

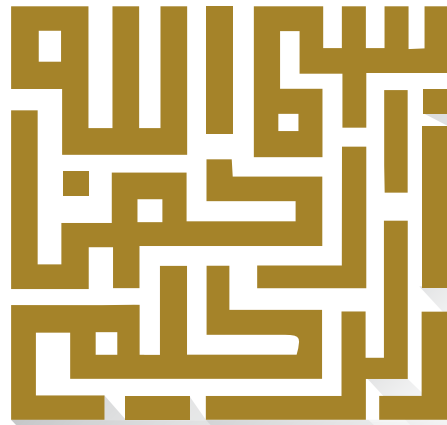
# 2015

ANNUAL REPORT



الشركة السعودية للخدمات الصناعية  
Saudi Industrial Services Co.





In the Name of Allah,  
the Most Compassionate, the Most Merciful

*This report has been prepared in line with the requirements of Capital Markets Authority (CMA) particularly with regards to Corporate Governance guideline and Listing rules. In addition, special consideration has been given to the applicable laws of the Ministry of Commerce and Industry (MoCI) and international best practices of good governance and transparency.*

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It is my honor and pleasure to present before you the annual director's report of your company, highlighting the details and developments of fiscal year 2015 and I hope you will find it comprehensive and thorough.

The company has followed the roadmap put forth by the management a decade ago; and it gives me great pleasure to inform you that we have managed to achieve the goals that we had set for ourselves. We have remained focused on a strong and challenging strategy and on human capital development.

All business sectors performed well owing to a number of factors: their ambitious and unstinting drive towards increasing expansion and growth; concentration on technical capabilities with the recruitment of high caliber and quality personnel; attention to detail thereby ensuring that the services are of the highest quality; and developing market opportunities for industrial services and operational sectors. These factors have ensured a successful outcome for us in 2015.

Despite the changing economic landscape during the second half of the year, SISCO's turnover increased by 9.8% to reach SAR 616 million and net income reached SAR 90.5 million (15.9% percent increase over last year).

Some of the key outstanding highlights for 2015 include Tusdeer's signing of a lease with Jeddah Development & Urban Regeneration Company (JDURC) for setting up a logistics park in south of Jeddah. ISNAD was also awarded a project by The Saudi Industrial Property Authority (MODON) for integrated logistics hub for Jeddah Industrial City 1. These are significant gains owing to the trust and confidence these organizations have in SISCO's abilities in handling and completing projects on a timely basis through its group companies.

2015 was also a year to pause and re-calibrate our strategic direction for the challenging times ahead. We are entering an economic environment, which is different from previous years. We expect 2016 to be a challenging year economically, but we will endeavor to do our best to meet the changes ahead. We will tap into various market opportunities to continue our growth and expansion in an affirmative manner. We will pursue a robust strategy of expansions, acquisitions and diversification that serves to benefit our corporate mission and vision.

We have developed an incisive roadmap for next five years. While we expect the coming years to be unique and competitive, we also expect these tough times to position us for our long term success and sustainability.

In the end, I would like to thank you for your continued support and faith in the company. I would also take this opportunity to thank my fellow members of the board and management team of SISCO and its group companies for their efforts, which is well reflected in the results of 2015 and we look forward to a more prosperous 2016  
In Sha Allah.

Yours truly,  
**Mohamed Ahmed Alireza**

## CHAIRMAN'S LETTER TO SHAREHOLDERS



## CORPORATE INFORMATION

Saudi Industrial Services Company (SISCO) is a joint stock company incorporated in accordance with Saudi Arabian Regulations for Companies under the Ministry of Commerce Resolution No. 223 of Rabi Awwal 7, 1409 H (corresponding to October 18, 1988) and registered under Commercial Registration No. 4030062502 dated Rabi Thani 10, 1409H (corresponding to November 20, 1988). The objective of the Company is to engage in business of Ports, Containers terminals, Logistics , Water desalination and distribution, Waste water treatment and Industrial services. The Company manages its investments by owning influential stakes in subsidiaries and associates as well as through effective presence on their management boards.

**The registered head office of the Company is located at the following address:**

Saudi Business Centre, Suite # 501  
Madina Road, Sharafiyah District  
P. O. Box 14221 Jeddah 21424, Kingdom of Saudi Arabia  
Phone : +966 12 657 4455 Fax : +966 12 657 4270

**BOARD OF DIRECTORS**

Mohamed Ahmed Alireza, Chairman  
Adnan Abdullah Maimani  
Alawi M. Saeed Kamil  
Saleh Ahmed Hefni  
Waleed Abdulaziz Kayyal  
Aamer Abdullah Alireza  
Abdulaziz Abdullateef Jazzar

**BANKERS**

Al-Jazira Bank  
Al-Rajhi Bank  
National Commercial Bank  
Saudi British Bank  
Saudi Hollandi Bank

**AUDITORS**

KPMG Al Fozan & Partners  
Zahran Business Centre  
Tower A, 9th Floor  
Prince Sultan Street  
P. O. Box 55078  
Jeddah 21534, Kingdom of Saudi Arabia  
Phone : +966 12 698 9595 Fax : +966 12 698 9494

**MANAGEMENT**

Mohammed M. Kamal Al-Mudarres (CEO)  
Farooq Ahmed Shaikh (CFO)  
Saleem Reza Sheikh (Chief Legal Officer)  
Syed Zafar Reza (Chief Audit Executive)  
Maqbool Omar Aswani (Investor Relations)  
Youssef M. Abu Olyyan (Board Secretary)  
Abdullah M. Habadi (IT Manager)

**SHARE REGISTRAR**

Depository and Operations  
Saudi Stock Exchange (Tadawul)  
6897 King Fahad Road, Al Olaya  
Unit No. 15 Riyadh 12211-3388  
Kingdom of Saudi Arabia  
Phone : +966 11 218 9090 Fax : +966 11 218 9326

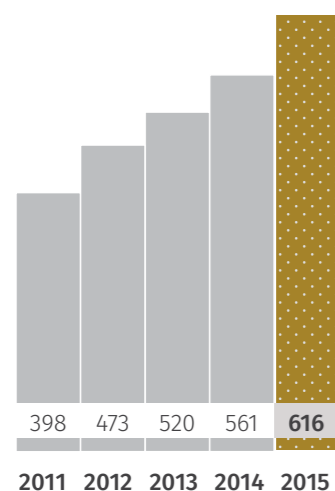
## PERFORMANCE AT A GLANCE

(in Saudi Riyal million)

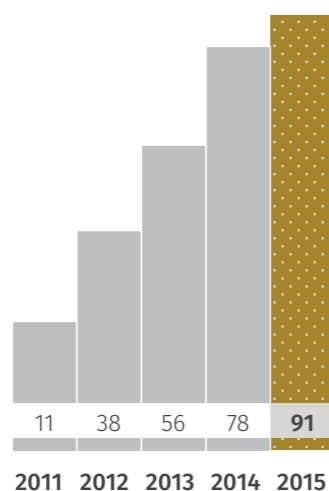
## ANALYSIS OF FINANCIAL RESULTS

(in Saudi Riyal million)

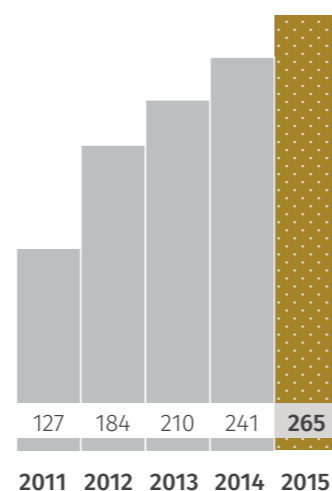
### REVENUE



### NET INCOME

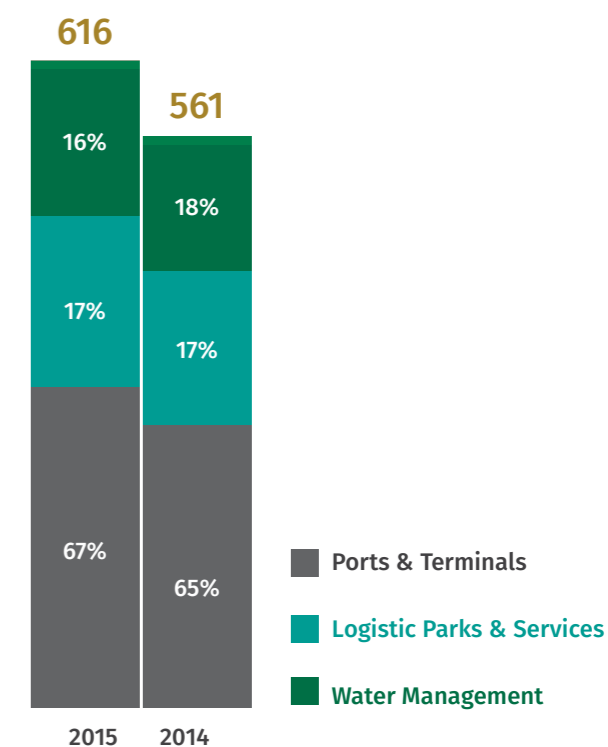


### EBITDA

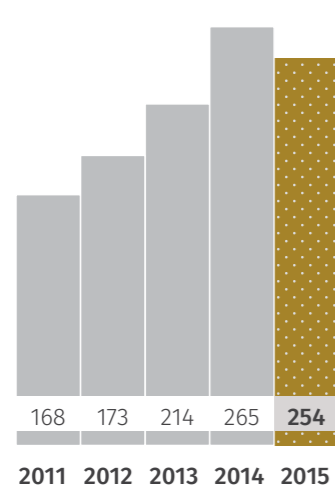


SISCO continued its growth trajectory of the past years by achieving net income of SAR 90.5 million, an increase of 15.9% over last year's net income of SAR 78.1 million. The company also achieved the highest ever top line of SAR 616 million in 2015, which is 9.8% higher than 2014 revenue of SAR 561 million.

