



DIRECTORS' REPORT 2021

Dear Shareholders,

On behalf of the Board of Directors, I have pleasure in presenting the annual report of your Company along with the audited financial statements for the year ended 31st December 2021.

At the outset, I hope you and your family are safe. We are indeed living through very unusual times and despite the disruption continuing unabated your Company is ensuring business continuity. The health and safety of our employees, customers and immediate community will remain our priority. Despite uncertain global economic circumstances and the pandemic situation, the year 2021 has ended on a positive note with both the Container terminal and the General Cargo terminal achieving record throughput during 2021.

Operational Overview

During the year 2021 the container terminal handled record breaking volume of 4.512 million TEUs (2020: 4.344 million TEUs), a growth of 4%. The Company has retained all major customers and Maersk's contribution to the total business has remained consistent during the year. The growth of container volumes despite the pandemic, is driven by the development of global container trade

The Port of Salalah General Cargo segment has handled 16.895 million tons during 2021 as compared to 15.296 million during 2020 a growth of 10%. The overall general cargo volume increase is mainly due to higher demand in export markets for gypsum, limestone and liquid bulk. The general cargo volumes handled at Berth 31 have been included in the container terminal financials, as in the previous year, due to the conversion of the berth into a multipurpose terminal facility.

The Company's top priority is ensuring the safety of its employees, contractors, and customers, and to this end, the Company continues to invest in technology and infrastructure to minimize risk. The Company continues to focus improvements through various initiatives to maintain operations of a world-class terminal and has maintained consistent productivity levels.

Financial Overview

The consolidated revenue from operations for 2021 is recorded at RO 66.704 million, an increase of 2% over the corresponding period last year. Consolidated EBITDA was recorded at RO 15.538 million which corresponds to an EBITDA margin of 23.29%. This compares to RO 18.02 million a margin of 27.47% during corresponding period last year. (Excluding the insurance compensation received in 2020 relate to the settlement of claim for the damages caused by Cyclone Mekunu in May 2018). The operational margin was impacted mainly by the increase in expenses RO 6.003 million incurred towards Maintenance & Repair (RO 4.322 million for 2020). The Company also incurred Covid-19 mitigation cost of RO 0.69 million for 2021 (RO 0.53 million for 2020).

Consolidated Net Profit for the year 2021 was recorded at RO 4.638 million, as compared to RO 14.807 million during corresponding period last year. In May 2018, Port of Salalah was impacted by Cyclone Mekunu that caused property damage, increased cost of working, and business interruption. SPS reached a settlement with the insurance parties for USD 67.75million (RO 26.05million) for loss and damage compensation, which was accepted by SPS Board in February 2020. An advance payment of USD 38.5million (RO 14.80million) was already received and accounted for in 2018. The balance of USD 29.25million (RO 11.25million) has been received and recognized in 2020.

During 2021, your Company distributed 25 baiza per share annual dividend pertaining to 2020. Considering various capital expenditure plans to meet the equipment life cycle requirements and port improvement needs, as well as the volatile market conditions for international trade the Board of Directors is pleased to recommend the distribution of dividend of 10 baiza per share on the paid-up equity share capital of the Company, resulting in a total cash disbursement of RO 1,798,374.7.

Dividend history for the last 5 years

	2016	2017	2018	2019	2020
Dividend %	20%	15%	15%	20%	25%
Cash Outlay (RO'000)	3,597	2,698	2,698	3,597	4,496

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. The Company continues to invest in training and development of its workers, with a focus on enhancing Omanization and the skills development of local talent.

Corporate Social Responsibility (CSR)

Port of Salalah strongly believes in a CSR program that is aligned with the pillars of sustainability and volunteerism and it is fundamental to our business. The Company has invested RO 0.1million in CSR initiatives during 2021 contributing to the local Dhofar region in which we operate as well as segments of communities requiring support. Impacting the local Dhofar region and benefiting the larger segments of communities requiring support are the guiding posts of the company's CSR program.

Future Outlook

Container demand growth is losing some momentum amid mounting headwinds, but carriers will continue to rake huge profits, according to Drewry's latest Container Forecaster report. Fast rising inflation, ongoing supply chain bottlenecks and the Omicron Covid-19 variant could potentially lead to slow the pace of growth in container handling, forcing Drewry to lower its outlook for world port throughput in 2022 to 4.6% in the latest Container Forecaster, from 5.2% in the last edition against 2021 growth of 5.9%.

Management feels that the bulk of risk from the highly unpredictable container market will reside with shippers in 2022, which is shaping up to be another year of severe disruption, under-supply, and extreme cost. It is estimated that container rates are likely to remain high until at least the first half of 2022 albeit lower than 2021

As per IHS Markit, a leading global expert in the shipping industry analysis, the dry bulk and container market balance is expected to remain stable in 2022. With continued strength in the container market in 2022, Management feels that many geared multipurpose bulkers will stay in the container sector, which practically reduces fleet supply maintaining lower availability, higher costs for geared vessels and dry bulk shippers shifting to gearless vessels to achieve economies of scale.

Given the above dynamics, the Management view is that the impact on the local trade in terms of higher cost, equipment and space availability will continue well into the first half of 2022 for the container segment and more gearless vessels deployed in the dry bulk segment.

