park.

### Bahrain Approach Channel

Dredging of the Bahrain approach channel to the new port to a depth of 15m commenced in 2008, and phase I of the project is scheduled to be completed in 2009. This will allow the largest containerships to access KBSP.

### Maritime Capacity-Building

As part of the GOP's efforts to ensure that Bahrain's maritime industry is led by qualified technical professionals, significant training and certification programmes will be implemented in partnership with leading global specialised institutions. The GOP has an ongoing dialogue with Tamkeen in order to develop joint training initiatives that can benefit Bahrainis in the maritime sector.



### **Bahrain Logistics Zone**

The BLZ's team is looking forward to receiving the final handover of the project and subsequently to accommodate its prospective tenants. Plans for ensuring tenant satisfaction by providing all the necessary facility management services are also in the pipeline.

Furthermore, the BLZ is committed to constructing pre-built warehouses, offering a wider range of leasing options to prospective tenants in order to meet the breadth of requirements of different tenants.

Meanwhile, with the letting of all the plots in phase 1 of the BLZ now in sight, plans are

under consideration for the construction of phase 2, which involves land reclamation and infrastructure works that will provide a further 1.5sq km of space to the BLZ.

### **Human Resources**

As a growing Organisation, the GOP's recruitment and upgrading of systems and resources will continue throughout 2009 in order to further develop its capabilities. In addition, the GOP work culture will continue to be enhanced, with increased programmes and activities for team social events and team-building.

### **Communications and Marketing**

With the recent appointment of the GOP's Director of Marketing and Communications, the GOP management team is now complete. Some of the major initiatives planned to be undertaken by this department in 2009 include the landmark opening of KBSP, the continued marketing of BLZ and the hosting of the 5th Trans Middle East event, which will be held in Bahrain in November.

In addition, an awareness and outreach programme will be designed for implementation in 2010 in order to increase local, regional and international familiarity with the GOP and to develop community relationships.

### Bahrain Ports at a Glance

	Khalifa Bin Salman Port	Mina Salman
Project Duration	Reclamation started 2002. Infrastructure contract awarded October 2006, Handover to port operator: February 3, 2009	N/A
Project Cost (BD)	BD 136.3 million	N/A
Employees	600 approx (85% Bahraini)	N/A
Quay Wall Length	1,800m	1,200m
Container Terminal	900m	600m
General cargo/Ro-Ro	600m	600m
Passenger Terminal	300m	No formal facility
Vessel Traffic System	TRANSAS	VisSim
Depth – channel	14.0m (approx.)*	9.78m
Depth – berths	15.0m	11.0m
Capacity	10,800 Ground Slots (five high)	4,100 Ground Slots (three high)
Throughput	Capacity to handle 1.1 million teu/year	238,656teu (throughput 2007)
STS Container Cranes	4 Post Panamax, reach 44m, 65 tonnes	4 First Generation reach 38m, 35 tonnes
Container Handling equipment	12 Rubber Tyre Gantry Cranes	16 Straddle Carriers
Concession Agreement	25 years plus extension as mutually agreed	Until KBSP Commercial Operation Date or expiry of extension granted

\* Dredging of the channel is currently in the process; when this is completed, the depth will be approximately 14m.

### Key KBSP Performance Statistics

Indicator	2008	2007	Measured in (unit)
Berth Productivity	28.64	25.17	Container move/hr
Crane Productivity	18.0	15.2	Container move/crane hr
Gate Turn time	27.7	45.3	Minutes
CT Throughput	269,331	238,656	TEU
GC Throughput	2,033,190	1,251,302	FT (Freight Tonnes)
FCL Unstuffing	37,557	33,361	Container

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# INDEPENDENT AUDITORS' REPORT

General Organisation  
of Sea Ports

## Report on the financial statements

We have audited the accompanying financial statements of General Organisation of Sea Ports ("the Organisation") which comprise the balance sheet as of 31 December 2008, and the income statement, statement of changes in accumulated fund and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Responsibility of Board of Directors for the financial statements

The Board of Directors of the Organisation is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organisation as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