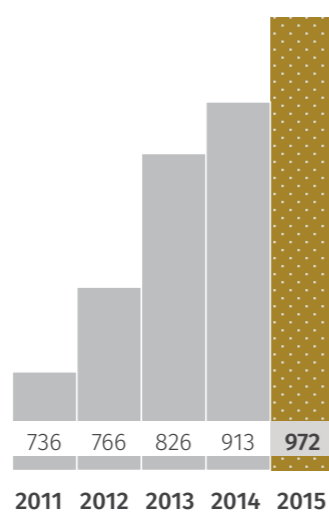
### REVENUE



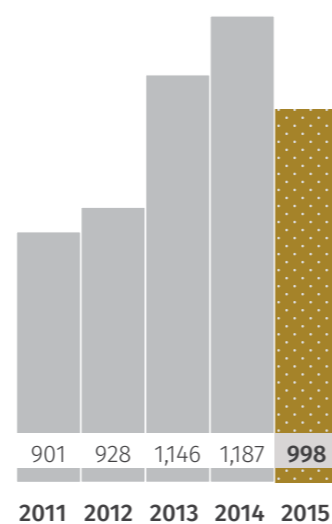
### CASH FLOW FROM OPERATIONS



### SHAREHOLDERS' EQUITY



### MARKET CAPITALIZATION



Key drivers for the growth in revenue were ports development and water desalination segments where revenue increased by 11.8% and 15.7% respectively. Top line of Logistics and re-export zone decreased by 2.2% as fewer new leases were signed during the year.

Company continued to face an upward pressure on costs, mainly due to higher operating expenses. During the year, water desalination business made a provision of SAR 6.3 million (2014: SAR 5 million), which is the remaining carrying value of its assets in Yemen. Consequently, operating profit increased by slightly lower percentage of 7.1% to SAR 170.4 million from SAR 159.2 million in 2014.

Net results of associated companies significantly improved as compared to last year with a positive contribution of over SAR 9 million as compared negative contribution of SAR 0.3 million in 2014. Other income normalized to SAR 2.1 million as 2014 had included one-off items of SAR 5.7 million against claims from prior years and SAR 0.9 million dividend from Available for Sale investments. Consequently, Income from continued operations reached SAR 149 million registering an increase of 14.3%.

During last quarter of 2015, Company's last legacy business of a fuel station in Riyadh operated under ISNAD was closed down and its results were re-classified as discontinued operations.

Current economic scenario in the country has warranted a vigilant monitoring of Company's cash-flow and a conservative approach towards future plans. However, some investments are necessary to maintain the competitiveness of Company's business. During 2015, cash flow from operations was maintained at last year's levels and cash outflows on investments have increased by SAR 35.7 million. All group companies met their debt repayment obligations during the year and group continues to de-leverage its balance sheet.



## BUSINESS SECTORS

SISCO subsidiaries and associated companies are grouped under four main business sectors. This arrangement encompasses the diversity approach without compromising on the synergies, which is evident through the growth in our financial performance for 2015. This diversity also signifies that we are well-positioned to take advantage of new business opportunities.

### GROUP STRUCTURE

#### PORTS & TERMINALS



RED SEA PORTS DEVELOPMENT CO. (RSPD)



RED SEA GATEWAY TERMINAL CO. (RSGT)



#### LOGISTIC PARKS & SERVICES



SAUDI TRADE & EXPORT DEVELOPMENT CO. (TUSDEER)



SUPPORT SERVICES OPERATION CO. (ISNAD)



#### WATER MANAGEMENT



KINDASA WATER SERVICES CO. (KINDASA)



INTERNATIONAL WATER DISTRIBUTION CO. (TAWZEA)



#### INDUSTRIAL SERVICES



STORK TECHNICAL SERVICES SAUDI CO. (STS SAUDI)



SAUDI ALJABR TALKE CO. (SA TALKE)



## SUBSIDIARY COMPANIES

Consolidated companies are those where in which SISCO either owns directly or through other subsidiaries, more than half of the capital of the company or control the composition of the board.

Details of subsidiary companies are as follows:

COMPANY & ITS BUSINESS	SHARE CAPITAL	DIRECT OWNERSHIP	HEAD OFFICE	COUNTRY OF INCORPORATION
<p><b>Red Sea Ports Development Company (RSPD)</b></p> <p>Development, construction, operation and maintenance of container terminals, handling and unloading services and shipping, navigation and marine support services necessary to provide ships with water, energy, sewage treatment and the excavation and backfill and investment in these activities.</p>	SAR 333 million	53 %	Jeddah	Saudi Arabia
<p><b>Red Sea Gateway Terminal Company (RSGT)</b></p> <p>Development, construction, operation and maintenance of container terminals, handling and unloading services and shipping, navigation and marine support services necessary to provide ships with water, energy, sewage treatment and the excavation and backfill and investment in these activities.</p>	SAR 555 million	21.2 %	Jeddah	Saudi Arabia
<p><b>Saudi Trade and Export Development Co. (TUSDEER)</b></p> <p>Storage and Re-export of cars / containers, provide container storage yards and perform container handling operation, custom examination services for export and re-export, provide warehouses for different types of goods, and provide packaging and re-handling services for goods in warehouses and open yards.</p>	SAR 140 million	76 %	Jeddah	Saudi Arabia
<p><b>Kindasa Water Services Company (KINDASA)</b></p> <p>Construction and operation of sea-water desalination plants.</p>	SAR 77 million	60 %	Jeddah	Saudi Arabia
<p><b>Support Services Operations Co. Ltd. (ISNAD)</b></p> <p>Services to projects in the industrial cities; operate gas stations and vehicle maintenance shops; logistics support services for ports; water transport services; trade in industrial machinery and spare parts.</p>	SAR 15 million	97 %	Jeddah	Saudi Arabia

## ASSOCIATED COMPANIES

Associated companies are those where SISCO has substantial long-term interest and where SISCO is in a position to exercise a significant influence over the associated company by participating in the financial and operating policy decisions of that company.

Details of the associated companies are as follows:

COMPANY & ITS BUSINESS	SHARE CAPITAL	DIRECT OWNERSHIP	HEAD OFFICE	COUNTRY OF INCORPORATION
<p><b>International Water Distribution Co.</b></p> <p>Construction of public works of water, sewage, irrigation and sanitation (water and storm water drainage); and mechanical works, waterworks, sewage technology and pumping stations; maintenance and operation of water facilities, sewage and running channeling water to various networks.</p>	SAR 146 million	50 %	Jeddah	Saudi Arabia
<p><b>Saudi Al-Jabr Talke Company</b></p> <p>Implementation of contracting construction, operation and maintenance of warehouses and logistics for the petrochemical sector contracts.</p>	SAR 21 million	33.33 %	Jubail	Saudi Arabia
<p><b>Stork Technical Services Company</b></p> <p>Maintenance and operation of power plants and oil and gas, water desalination and petrochemical plants and calibration of precision machining and provide mechanical and electrical related services.</p>	SAR 5 million	45 %	Jubail	Saudi Arabia

### OTHER INVESTMENTS

SISCO has invested USD 2.5 million (SAR 9.4 million) in Growth Gate Corporation BSC (Bahrain). SISCO's investment represents 1.17% of Growth Gate's total share capital of USD 213.3 million.







## ASSOCIATED & SUBSIDIARIES COMPANIES



### RED SEA PORTS DEVELOPMENT CO. (RSPD)

#### Established

2009

#### Company Type

Closed Joint Stock Company

#### Principal Place of Operations

Jeddah, Saudi Arabia

#### Main Business

Development, Management and Operation of Container Terminals.

#### Share Capital

SAR 333.125 million

#### No. of Shares

33,312,500 of SAR 10 each.

#### Impact on SISCO Financials

RSPD owns 60% of RSGT, which is eliminated in group consolidation. Therefore, there is no impact on SISCO financials.