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 Haitham bin Tariq, for his strategic vision, leadership, and his continued support. I also thank our customers, investors, and the members of the government we work together with daily.

Last, but certainly not least, I place on record our appreciation for the contributions made by our employees in achieving the level of performance in 2021. Our consistent growth was possible by their hard work, solidarity, cooperation, and support.

On behalf of the Board of Directors,

Braik Musallam Al Amri
Chairman of Board of Directors,
Salalah Port Services Co. SAOG

February 14, 2022

AUDITED CONSOLIDATED AND PARENT STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2021

Parent Company		Consolidated		Parent Company		Consolidated	
2020	2021	2020	2021	2020	2021	2020	2021
US \$ '000	US \$ '000	US \$ '000	US \$ '000	RO'000	RO'000	RO'000	RO'000
137,859	139,857	138,110	140,075	53,791	53,023	53,875	53,119
28,786	24,843	28,874	24,916	9,555	11,072	9,583	11,105
292	257	292	257	99	113	99	113
546	546	-	-	210	210	-	-
167,483	165,503	167,276	165,248	63,655	64,418	63,557	64,337
6,613	7,025	6,613	7,025	2,702	2,543	2,702	2,543
5,024	6,128	5,024	6,128	2,357	1,931	2,357	1,931
13,234	23,026	13,234	23,083	8,856	5,090	8,878	5,090
2,345	7,977	2,345	7,977	3,068	902	3,068	902
23,400	32,500	23,400	32,500	12,500	9,000	12,500	9,000
97,298	70,247	97,298	70,247	27,018	37,422	27,018	37,422
147,914	146,903	147,914	146,960	56,501	56,888	56,523	56,888
-	-	-	-	-	-	-	-
315,397	312,406	315,190	312,208	120,156	121,306	120,080	121,225
46,758	46,758	46,758	46,758	17,984	17,984	17,984	17,984
7,666	7,666	7,666	7,666	2,949	2,949	2,949	2,949
15,584	15,584	15,584	15,665	5,994	5,994	6,025	5,994
118,700	119,082	119,218	119,506	45,799	45,652	45,960	45,849
188,708	189,090	189,226	189,595	72,726	72,579	72,918	72,776
-	-	-	-	-	-	-	-
188,708	189,090	189,226	189,595	72,726	72,579	72,918	72,776
26,798	23,507	26,891	23,590	9,041	10,306	9,073	10,343
9,453	9,672	9,453	9,672	3,720	3,636	3,720	3,636
12,013	10,137	12,002	10,127	3,899	4,620	3,895	4,616
48,264	43,316	48,346	43,389	16,660	18,562	16,888	18,595
4,716	4,950	4,716	4,950	1,904	1,814	1,904	1,814
45,118	48,226	44,301	47,450	18,549	17,354	18,253	17,040
19,690	22,789	19,690	22,789	8,765	7,573	8,765	7,573
8,901	4,035	8,911	4,035	1,552	3,424	1,552	3,427
78,425	80,000	77,618	79,224	30,770	30,165	30,474	29,854
126,689	123,316	125,964	122,613	47,430	48,727	47,162	48,449
315,397	312,406	315,190	312,208	120,156	121,306	120,080	121,225
1.05	1.05	1.05	1.05	0.40	0.40	0.41	0.40

AUDITED CONSOLIDATED AND PARENT STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 31 DECEMBER 2021

Parent Company		Consolidated		Parent Company		Consolidated	
2020	2021	2020	2021	2020	2021	2020	2021
US \$ '000	US \$ '000	US \$ '000	US \$ '000	RO'000	RO'000	RO'000	RO'000
170,463	173,391	170,575	173,430	66,689	65,563	66,704	65,606
(110,160)	(116,181)	(110,160)	(116,181)	(44,685)	(42,368)	(44,685)	(42,368)
(21,619)	(18,156)	(21,655)	(18,187)	(6,983)	(8,314)	(6,995)	(8,328)
(24,460)	(27,136)	(24,472)	(27,152)	(10,437)	(9,407)	(10,443)	(9,413)
(844)	296	(844)	296	114	(326)	114	(326)
986	1,098	986	1,098	422	379	422	379
14,366	13,312	14,430	13,304	5,120	5,527	5,117	5,550
29,633	-	29,633	-	-	11,397	-	11,397
3,034	2,662	3,034	2,662	1,024	1,167	1,024	1,167
(2,146)	(1,859)	(2,152)	(1,864)	(715)	(826)	(717)	(828)
44,887	14,115	44,945	14,102	5,429	17,265	5,424	17,286
(6,437)	(2,043)	(6,445)	(2,043)	(786)	(2,476)	(786)	(2,479)
38,450	12,072	38,500	12,059	4,643	14,789	4,638	14,807
-	-	-	-	-	-	-	-
38,450	12,072	38,500	12,059	4,643	14,789	4,638	14,807
-	-	-	-	-	-	-	-
38,450	12,072	38,500	12,059	4,643	14,789	4,638	14,807
-	-	-	-	-	-	-	-
38,450	12,072	38,500	12,059	4,643	14,789	4,638	14,807
0.21	0.07	0.21	0.07	0.03	0.08	0.03	0.08

The complete accounts of the company will be delivered or sent by mail to any shareholder who requests them, in either Arabic or English as requested, within seven days of receipt of the request.