KPMG

Manama, Kingdom of Bahrain  
4 May 2009

## BALANCE SHEET

As of 31 December  
2008

<i>Expressed in Bahraini Dinars</i>	Notes	2008	2007
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	3,428,421	4,394,681
Accounts receivable		1,391,823	2,185,247
Other assets	4	358,600	54,950
<b>Total current assets</b>		<b>5,178,844</b>	6,634,878
<b>NON-CURRENT ASSETS</b>			
Furniture and equipment	5	228,680	143,701
<b>Total non-current assets</b>		<b>228,680</b>	143,701
<b>TOTAL ASSETS</b>		<b>5,407,524</b>	6,778,579
<b>CURRENT LIABILITIES</b>			
Payable to Port Operating Company	6	-	222,259
Deferred revenue	7	116,556	457,021
Accrued expenses and other payables		247,982	606,250
<b>Total current liabilities</b>		<b>364,538</b>	1,285,530
<b>NON-CURRENT LIABILITIES</b>			
Provisions for labour law obligations		75,722	81,341
<b>Total non-current liabilities</b>		<b>75,722</b>	81,341
<b>TOTAL LIABILITIES</b>		<b>440,260</b>	1,366,871
<b>ACCUMULATED SURPLUS</b> (page 4)		<b>4,967,264</b>	5,411,708
<b>TOTAL LIABILITIES AND ACCUMULATED SURPLUS</b>		<b>5,407,524</b>	6,778,579

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The financial statements consisting of pages 33 to 44 have been approved by the Board of Directors on 4 May 2009.

## INCOME STATEMENT

As of 31 December  
2008

<i>Expressed in Bahraini Dinars</i>	Notes	2008	08 December 2006 to 31 December 2007
<b>INCOME</b>			
Royalty revenues	8	<b>3,773,302</b>	3,051,842
Handling charges		<b>3,071,723</b>	3,412,319
Tanker revenues		<b>484,499</b>	549,391
Marine dues		<b>48,284</b>	35,941
Other income	9	<b>892,146</b>	552,786
		<b>8,269,954</b>	7,602,279
<b>EXPENSES</b>			
Consultancy fees	10	<b>1,169,962</b>	610,007
NAVTEX charges	11	<b>151,284</b>	551,880
Salaries and related costs		<b>1,240,844</b>	570,479
General and administrative	12	<b>661,917</b>	404,086
Remuneration of the Board of Directors	13	<b>35,450</b>	40,700
Depreciation	5	<b>43,233</b>	13,419
		<b>3,302,690</b>	2,190,571
<b>SURPLUS FOR THE YEAR / PERIOD</b>		<b>4,967,264</b>	5,411,708

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**Daij bin Salman Al Khalifa**  
Chairman



**Hassan Ali Al Majed**  
Director General

The financial statements consisting of pages 33 to 44 have been approved by the Board of Directors on 4 May 2009.

**STATEMENT OF  
CHANGE IN  
ACCUMULATED  
FUND**

For the year ended 31  
December 2008

<i>Expressed in Bahraini Dinars</i>	Notes	2008	08 December 2006 to 31 December 2007
<b>Balance At 1 January</b>		<b>5,411,708</b>	-
Surplus for the year / period (page 3)		<b>4,967,264</b>	5,411,708
Transferred to Ministry of finance		<b>(5,411,708)</b>	-
<b>Balance At 31 December</b>		<b>4,967,264</b>	5,411,708

## STATEMENT OF CASH FLOWS

For the year ended  
31 December 2008

08 December  
2006 to  
31 December  
2007

<i>Expressed in Bahraini Dinars</i>	Notes	2008	2007
<b>OPERATING ACTIVITIES</b>			
Royalty charges		3,004,133	2,751,018
Handling charges		3,013,003	2,404,500
Marine and tanker dues		517,351	537,018
Other receipts		562,809	163,266
Advance received from MOF		-	50,000
Payments for consultancy fees		(1,169,962)	(610,007)
Payments for salaries and related costs		(1,246,463)	(490,447)
Payments for general and administrative expenses		(1,167,623)	(349,716)
Payments for remuneration of the Board of Directors		(35,450)	(40,700)
<b>Net cash flows from operating activities</b>		<b>3,477,798</b>	<b>4,414,932</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of furniture and equipment		(132,058)	(20,251)
<b>Cash flows utilised in investing activities</b>		<b>(132,058)</b>	<b>(20,251)</b>
<b>FINANCING ACTIVITIES</b>			
Funds transferred to Ministry of Finance		(4,312,000)	-
<b>Cash flows utilised in financing activities</b>		<b>(4,312,000)</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(966,260)</b>	<b>4,394,681</b>
Cash and cash equivalents at the beginning of the year		4,394,681	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD</b>		<b>3,428,421</b>	<b>4,394,681</b>
Cash and cash equivalents comprise:			
Cash and bank balances		628,421	995,629
Short-term fixed deposits		2,800,000	3,399,052
		<b>3,428,421</b>	<b>4,394,681</b>

The financial statements consisting of pages 33 to 44 have been approved by the Board of Directors on 4 May 2009.