COMPANY	SISCO	CITY ISLAND HOLDING	XENEL INDUSTRIES	TUSDEER	XENEL MAINTENANCE
NO. OF SHARES	17,655,625	6,662,500	5,330,000	3,331,250	333,125
%	53%	20%	16%	10%	1%
TOTAL	33,312,500 (100%)				





### RED SEA GATEWAY TERMINAL CO. LIMITED (RSGT)

**Established**  
2007

**Company Type**  
Limited Liability Co.

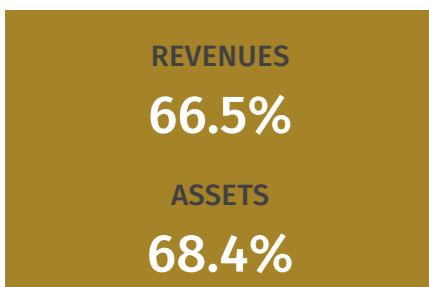
**Principal Place of Operations**  
Jeddah, Saudi Arabia

**Main Business**  
Development, Management and Operation of Container Terminals.

**Share Capital**  
SAR 555.207 million

**No. of Shares**  
555,207 of SAR 1,000 each

**Impact on SISCO Financials**



COMPANY	SISCO	RED SEA PORTS DEVELOPMENT	CITY ISLAND HOLDING	XENEL INDUSTRIES	TUSDEER
NO. OF SHARES	117,704	333,125	44,416	37,754	22,208
%	21.2%	60%	8.0%	6.8%	4.0%
TOTAL	555,207 (100%)				

### BUSINESS ANALYSIS

The Kingdom's container terminals on the Red Sea coast posted an increase of +17% in 2015 (2014: +2%), handling 5.4 million Twenty-foot Equivalent Units (TEUs). The increase is driven by positive growth in Gateway (Import & Export) volume which grew by +15% (2014: -2%), and transshipment volume which grew by +19% (2014: +8%). RSGT's gateway volume grew by +23% in 2015, exceeding overall market growth and further solidifying RSGT's position as the leading gateway facility for the country on Red Sea coast.

Red Sea Gateway Terminal Co. Ltd (RSGT) completed 6 years of operations in 2015. During this period, RSGT has been spearheading major developments at the port. RSGT is recognized by its international customers for extraordinary performance in productivity and maintaining highest global standards.

Despite various challenges in the global market, RSGT has handled 1.52 Million (TEU's) this year which is an increase of 9% from 2014. This marks the highest throughput (total number of containers loaded and discharged) achieved in a calendar year. The terminal has been able to maintain a high productivity levels with berth productivity registering an increase of 2% and gross crane rate increasing by 3%. This is a result of improvements in process management and investment in additional equipment. Eight (8) new yard cranes and additional twelve (12) new terminal tractors with double staking trailer has been purchased and received to ensure the capability to handle the growing demands of shipping line industry.

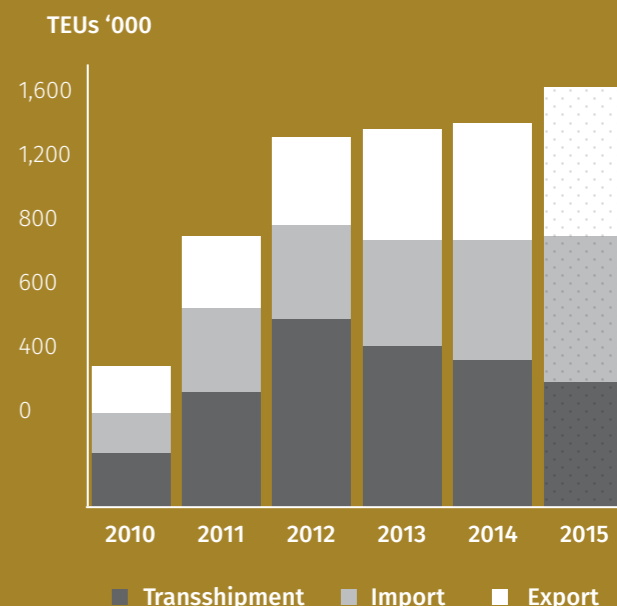
RSGT has deployed several improvement processes to increase the customer experience and satisfaction. In addition to improvement of operational handling processes, and optimizing terminal resources, the terminal has also added several value added services which directly help customers.

RSGT has been receiving new generation mega vessels, with capacity of 19,000 TEUs and length of over 390 meters, making RSGT the home of mega vessels in Jeddah.

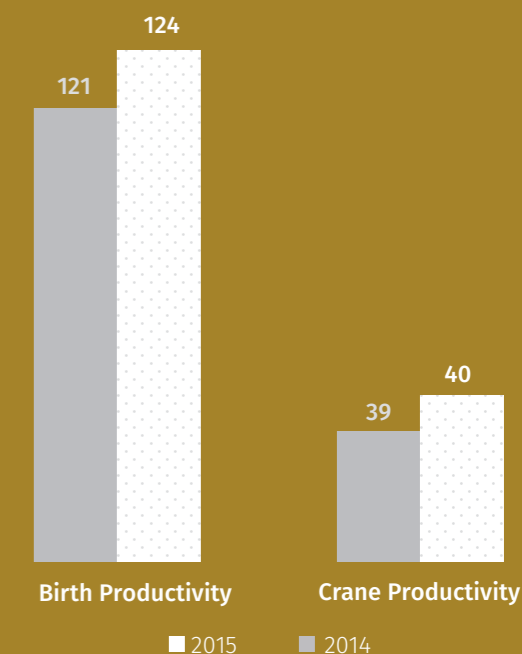
Innovation and advance modules in Terminal Operating System (TOS) have been acquired to improve planning and control efficiency to satisfy the dynamic requirement of sea side and land side operation. A new appointment system has improved customer relations and service levels.

The terminal has set new benchmarks for operational performance in the region; and continues to gain the trust and confidence of its customers, including recognition by the Saudi Ports Authority.

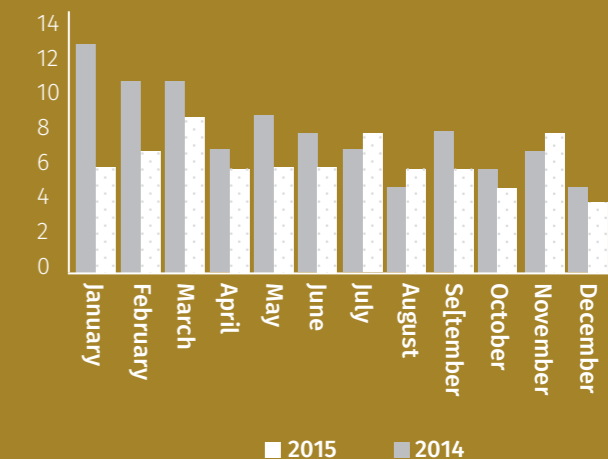
### THROUGHPUT



### MOVES PER HOUR



### MEGA VESSEL CALLS





### SAUDI TRADE & EXPORT DEVELOPMENT CO. (TUSDEER)

**Established**  
1999

**Company Type**  
Limited Liability Co.

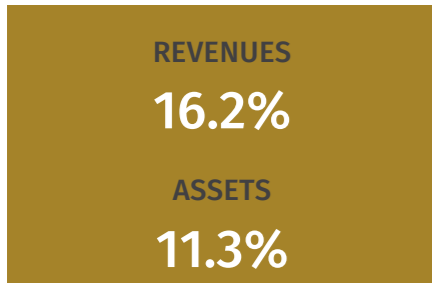
**Principal Place of Operations**  
Jeddah, Saudi Arabia

**Main Business**  
Development, Management, and Operation of Re-export Zones handling Containers, Vehicles, and General Cargo.

**Share Capital**  
SAR 140 million

**No. of Shares**  
140,000 of SAR 1,000 each

**Impact on SISCO Financials**



COMPANY	SISCO	XENEL INDUSTRIES
NO. OF SHARES	106,400	33,600
%	76%	24%
TOTAL	140,000 (100%)	

### BUSINESS ANALYSIS

The integrated logistics hub is a mark of TUSDEER's commitment towards staying at the forefront of the logistic industry and continuous business growth.

During 2015, Warehouse Village IV became fully operational. Furthermore, in order to enhance customer experience, the company also started customs inspection operation for Less-than-Container Load (LCL) for cargo stored within the re-export zone.

Demand for open yard lease remained very high, which was reflected in 92% occupancy rate (2014: 94%), whereas a decline was seen in the occupancy of warehouses because additional capacity was brought into operation with the start of warehouse Village IV. Current warehousing capacity stands at approximately 72,000 square meters and the average occupancy rate for year 2015 was 69% (2014: 74%).

With construction of Village III and IV with world-class standards during the last two years, TUSDEER has brought advancement to the warehousing industry in the country. Similarly, open-yard facilities have been upgraded to international standards, including perimeter fencing and 24-hours Closed Circuit TV (CCTV) coverage. The state-of-the-art Information Technology system enables free flow of information and paperless transaction facility.

Company registered largely strong performance in all areas of its business operations and posted robust growth.

