

## Directors' Report

### Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting to you the annual report of your company along with the audited accounts for the year ended 31 December 2013. Salalah Port Services (Port of Salalah) has recorded historical new highs in volumes handled at General Cargo terminal (GCT), which has offset a decline in Container Terminal (CT) transshipment volume handled during 2013 as compared to 2012. Nonetheless, the company has achieved a fruitful year in many tangible operation areas including productivity and safety, which reflects the company's consistent performance and overall positive forecast.

### Company Performance

The company's first priority is ensuring the safety of its employees and customers, and to this end, the achievement of a record year in safety performance with the lowest ever lost time incident (LTI) of three LTI in 2013 is a positive development.

Further the Port of Salalah has been recognized globally for its operational efficiency in container operations in 2013. The berth productivity has increased by 12% over the previous year while truck and gate turnaround times have been slashed by half, to less than 30 minutes, which echoes the company's focus on customer service and process excellence.

The strategy to support the growth of local businesses using the Port of Salalah to connect to global trade is proving to deliver value to all stakeholders. The GCT has handled 7.9 million tons during 2013 as compared with 7.2 million tons in 2012. The CT has handled 3.3 million TEU (twenty-foot equivalent unit) against 3.6 million TEU in 2012, where the decline in transshipment volumes is largely as a result of one major customer shifting a portion of their volumes, as reported in Q3 2013. Through improved service level the company was able to retain its major customers in 2013. Overall, volumes at the CT were negatively impacted by new terminal developments within the region, combined with the slow development of global trade.

### Financial Overview

The consolidated revenues are recorded at RO 58.5 million, an increase of nearly 2% over the previous year. The consolidated net profit was recorded at RO 5.66 million, as compared to RO 7.08 million in 2012. The overall costs have been kept under control with an exception of staff costs which has been adjusted for inflation and performance pay. In addition, part of consultancy costs incurred earlier in the year have been written off in accordance with International Accounting Standards (IAS) 16.

During 2013, your company distributed 25% annual dividend pertaining to year 2012. This year the Board of Directors is pleased to recommend the distribution of dividends of 25% on the paid-up equity share capital of the company. This equates to 0.025 baizas per share resulting in a total cash disbursement of RO 4,495,935.

### Employee Development

Our people contribute to the success of the company. In order for the company to stay competitive it needs to remain at the cutting edge of the industry with continued education on procedures, technologies and best practices relevant to logistics and supply chain. The company continues to invest in training and development of its workers, with a focus on enhancing the Omanization and skills development of local talent. The process excellence culture at the Port of Salalah is delivering palpable results and rewards. The company's purpose-built and globally-certified Training Centre has continued to serve the employees in providing quality technical and soft skills development, which contributes to the sustainability of the company and enhancement of our employee's capacity.

### Corporate Social Responsibility (CSR)

Port of Salalah strongly believes in a CSR program that is

aligned with the pillars of sustainability and volunteerism. In 2013 and for the first time in the company's history the Port of Salalah has issued a comprehensive sustainability report that highlights the great value it delivers to the country and community. During 2013 the company has invested RO 44,000 in direct financial contribution to local initiatives with a focus on targeting the Dhofar region foremost. The most significant contributions are in the areas of education (Tahaddi – Outward Bound Oman) and environment (Native Tree Planting Campaign), where as an outcome the company is supporting the soft skills development of over 200 Dhofari students, and planting of 12,000 local trees in and around Salalah. Port of Salalah has also received 14 students from Salalah's universities and colleges as part of its summer internship program which has been sustained each year from 2002 until 2013.

### Future Outlook

Despite the increased regional competition in ports, and the fluctuations in the global economy which have an impact on the company's transshipment, the general outlook for the Port of Salalah remains positive as the road ahead offers unparalleled opportunities that require the interconnection, coordination and collaboration of its stakeholders for all to gain.

The company's management continues to seek new business and attract routes through Salalah to a number of new destinations, including East Africa and the Asian subcontinent. The promotion of the Salalah Hub as flexible supply chain solution to potential customers who seek to leverage the benefits of proximity to major developing markets, intermodal connectivity, free trade agreements and other business incentives, is ongoing. The national strategy which outlines the new railway line will also shape the multimodal development of the Port of Salalah as the container transportation market is expected to continue growing in the years to come.