## NOTES TO THE 2008 FINANCIAL STATEMENTS

### I. BACKGROUND AND ACTIVITIES

The General Organisation of Sea Ports (the "Organisation") was established pursuant to legislative Decree 61/2006. The Organisation started its operations in December 2006 with the following principal objectives:

- build, maintain, repair and use the Ports;
- provide, coordinate and integrate marine services within the Port's limits;
- support and develop Ports and facilitate trade therein;
- provide and develop adequate number of public handling sites; and
- register ships with gross tonnage in excess of 150 tonnes and issue legal certificates.

The Organisation is managed by a Board of Directors consisting of five members.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

#### b) Basis of preparation

The financial statements are prepared on historic cost convention. The accounting policies have been consistently applied to items that are considered to be material in relation to the Organisation's financial statements and are consistent with those used in the previous year.

#### c) Functional and presentation currency

These financial statements are presented in Bahraini Dinars ("BD"), which is the Organisation's functional currency.

#### d) Revenue recognition

Revenues from marine, royalty revenue, handling charges, rents, fixed deposit interest, and other income are recognised when earned.

#### e) Property and equipment

##### Recognition

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

When an item of property and equipment is sold or discarded, the respective cost and accumulated depreciation relating thereto are eliminated from the balance sheet, the resulting gain or loss being recognised in the income statement.

##### Subsequent cost

The Organisation recognises in the carrying amount of an item of furniture and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Organisation and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

## NOTES TO THE 2008 FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Property and equipment (continued)

##### Depreciation

Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write off the net cost of the assets over the following estimated useful lives.

Furniture and fixtures	5 years
Computers and other equipments	3 years
Heavy equipment	10 years

#### f) Accounts receivables

Accounts receivables are stated at cost, being the fair value, less provision for impairment.

#### g) Impairment

The carrying amounts of the Organisation's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been change in the estimates used to determine the recoverable amount.

#### h) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Trade and other payables are stated at their amortised cost.

#### i) Provisions

A provision is recognised in the balance sheet when the Organisation 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.

#### j) Foreign currency

##### (i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Organisation operates ("the functional currency"). The financial statements are presented in Bahraini Dinars, which is the Organisation's functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### k) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, bank balances and fixed deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### l) Employee benefits

Pensions and other social benefits for Bahraini employees are covered by the Pension Fund Commission scheme to which employees and employers contribute monthly on a fixed-percentage-salaries basis. The Organisation's share of contributions to the funded scheme, which is a defined contribution scheme under IAS 19, is recognised as an expense in the income statement.

## NOTES TO THE 2008 FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector 1976, based on length of service and final salary and other allowances paid. Provision for this unfunded commitment, which represents a defined benefit scheme under IAS 19, has been made by calculating the notional liability had all employees left at the balance sheet date.

### 3. CASH AND CASH EQUIVALENTS

<i>Expressed in Bahraini Dinars</i>	<b>2008</b>	2007
Cash in hand	<b>1,623</b>	439
Cash at bank	<b>626,798</b>	995,190
Short-term bank deposits	<b>2,800,000</b>	3,399,052
	<b>3,428,421</b>	4,394,681

### 4. OTHER ASSETS

Other assets include BD 306,864 due from Ministry of Works which represents amount paid to APM Terminals BSC (c) ("Port Operating Company") on behalf of the Ministry for rent and modification of Shed 1 & 3 in Mina Salman.

### 5. FURNITURE AND EQUIPMENT

	Furniture and fixtures	Computers and other equipment	Heavy vehicles	Payment against purchase of software	<b>2008 Total</b>	2007 Total
<b>Cost</b>						
At 1 January	117,961	39,159	-	-	<b>157,120</b>	-
Additions	21,602	60,796	8,200	37,614	<b>128,212</b>	157,120
31 December	139,563	99,955	8,200	37,614	<b>285,332</b>	157,120
<b>Depreciation</b>						
At 1 January	9,836	3,583	-	-	<b>13,419</b>	-
Charge for period	26,741	16,082	410	-	<b>43,233</b>	13,419
31 December	36,577	19,665	410	-	<b>56,652</b>	13,419
Carrying value at 31 December	102,986	80,290	7,790	37,614	<b>228,680</b>	143,701

### 6. PAYABLE TO PORT OPERATING COMPANY

In 2007, the Organisation collected pilotage charges from BAPCO on behalf of Port Operating Company. After the incorporation, the Organisation entered into concession agreement with Port Operating Company to operate Mina Salman Port. As per the concession agreement, certain rights with shipping agents of the previously called "Ports Directorate" were transferred to Port Operating Company by signing assignment agreements. Since BAPCO and Port Operating Company were in the process of finalising the agreement, the Organisation collected the money from BAPCO on behalf of Port Operating Company.