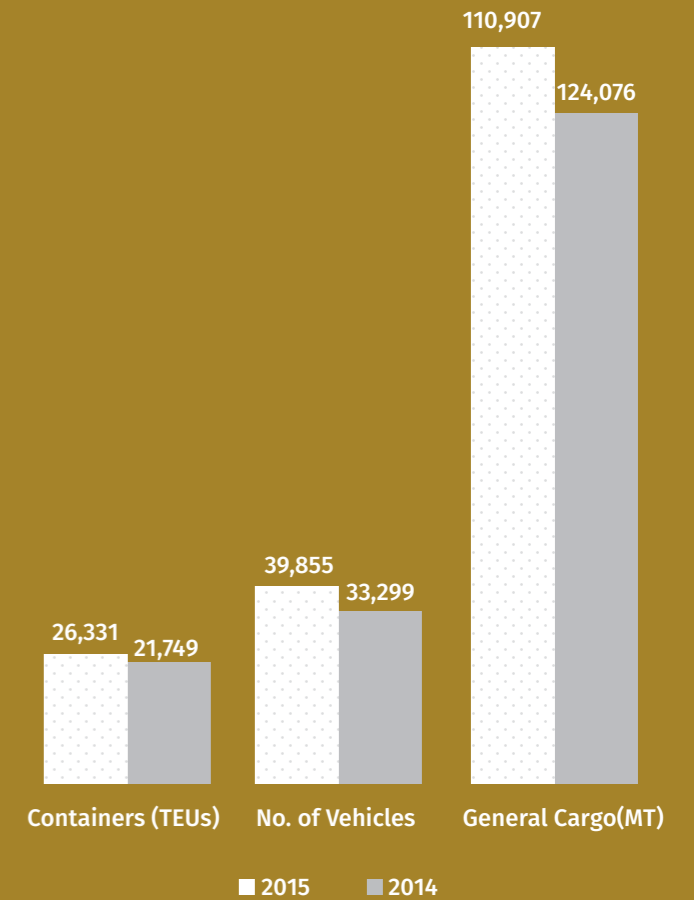
TUSDEER continues to challenge itself and major consideration is being given to replicating the integrated logistics hub success story outside Jeddah Islamic Port.

In July 2015, TUSDEER signed a concession agreement with JDRUC leasing 636,870 square meters of land with the objective of developing an integrated logistics park in the Al Khumrah, south of Jeddah.

### XENMET VADUZ S.A.

Xenmet is a commodity trading company (registered in the Principality of Liechtenstein), of which TUSDEER owns 25%.

Xenmet has been working with TUSDEER in order to have TUSDEER registered with London Metal Exchange. This will enable TUSDEER in importing, storing, and re-exporting the metals being traded on London Metal Exchange.





**KINDASA WATER SERVICES CO. (KINDASA)**

**Established**

2000

**Company Type**

Closed Joint Stock Co.\*

**Principal Place of Operations**

Jeddah, Saudi Arabia

**Main Business**

Construction and Operation of Water Desalination Plants and Water Distribution.

**Share Capital**

SAR 77.3 million

**No. of Shares**

7,730,000 of SAR 10 each.

**Impact on SISCO Financials**

**REVENUES**

**17.2%**

**ASSETS**

**10.7%**



**BUSINESS ANALYSIS**

Kindasa is the first private potable water supply company in the Kingdom of Saudi Arabia, engaged in water desalination and distribution of water to Jeddah Industrial City and other industries / commercial facilities in the city. It remains the leading water supplier in its sector despite the emergence of new entrants. Kindasa retains approximately 60% market share of all water supplied to industrial customers in Jeddah. Total quantities sold during 2015 were 20.03 million cubic meters compared to 17.2 million cubic meters sold in 2014; an increase of 20%.

Since 2014 expansion of desalination capacity from 48,000 m3 per day to 65,000 m3 per day; manually operated water transfer pipeline was converted to automatic pressurized pipeline during 2015. In addition, a new 800 mm diameter, 2 kilometers long above-ground pipeline was established to improve the supply and minimize transmission losses. Kindasa also expanded the filling station capacity from 4,000 m3 to 9,000 m3 per day to facilitate customers in Al-Khomra area of the city.

Kindasa uses cost-effective Reverse Osmosis (RO) desalination technology, which has minimal environmental impact. Further, Kindasa has also commissioned hybrid pre-treatment system consisting of conventional Dual Media Filtration in conjunction with state-of-the-art Ultra Filtration (UF) process to produce stable RO feed-water quality that remains unaffected by seasonal changes in sea water quality. A testament to Kindasa's quality program is that the quality of water produced exceeds the standards set by World Health Organization (WHO) and Saudi Arabian Standards Organization (SASO).

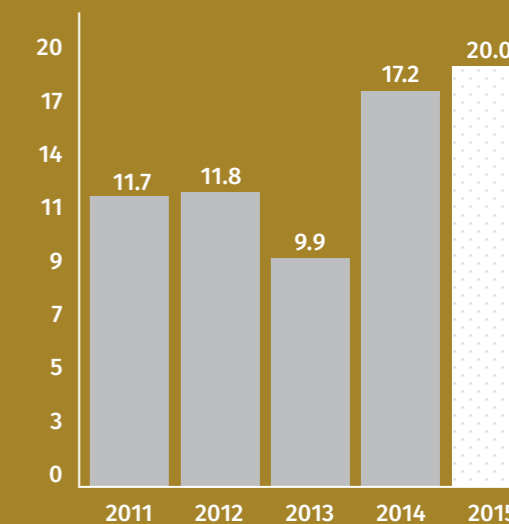
**INVESTMENTS**

Kindasa owns a small desalination plant with a production capacity of 1,000 m3 per day in Hodeida, Yemen. However, due to unstable political and security situation in Yemen, the operations have been temporarily suspended.

Company's investment in Water & Environmental Services Co. (WESSCO), which operates a desalination plant with production capacity of 12,000 m3 per day, continued to operate at near full capacity and continues to deliver positive results.

**WATER PRODUCTION**

in million m<sup>3</sup>



\*During the year 2015, Kindasa was converted from a Limited Liability Company to a Closed Joint Stock Company.

COMPANY	SISCO	ABDUL LATIF JAMEEL CO.	BUSHNAK FAMILY
NO. OF SHARES	4,638,000	2,319,000	773,000
%	60.0%	30.0%	10.0%
TOTAL	7,730,000 (100%)		



الشركة الدولية لتوزيع المياه المحدودة  
International Water Distribution Co. Ltd.

### INTERNATIONAL WATER DISTRIBUTION COMPANY LTD. (TAWZEA)



**Established**  
2006

**Company Type**  
Limited Liability Co.

**Principal Place of Operations**  
Jeddah, Riyadh, Qassim  
Saudi Arabia

**Main Business**  
Potable Water Distribution and  
Wastewater Treatment and use of  
re-cycled water for irrigation.

**Share Capital**  
SAR 146 million

**No. of Shares**  
146,000 of SAR 1,000 each

**Impact on SISCO Financials**  
TAWZEA is not a consolidated subsidi-  
ary of SISCO group; therefore there  
is no direct contribution towards  
SISCO's Consolidated Assets or Rev-  
enues.

**REVENUES**  
**202.4** million SAR

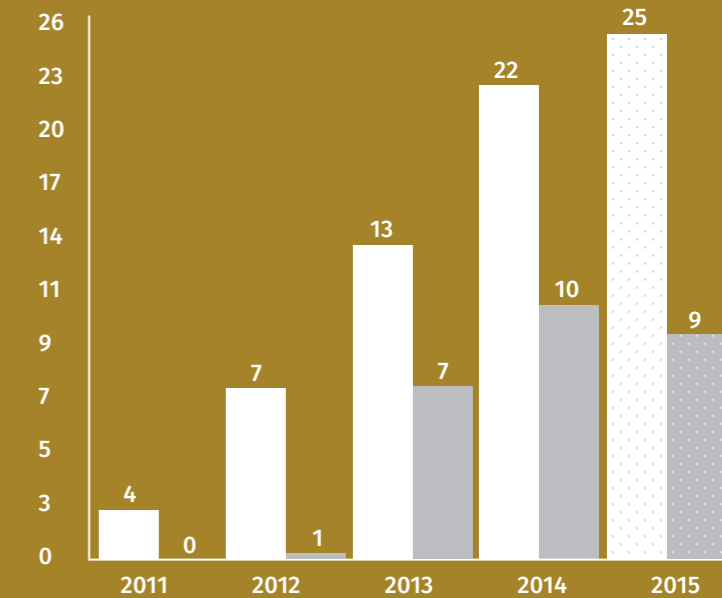
**ASSETS**  
**260.9** million SAR

### BUSINESS ANALYSIS

TAWZEA is engaged in providing potable water to Jeddah, Ri-  
yadh and Qassim industrial cities under concession from Saudi  
Industrial Property Authority (MODON). The Concessions also  
include waste water treatment in Riyadh and Qassim.