The company expects general cargo growth to continue during 2014 and 2015, supported by the launch of the GCT expansion that will significantly increase the port's capacity to handle cargo. This will in turn also support the growth of the local businesses that are depending on the GCT for export and import cargo. Limestone and gypsum exports are expected to continue to grow, and the construction of third party warehouses in 2014 inside the port will add value to the use of the port as a redistribution point for general cargo. The liquid jetty is expected to become fully operational during 2015. Developments in the Salalah Free Zone will also benefit the port in terms of growth in exports and imports.

### Conclusion

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

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

Lastly, but certainly not least, I place on record our appreciation for the contributions made by our employees in achieving the level of performance in 2013. Our consistent growth was possible by their hard work, solidarity, cooperation and support.

On behalf of the Board of Directors,



**HE. Ahmed Bin Nasser Al Mahrizi**

Chairman of Board of Directors,  
Salalah Port Services Co. SAOG  
February 12, 2014

### Dividend history for the last 5 years

	2008	2009	2010	2011	2012
<b>Dividend %</b>	Nil	10%	25%	15%	25%
<b>Cash outlay (RO '000)</b>	Nil	1,798	4,495	2,697	4,495

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	2013 RO '000	2012 RO '000
<b>Revenue</b>	<b>58,505</b>	57,540
Direct operating costs	(30,864)	(30,355)
Other operating expenses	(6,427)	(8,066)
Administration and general expenses	(12,819)	(8,856)
Other income	370	232
<b>Profit from operations</b>	<b>8,765</b>	10,495
Finance costs	(2,154)	(2,557)
<b>Profit for the year before tax</b>	<b>6,611</b>	7,938
Income tax	(948)	(855)
<b>Profit for the year</b>	<b>5,663</b>	7,083
<b>Other comprehensive income</b>		
<b>Items that will never be reclassified to profit or loss</b>		
Revaluation of property, plant and equipment	-	-
<b>Items that are or may be reclassified to profit or loss</b>		
Fair value change of investments	48	(14)
Net movement in cash flow hedges	1,321	261
Other comprehensive income for the year, net of tax	1,369	247
<b>Total comprehensive income for the year, net of tax</b>	<b>7,032</b>	7,330
<b>Profit attributable to:</b>		
Equity holders of the parent	5,664	7,085
Non-controlling interests	(1)	(2)
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	7,033	7,332
Non-controlling interests	(1)	(2)
<b>Basic earnings per share (RO)</b>	<b>0.031</b>	0.039

## Consolidated Statement of Financial Position

	2013 RO '000	2012 RO '000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property and equipment	82,540	89,842
Intangible assets	213	228
Available-for-sale investments	274	226
Term deposits	4,000	4,000
	<b>87,027</b>	<b>94,296</b>
<b>Current Assets</b>		
Inventories	1,734	1,902
Trade and other receivables	13,799	14,121
Short term deposits	8,462	-
Cash and cash equivalents	9,699	12,279
	<b>33,694</b>	<b>28,302</b>
<b>TOTAL ASSETS</b>	<b>120,721</b>	<b>122,598</b>
<b>EQUITY</b>		
Share capital	17,984	17,984
Share premium	2,949	2,949
Legal reserve	5,650	5,084
Hedging deficit	(2,260)	(3,581)
Fair value reserve	74	26
Retained earnings	22,458	21,856
Equity attributable to equity holders of the parent company	46,855	44,318
Non-controlling interests	38	39
<b>TOTAL EQUITY</b>	<b>46,893</b>	<b>44,357</b>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Loans and borrowings	41,074	47,574
Deferred tax	6,924	5,881
Employees' end of service benefits	1,811	1,592
Derivative financial instruments	1,341	2,464
	<b>51,150</b>	<b>57,511</b>
<b>Current Liabilities</b>		
Trade and other payables	15,259	14,570
Loans and borrowings	6,500	5,043
Derivative financial instruments	919	1,117
	<b>22,678</b>	<b>20,730</b>
<b>TOTAL LIABILITIES</b>	<b>73,828</b>	<b>78,241</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>120,721</b>	<b>122,598</b>
<b>Net assets per share (RO)</b>	<b>0.261</b>	0.246