During 2008, BAPCO and Port Operating Company have signed the agreement and all payments are made directly to Port Operating Company.

## NOTES TO THE 2008 FINANCIAL STATEMENTS

### 7. DEFERRED REVENUE

This represents rental charges received in advance from APM Terminals Bahrain BSC (c) ("Port Operating Company") for Mina Salman.

### 8. ROYALTY REVENUES

After the incorporation, the Organisation entered into agreement ("Concession Agreement") with Port Operating Company for the operation and management of the Mina Salman Port. According to the agreement, the Organisation will receive from Port Operating Company fixed 20% of the gross revenue from operation and 10 % of gross revenue from marine services on quarterly basis.

### 9. OTHER INCOME

<i>Expressed in Bahraini Dinars</i>	<b>2008</b>	2007
Rent income	<b>726,485</b>	416,273
Interest income	<b>80,620</b>	61,342
Others	<b>85,041</b>	75,171
	<b>892,146</b>	552,786

### 10. CONSULTANCY FEES

Consultancy fee represents consultancy agreement with AT Kearney (UAE) Limited to create Bahrain Logistics Zone (BLZ) to bring economic growth, value creation and new employment opportunities to Bahrain. The purpose of the agreement is to define BLZ Unique Selling Proposition (USP) and development plan.

### 11. NAVTEX CHARGES

NAVTEX charges are payable to Bahrain Telecommunication Company BSC (Batelco) for transmission of the international navigation messages to the Port authority and sea users in the Kingdom of Bahrain.

### 12. GENERAL AND ADMINISTRATIVE

<i>Expressed in Bahraini Dinars</i>	<b>2008</b>	2007
Training and Conferences	<b>174,346</b>	184,493
Repair and maintenance	<b>150,194</b>	88,517
Other services	<b>57,983</b>	31,938
Subscription, Books & References	<b>72,985</b>	31,873
Services and utilities	<b>43,012</b>	20,759
Publicity and Advertisement	<b>75,021</b>	17,531
Others	<b>88,376</b>	28,975
	<b>661,917</b>	404,086

### 13. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Organisation exercises significant influence, Major Shareholders, Directors, the Management Company and Key Management Personnel of the Organisation. Amount due from Ministry of Works is disclosed in note 4.

The office premises occupied by the Organisation is owned by Ministry of Finance (MOF).

## NOTES TO THE 2008 FINANCIAL STATEMENTS

### 13. RELATED PARTY TRANSACTIONS (CONTINUED)

#### Transactions with key management personnel

Key management personnel of the Organisation comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Organisation. The key management personnel compensation is as follows:-

<i>Expressed in Bahraini Dinars</i>	<b>2008</b>	2007
Board remuneration	<b>35,450</b>	40,700
Short term benefits to key management personnel	<b>47,202</b>	35,600
Post employment benefits to key management personnel	<b>9,460</b>	2,918
	<b>92,112</b>	79,218

### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Overview

Financial instruments include financial assets and financial liabilities. Financial assets of the Organisation include cash and cash equivalents and accounts receivable. Financial liabilities of the Organisation include trade payables and certain other current liabilities.

The Organisation has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Organisation's exposure to each of the above risks, the Organisation's objectives, policies and processes for measuring and managing risk. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Organisation's risk management framework. The Directors of the Organisation are responsible for developing and monitoring the Organisation's risk management policies and report regularly to the Board of Directors on their activities.

The Board of Directors oversees how management monitors compliance with the Organisation's risk management procedures and review the adequacy of the risk management practices in relation to the risks faced by the Organisation.

#### Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the Organisation to incur a financial loss. The Organisation is exposed to credit risk primarily on its cash and cash equivalents and accounts receivable.

#### Cash and cash equivalents

Organisation's credit risk on cash and cash equivalents is limited as these are placed with banks in Bahrain having good credit ratings.

A major portion of the revenue which is revenue from handling charges is received in cash, the balance being from the port operating company.

#### Accounts receivable

The Organisation establishes provision for impairment of accounts receivables when there is objective evidence that the Organisation will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the accounts receivable is impaired.

## NOTES TO THE 2008 FINANCIAL STATEMENTS

### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

<i>Expressed in Bahraini Dinars</i>	2008	2007
Cash and cash equivalents	3,428,421	4,394,681
Accounts receivable	1,391,823	2,185,247
Other assets	358,600	54,950
	<b>5,178,844</b>	<b>6,634,878</b>

The ageing of accounts receivables at the reporting date was:

<i>Expressed in Bahraini Dinars</i>	2008	2007
Not past due	1,192,234	1,991,610
Past due 0-90 days	81,894	123,973
Past due 91-180 days	16,783	49,845
More than 180 days	100,912	19,819
	<b>1,391,823</b>	<b>2,185,247</b>

The Organisation believes that no provision for impairment is necessary in respect of receivables.

#### Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the Organisation will not be able to meet its financial obligations as they fall due. The Organisation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organisation's reputation. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Organisation ensures that a significant amount of the funds is invested in cash and cash equivalents, which are readily available to meet liquidity requirements.

The following are the contractual maturities of financial liabilities:

2008	Carrying amount	Contractual cash flow	12 months or less	1-2 years	More than 2 years
<b>Financial liabilities:</b>					
Accrued expenses and other payables	247,982	247,982	247,982	-	-
	<b>247,982</b>	<b>247,982</b>	<b>247,982</b>	-	-
2007	Carrying amount	Contractual cash flow	12 months or less	1-2 years	More than 2 years
Payable to Port Operating Company	222,259	222,259	222,259	-	-
Accrued expenses and other payables	606,250	606,250	606,250	-	-
	<b>828,509</b>	<b>828,509</b>	<b>828,509</b>	-	-

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates and equity prices will affect the Organisation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Organisation incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

## NOTES TO THE 2008 FINANCIAL STATEMENTS

### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### Interest rate risk

Interest rate risk is the risk that the Organisation's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates.

The Organisation's interest rate risk is limited to its interest bearing short-term deposits. The Organisation's short-term bank deposits are at fixed interest rates and mature within 90 days.

At the reporting date, the interest rate profile of the Organisation's interest-bearing financial instruments was:

<i>Expressed in Bahraini Dinars</i>	2008	2007
Fixed rate instruments		
Short-term bank deposits	2,800,000	3,399,052
	<b>2,800,000</b>	<b>3,399,052</b>

The effective interest on these financial instruments is as follows:

	2008 %	2007 %
Short term deposits	2.4 – 3.5	3.60 – 5.00

Change in market interest rate will not have a significant impact on the carrying value of the bank deposits due to short term characteristics of these deposits.

#### Foreign exchange risk

Foreign exchange risk is the risk that the Organisation's earning will be affected as a result of fluctuations in currency exchange rates.

The Organisation does not have foreign exchange risk as all of the transactions are in Bahraini dinars.

#### Capital management

The Organisation does not have identified capital. In accordance with Legislative Decree number 61 of 2006, the surplus of the Organisation is transferred to MOF.

#### Fair values

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair values of financial assets and liabilities approximate their carrying amounts at the balance sheet date.

### 15. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Organisation makes estimates and assumptions that affect the reported amount of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Organisation's accounting policies. The resulting accounting estimates will by definition, seldom equal the related actual results. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements include assessment of impairment of assets, allowances for doubtful receivables and accrual of expenses.

## NOTES TO THE 2008 FINANCIAL STATEMENTS

### 16. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out the Organisation's classification of each class of financial assets and liabilities, and their fair values.

31 December 2008	Loans and receivables	Others at amortised cost	Total carrying amount
<b>Financial assets:</b>			
Cash and cash equivalents	3,428,421	-	3,428,421
Accounts receivable	1,391,823	-	1,391,823
Receivable from Ministry of Works	306,864	-	306,864
Other assets	51,736	-	51,736
	<b>5,178,844</b>	<b>-</b>	<b>5,178,844</b>
<b>Financial liabilities:</b>			
Accrued expenses and other payables	-	247,982	247,982
	<b>-</b>	<b>247,982</b>	<b>247,982</b>

31 December 2007	Loans and receivables	Others at amortised cost	Total carrying amount
<b>Financial assets:</b>			
Cash and cash equivalents	4,394,681	-	4,394,681
Accounts receivable	2,185,247	-	2,185,247
Other assets	54,950	-	54,950
	<b>6,634,878</b>	<b>-</b>	<b>6,634,878</b>
<b>Financial liabilities:</b>			
Payable to Port Operating Company	-	222,259	222,259
Accrued expenses and other payables	-	606,250	606,250
	<b>-</b>	<b>828,509</b>	<b>828,509</b>

### 17. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

During the year, the following relevant new / amended IFRS standards and interpretations have been issued, which are not yet mandatory for adoption by the Organisation:

- Revised IAS 1 Presentation of Financial Statements (effective from annual periods commencing on or after 1 January 2009)

The adoption of these standards and interpretations are not expected to have material impact on the financial statements.

### 18. COMPARATIVES

Comparatives are for the period 08 December 2006 (date of incorporation) to 31 December 2007. The Organisation commenced operations in December 2006.

The comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported net profit or net assets.