During the year, TAWZEA completed the network lay-down in  
Jeddah and Riyadh, whereas progress in Qassim exceeded 90%.  
Both the distribution networks in Jeddah and Riyadh span a  
total length of more than 200 kilometers and reach about 2,000  
customers. Water distributed by TAWZEA reaches a population  
of approximately 250,000 people on daily basis.

million m<sup>3</sup>



■ Potable Water Supplied ■ Wastewater Treated

COMPANY	SISCO	AMIWATER (AMIAANTIT)
NO. OF SHARES	73,000	73,000
%	50%	50%
TOTAL	146,000 (100%)	



**SUPPORT SERVICES OPERATION COMPANY LIMITED (ISNAD)**

**Established**  
2004

**Company Type**  
Limited Liability Co.

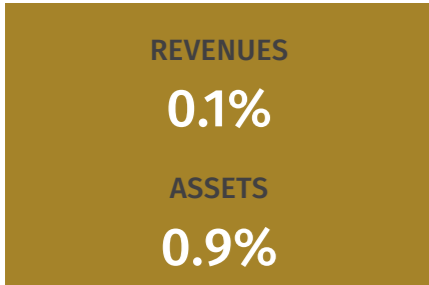
**Principal Place of Operations**  
Jeddah, Riyadh, Saudi Arabia

**Main Business**  
Logistics Operation Management and services including investing and developing logistics services hubs (trucks parking, fuel stations, maintenance and logistics services), logistics operations, and, logistics maintenance services.

**Share Capital**  
SAR 15 million

**No. of Shares**  
15,000 of SAR 1,000 each

**Impact on SISCO Financials**



**BUSINESS ANALYSIS**

ISNAD continues to transform its business model by increasing focus on providing logistics services, enhancing current associated logistics products, and developing new products and services. The company aims at being the leading logistics services support provider in the country.

In addition to its activities in logistics operation management in port, ISNAD has expanded its profile to provide maintenance services to transportation companies by deploying professional mobile workshops that cater to customer demands on the go.

As the lease of Riyadh fuel station has expired by end of 2015, ISNAD has signed a contract with MODON to invest, develop and operate the first of its kind an integrated logistics hub in Jeddah Industrial City 1, which will provide a one stop shop logistics services to the industry including truck parking, 3PL warehouse, commercial, fuel and maintenance facilities.

Jeddah Industrial Area one Logistics Services Hub



COMPANY	SISCO	TUSDEER
NO. OF SHARES	14,550	450
%	97%	3%
TOTAL	15,000 (100%)	

**AL-JABR TALKE COMPANY LTD. (SA TALKE)**

**Established**  
2004

**Company Type**  
Limited Liability Co.

**Principal Place of Operations**  
Jubail, Saudi Arabia

**Main Business**  
Packaging, Material Handling, Distribution of Petro-chemical products and Hazardous materials.

**Share Capital**  
SAR 21 million

**No. of Shares**  
21,000 of SAR 1,000 each

**Impact on SISCO Financials**  
S.A. TALKE is not a consolidated subsidiary of SISCO group; therefore there is no direct contribution towards SISCO's Consolidated Assets or Revenues.



<b>REVENUES</b>
<b>151.9</b> million SAR
<b>ASSETS</b>
<b>88.7</b> million SAR

**BUSINESS ANALYSIS**

S.A. TALKE continues to position itself as a premium enterprise managing supply chain of petro-chemical products.

The company expanded its foot-print in Saudi Arabia with the acquisition of two major contracts in the Western Province of Saudi Arabia. NATPET located in Yanbu and Petro Rabigh located in Rabigh awarded S.A. TALKE with on-site logistics handling and management contracts.

S.A. TALKE handled a total of 7.0 million metric tons during the year (2014: 6.68), which is approximately 3.4 times more than the volume handled by the company just four years ago. The company also expanded its portfolio in the Eastern Province, and was recently awarded an Elastomer storage and distribution contract by SABIC as well as Sadara Chemical Company awarded S.A. TALKE with a contract to provide and manage a product distribution center.

COMPANY	SISCO	TALKE GmbH	AZMEEL CORP (AL-JABR GROUP)
NO. OF SHARES	7,033	7,033	7,033
%	33.3%	33.3%	33.3%
TOTAL	21,099 (100%)		

**STORK TECHNICAL SERVICES SAUDI ARABIA LTD. (STS SAUDI)**

**Established**  
2014

**Company Type**  
Limited Liability Co.

**Principal Place of Operations**  
Jubail, Saudi Arabia

**Main Business**  
Maintenance and Operations of Industrial Plants including petro-chemical, water desalination, and power generation plants and providing related electro-mechanical services.

**Share Capital**  
SAR 5 million

**No. of Shares**  
5,000 per SAR 1,000

**Impact on SISCO Financials**  
STS SAUDI is not a consolidated subsidiary of SISCO group; therefore there is no direct contribution towards SISCO's Consolidated Assets or Revenues.



<b>REVENUES</b>
<b>2.59</b> million SAR
<b>ASSETS</b>
<b>10.25</b> million SAR

**BUSINESS ANALYSIS**

STS Saudi completed the registration formalities and in 2015 STS Saudi was accredited with ISO 9001 and OHSAS 18001 certification.

STS Saudi workshop facility is located in Jubail Industrial City. The workshop, which spans on 5,000 m2 plot with 2,700 m2 covered area, can provide rotating equipment services, pumps / boilers / valve services, clamp manufacturing, fabrication and machining, and gear repair services. In addition to that, STS Saudi also provides on-site inspection and management services of the machinery for a wide range of shut-down services.

In 2015, STS Saudi received overwhelming response from major clients in Oil & Gas, Petrochemical, Power Plants, Desalination Plants, Cement Plants, and Process Industries. STS Saudi has successfully offered and completed service work for important clients such as SWCC, Maaden, Saudi Aramco, Cement Plants, Marafiq, and many others.

COMPANY	SISCO	STORK TECHNICAL SERVICES HOLDING BV
NO. OF SHARES	2,250	2,750
%	45%	55%
TOTAL	5,000 (100%)	

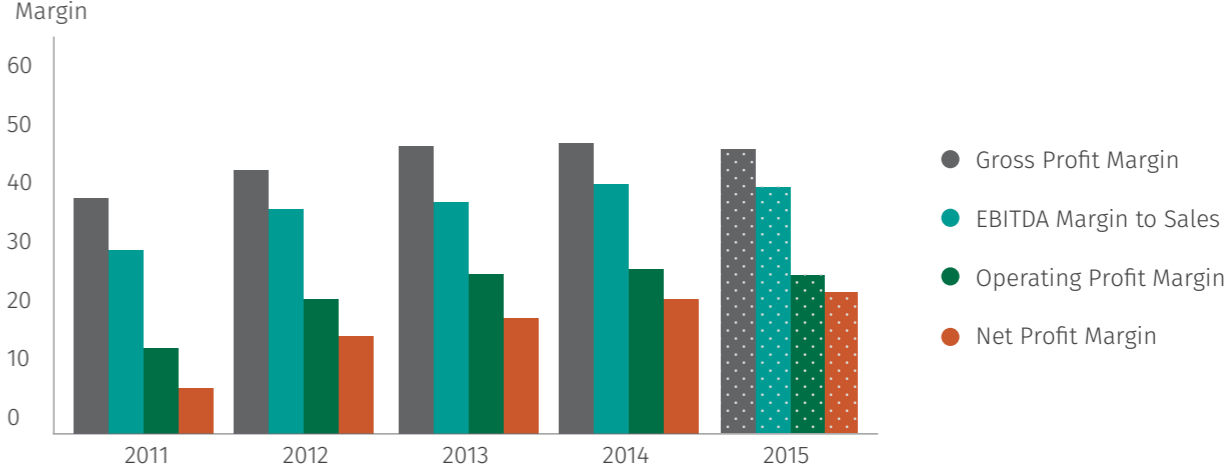


# FINANCIAL REVIEW

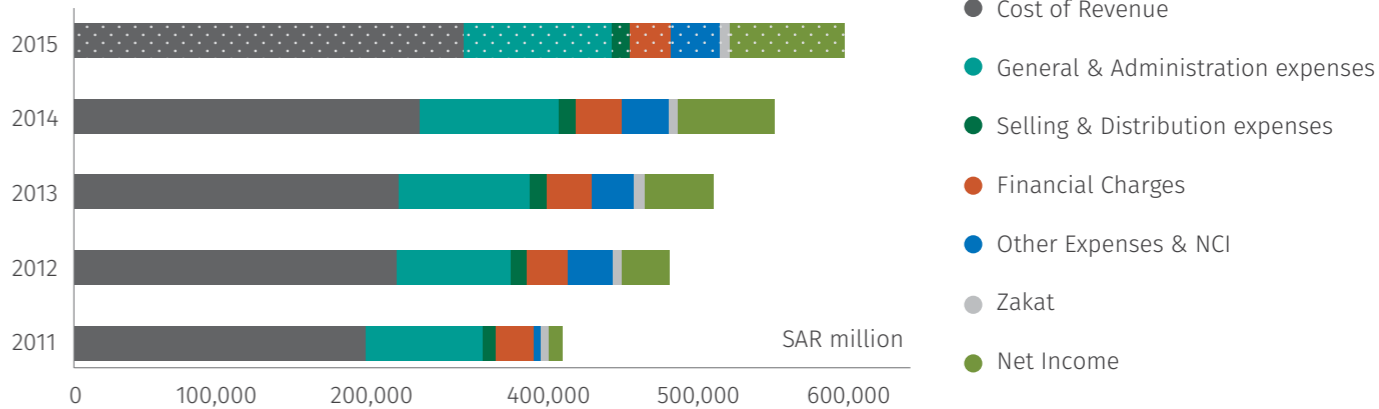


## KEY FINANCIAL INDICATORS

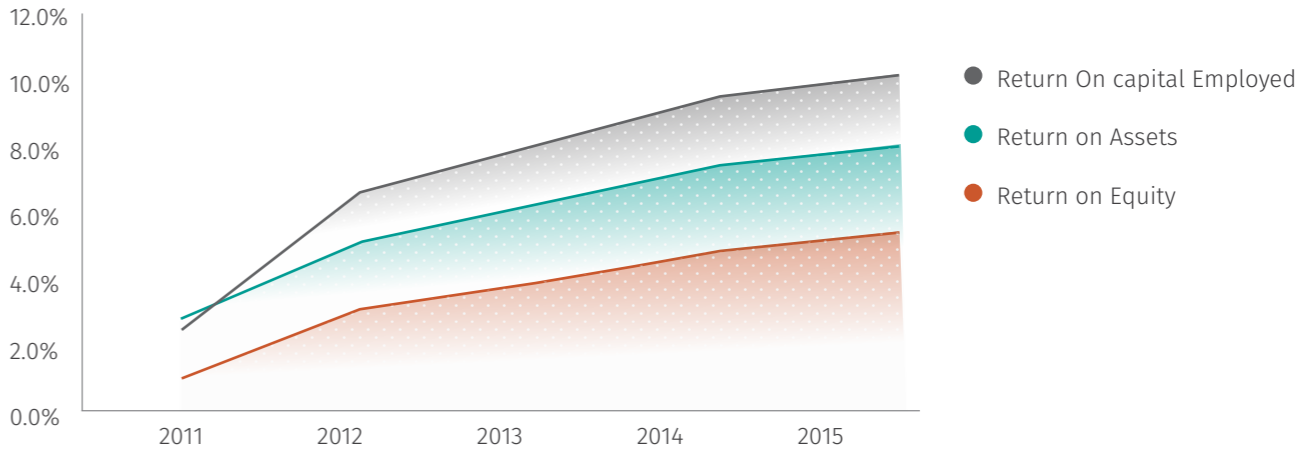
### MARGINS



### INCOME STATEMENT ANALYSIS

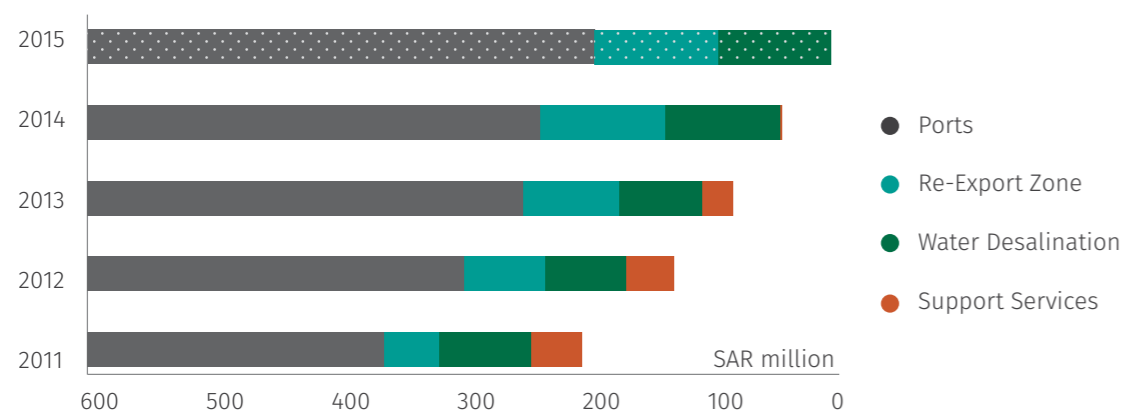


### RETURNS

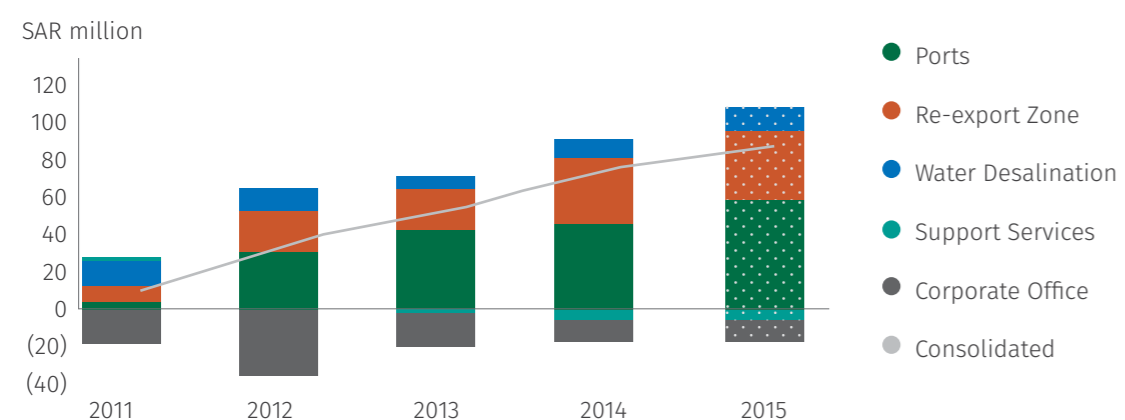




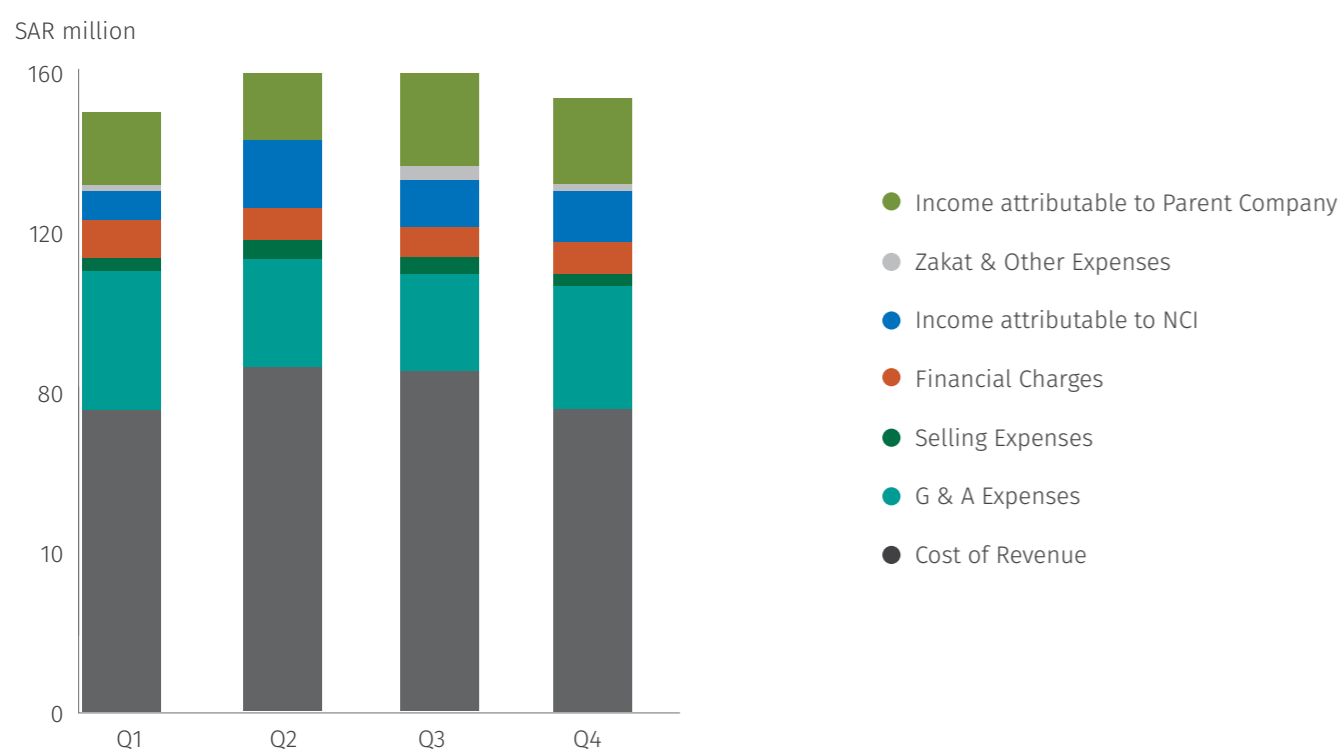
## SEGMENT WISE REVENUE



## SEGMENT WISE NET INCOME



## 2015 QUARTERLY PROFIT & LOSS



## BALANCE SHEET

(Sar '000)	2015	15 vs 14 % Change	2014	2013	2012	2011
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Bank Balances and Cash	252,669	-8%	273,438	209,418	163,051	219,905
Receivables	118,565	17%	101,304	102,640	84,821	65,832
Inventories	37,172	35%	27,496	18,959	14,912	11,075
	<b>408,406</b>	<b>2%</b>	<b>402,239</b>	<b>331,017</b>	<b>262,784</b>	<b>296,812</b>
<b>NON-CURRENT ASSETS</b>						
Investments	114,542	6%	107,766	87,984	82,850	84,794
Property, Plant and Equipment	707,654	12%	633,922	606,756	562,397	503,815
Other Non-Current Assets	1,369,898	-5%	1,437,526	1,501,114	1,573,447	1,646,940
	<b>2,192,093</b>	<b>1%</b>	<b>2,179,214</b>	<b>2,195,854</b>	<b>2,218,694</b>	<b>2,235,549</b>
<b>TOTAL ASSETS</b>	<b>2,600,499</b>	<b>1%</b>	<b>2,581,452</b>	<b>2,526,871</b>	<b>2,481,478</b>	<b>2,532,361</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Payables	149,612	12%	133,527	114,973	121,252	127,834
Short-term Loans	112,483	2%	109,795	102,567	89,871	155,305
	<b>262,094</b>	<b>8%</b>	<b>243,321</b>	<b>217,540</b>	<b>211,123</b>	<b>283,139</b>
<b>NON-CURRENT LIABILITIES</b>						
Long Term Bank Loans	838,185	-11%	946,160	1,038,557	1,096,520	1,167,458
Other Non-Current Liabilities	44,674	1%	44,167	37,315	39,743	7,733
Employees' End of Service Benefits	21,639	21%	17,936	13,756	11,204	8,632
	<b>904,498</b>	<b>-10%</b>	<b>1,008,263</b>	<b>1,089,628</b>	<b>1,147,468</b>	<b>1,183,823</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share Capital	680,000	-	680,000	680,000	680,000	680,000
Share Premium	36,409	-	36,409	36,409	36,409	36,409
Reserves	45,815	42%	32,238	20,527	12,121	6,387
Other Non-Distributable Reserves	13,152	41%	9,344	(730)	(3,450)	4,653
Retained Earnings / (Loss)	196,638	27%	155,106	88,740	41,106	8,614
<b>Equity Attributable to Parent Company</b>	<b>972,014</b>	<b>6%</b>	<b>913,098</b>	<b>826,404</b>	<b>766,186</b>	<b>736,063</b>
Non-Controlling Interest	461,893	11%	416,770	393,299	356,701	329,336
<b>Total Equity</b>	<b>1,433,907</b>	<b>8%</b>	<b>1,329,868</b>	<b>1,219,703</b>	<b>1,122,887</b>	<b>1,065,399</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,600,499</b>	<b>1%</b>	<b>2,581,452</b>	<b>2,526,871</b>	<b>2,481,478</b>	<b>2,532,361</b>

## BALANCE SHEET HORIZONTAL ANALYSIS

Horizontal analysis is done using 2011 as the base year, and shows the development in key elements of the balance sheet over last 5 years.

(2011 as base year)	2015	2014	2013	2012	2011
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Bank Balances and Cash	115	124	95	74	100
Receivables	180	154	156	129	100
Inventories	336	248	171	135	100
	<b>138</b>	<b>136</b>	<b>112</b>	<b>89</b>	<b>100</b>
<b>NON-CURRENT ASSETS</b>					
Investments	135	127	104	98	100
Property, Plant and Equipment	140	126	120	112	100
Other Non-Current Assets	83	87	91	96	100
	98	97	98	99	100
<b>TOTAL ASSETS</b>	<b>103</b>	<b>102</b>	<b>100</b>	<b>98</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Payables	117	104	90	95	100
Short-term Loans	72	71	66	58	100
	<b>93</b>	<b>86</b>	<b>77</b>	<b>95</b>	<b>100</b>
<b>NON-CURRENT LIABILITIES</b>					
Long Term Bank Loans	72	81	89	94	100
Other Non-Current Liabilities	578	571	483	514	100
Employees' End of Service Benefits	251	208	159	130	100
	<b>76</b>	<b>85</b>	<b>92</b>	<b>97</b>	<b>100</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share Capital	100	100	100	100	100
Share Premium	100	100	100	100	100
Reserves	717	505	321	190	100
Other Non-Distributable Reserves	283	201	16	(74)	100
Retained Earnings / (Loss)	2,283	1,801	1,030	477	100
Equity Attributable to Parent Company	<b>132</b>	<b>124</b>	<b>112</b>	<b>104</b>	<b>100</b>
Non-Controlling Interest	140	127	119	108	100
Total Equity	<b>135</b>	<b>125</b>	<b>114</b>	<b>105</b>	<b>100</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>103</b>	<b>102</b>	<b>100</b>	<b>98</b>	<b>100</b>

## BALANCE SHEET VERTICAL ANALYSIS

Vertical analysis is done using Total Assets of the year as base and reflects the proportion of key balance sheet elements as compared to Total Assets of that year.

(Total Assets as the base)	2015	2014	2013	2012	2011
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Bank Balances and Cash	9.7	10.6	8.3	6.6	8.7
Receivables	4.6	3.9	4.1	3.4	2.6
Inventories	1.4	1.1	0.8	0.6	0.4
	<b>15.7</b>	<b>15.6</b>	<b>13.1</b>	<b>10.6</b>	<b>11.7</b>
<b>NON-CURRENT ASSETS</b>					
Investments	4.4	4.2	3.5	3.3	3.3
Property, Plant and Equipment	27.2	24.6	24.0	22.7	19.9
Other Non-Current Assets	52.7	55.7	59.4	63.4	65.0
	<b>84.3</b>	<b>84.4</b>	<b>86.9</b>	<b>89.4</b>	<b>88.3</b>
<b>TOTAL ASSETS</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Payables	5.8	5.1	4.6	4.9	5.1
Short-term Loans	4.3	4.3	4.0	3.6	6.1
	<b>10.1</b>	<b>9.4</b>	<b>8.6</b>	<b>8.5</b>	<b>11.2</b>
<b>NON-CURRENT LIABILITIES</b>					
Long Term Bank Loans	32.1	36.7	41.1	44.1	46.1
Other Non-Current Liabilities	1.7	1.7	1.5	1.6	0.3
Employees' End of Service Benefits	0.8	0.7	0.5	0.5	0.3
	<b>34.8</b>	<b>39.1</b>	<b>43.1</b>	<b>46.2</b>	<b>46.7</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share Capital	26.1	26.3	26.9	27.4	26.9
Share Premium	1.4	1.4	1.4	1.5	1.4
Reserves	1.8	1.2	0.9	0.4	0.3
Other Non-Distributable Reserves	0.5	0.5	-	(0.1)	0.2
Retained Earnings / (Loss)	7.6	6.0	3.5	1.7	0.3
Equity Attributable to Parent Company	<b>37.4</b>	<b>35.4</b>	<b>32.7</b>	<b>30.9</b>	<b>29.1</b>
Non-Controlling Interest	17.8	16.1	15.6	14.4	13.0
Total Equity	<b>55.1</b>	<b>51.5</b>	<b>48.3</b>	<b>45.3</b>	<b>42.1</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



## STATEMENT OF INCOME

(SAR '000)	2015	15 vs 14 % Change	2014	2013	2012	2011
Revenue	616,084	10 %	560,999	520,024	473,441	398,252
Cost of Revenue	(311,217)	12 %	(277,375)	(260,400)	(257,661)	(234,917)
<b>GROSS PROFIT</b>	<b>304,867</b>	<b>7 %</b>	<b>283,624</b>	<b>259,624</b>	<b>215,781</b>	<b>163,335</b>
Selling & Distribution Expenses	(14,220)	4 %	(13,621)	(12,443)	(11,887)	(11,075)
General & Administration Expenses	(120,210)	8 %	(110,801)	(104,478)	(92,499)	(93,078)
<b>OPERATING PROFIT</b>	<b>170,437</b>	<b>7 %</b>	<b>159,203</b>	<b>142,703</b>	<b>111,394</b>	<b>59,182</b>
Financial Charges	(32,646)	-11 %	(36,532)	(37,464)	(33,399)	(29,812)
Share Of Results From Associates	9,066	-	(305)	(1,255)	(8,072)	(616)
Other Income / (Loss)	2,124	-73 %	7,939	594	10,598	1,991
<b>Income from Continuing Operations</b>	<b>148,981</b>	<b>14 %</b>	<b>130,305</b>	<b>104,578</b>	<b>80,521</b>	<b>30,746</b>
Net result of discontinued operations	1,074	20 %	893	(1,486)	(173)	-
<b>Net Income before Zakat</b>	<b>150,055</b>	<b>14 %</b>	<b>131,198</b>	<b>103,093</b>	<b>80,348</b>	<b>30,746</b>
Zakat	(8,120)	7 %	(7,566)	(6,465)	(5,595)	(4,410)
<b>Group Net Income</b>	<b>141,936</b>	<b>15 %</b>	<b>123,632</b>	<b>96,627</b>	<b>74,753</b>	<b>26,335</b>
<b>Group Net Income Attributable to:</b>						
Non-Controlling Interest	51,427	13 %	45,555	40,587	36,527	15,294
Parent Company	90,509	16%	78,077	56,040	38,226	11,041

### Notes:

1. Certain comparative figures in the financial statements have been reclassified to conform to this year's presentation.
2. Main variances in profitability and operating results are explained in sections of 'Analysis of Financial Results' and for each business under each company's profile.

## STATEMENT OF INCOME HORIZONTAL ANALYSIS

Horizontal analysis is done using 2011 as the base year, and shows the development in key elements of the income statement over last 5 years.

	2015	2014	2013	2012	2011
Revenue	155	141	131	119	100
Cost of Revenue	132	118	111	110	100
<b>GROSS PROFIT</b>	<b>187</b>	<b>174</b>	<b>159</b>	<b>132</b>	<b>100</b>
Selling & Distribution expenses	128	123	112	107	100
General & Administration expenses	129	119	112	99	100
<b>OPERATING PROFIT</b>	<b>287</b>	<b>269</b>	<b>241</b>	<b>188</b>	<b>100</b>
Financial Charges	110	123	126	112	100
Share of results from associates	-	-	-	-	-
Other Income / (Loss)	107	399	30	532	100
<b>Income from Continuing Operations</b>	<b>485</b>	<b>424</b>	<b>340</b>	<b>262</b>	<b>100</b>
Net Result of discontinued operations	100	100	100	100	100
<b>Net Income before Zakat</b>	<b>488</b>	<b>427</b>	<b>335</b>	<b>261</b>	<b>100</b>
Zakat	184	172	147	127	100
<b>Group Net Income</b>	<b>539</b>	<b>469</b>	<b>367</b>	<b>284</b>	<b>100</b>
<b>Group Net Income Attributable to:</b>					
Non-Controlling Interest	336	298	265	239	100
Parent Company	820	707	508	346	100



## STATEMENT OF INCOME VERTICAL ANALYSIS

Vertical analysis done using Revenue of the year as base and reflects the proportion of key income statement elements as compared to Total Revenue of that year.

	2015	2014	2013	2012	2011
Revenue	100	100.0	100.0	100.0	100.0
Cost of Revenue	(50.5)	(49.4)	(50.1)	(54.4)	(59.0)
<b>GROSS PROFIT</b>	<b>49.5</b>	<b>50.6</b>	<b>49.9</b>	<b>45.6</b>	<b>41.0</b>
Selling & Distribution expenses	(2.3)	(2.4)	(2.4)	(2.5)	(2.8)
General & Administration expenses	(19.5)	(19.8)	(20.1)	(19.6)	(23.3)
<b>OPERATING PROFIT</b>	<b>27.7</b>	<b>28.4</b>	<b>27.4</b>	<b>23.5</b>	<b>14.9</b>
Financial Charges	(5.3)	(6.5)	(7.2)	(7.1)	(7.5)
Share of results from associates	1.5	(0.1)	(0.2)	(1.7)	(0.2)
Other Income / (Loss)	0.3	1.4	0.1	2.2	0.5
<b>Income from Continuing Operations</b>	<b>24.2</b>	<b>23.2</b>	<b>20.1</b>	<b>17.0</b>	<b>7.7</b>
Net Result of discontinued operations	0.2	0.2	(0.3)	(0.0)	-
<b>Net Income before Zakat</b>	<b>24.4</b>	<b>23.4</b>	<b>19.8</b>	<b>17.0</b>	<b>7.7</b>
Zakat	(1.4)	(1.4)	(1.2)	(1.2)	(1.1)
<b>Group Net Income</b>	<b>23.0</b>	<b>22.0</b>	<b>18.6</b>	<b>15.8</b>	<b>6.6</b>
<b>Group Net Income Attributable to:</b>					
Non-Controlling Interest	8.3	8.1	7.8	7.7	3.8
Parent Company	14.7	13.9	10.8	8.1	2.8

## KEY RATIOS

	2015	2014	2013	2012	2011
<b>Liquidity Ratios</b>					
Current Ratio	1.6	1.7	1.5	1.2	1.0
Quick Ratio	1.4	1.5	1.4	1.2	1.0
Cash to Current Liabilities	1.0	1.1	1.0	0.8	0.8
Cash Flow from Operations to Sales	0.4	0.5	0.4	0.4	0.4
<b>Capital Structure Ratios</b>					
Debt-Equity Ratio	0.8	0.9	1.1	1.2	1.4
Financial Leverage Ratio	1.2	1.0	0.9	0.8	0.7
Interest Cover Ratio	5.6	4.6	3.8	3.4	2.0
<b>Activity Ratios</b>					
Average Collection Period	55.0	47.0	70.6	71.3	68.1
Fixed Assets Turnover	0.3	0.3	0.2	0.2	0.2
Total Assets Turnover	0.2	0.2	0.2	0.2	0.1
Accounts Receivables Turnover	5.2	5.5	5.1	5.6	6.0
<b>Profitability Ratios</b>					
Gross Profit Margin (%)	49.5	50.6	49.9	45.6	41.0
Operating Profit Margin (%)	27.7	28.4	27.4	23.5	14.9
Net Profit Margin (%)	24.4	23.4	20.1	17.0	7.7
Return on Assets (%)	5.5	4.8	3.8	3.0	1.0
Return on Equity (%)	9.9	9.3	7.9	6.7	2.5
EBITDA Margin to Sales (%)	43.0	42.9	40.5	38.9	32.0
<b>Investment / Market Ratio</b>					
Price Earnings Ratio	11.0	15.2	20.4	24.3	81.6
Market Price per Share (SAR)					
At the end of the year	14.7	17.5	16.9	13.7	13.3
Highest during the year	20.4	20.7	16.8	20.2	15.6
Lowest during the year	13.0	15.2	13.2	13.0	10.4
Book Value per Share (SAR)	14.1	13.3	12.1	11.3	10.8
EBITDA Multiple	3.8	4.9	5.4	5.0	7.1
EV / EBITDA	8.2	9.9	11.7	12.5	18.3



## SUMMARY

	2015	2014	2013	2012	2011
<b>Balance Sheet (SAR '000)</b>					
Share Capital	680,000	680,000	680,000	680,000	680,000
Reserves	45,815	32,238	20,527	12,121	6,387
Shareholders' Equity	972,014	913,098	826,406	766,186	736,063
Long-term Borrowing	838,185	946,160	1,038,557	1,096,520	1,167,458
Capital Employed	2,338,405	2,338,130	2,309,332	2,270,355	2,249,221
Property, Plant, & Equipment	707,654	633,922	606,756	562,397	503,815
Other Non-Current Assets	1,369,898	1,437,526	1,501,114	1,573,447	1,646,940
Net Current Assets / Working Capital	146,312	158,917	113,478	51,661	13,671
<b>Profit &amp; Loss (SAR '000)</b>					
Sales	616,084	560,999	520,024	473,441	398,252
Gross Profit	304,867	283,624	259,624	215,781	163,335
Operating Profit	170,437	159,203	142,703	111,394	59,182
Profit before Zakat and NCI	150,055	131,198	104,578	80,521	30,746
Net Profit	90,509	78,077	56,040	38,226	11,041
EBITDA	264,687	240,981	210,372	184,234	127,392
Earnings per Share	1.33	1.15	0.82	0.56	0.16
<b>Cash-flow (SAR '000)</b>					
Cash Flows from Operating Activities	253,903	264,880	214,029	173,194	167,733
Cash Flows from Investing Activities	(125,023)	(89,322)	(111,017)	(89,782)	(141,502)
Cash Flows from Financing Activities	(149,650)	(111,538)	(56,646)	(140,266)	(31,622)
Change in Cash and Cash Equivalents	(20,769)	64,020	46,367	(56,853)	(5,392)
Closing Cash and Cash Equivalents	252,669	273,439	209,418	163,051	219,905
<b>Capitalization</b>					
Closing Price (SAR per Share)	14.67	17.45	16.85	13.65	13.25
Market Capitalization (SAR million)	998	1,187	1,146	928	901
Enterprise Value (SAR million)	2,157	2,386	2,471	2,308	2,333
Numbers of Shares Issued ('000)	68,000	68,000	68,000	68,000	68,000
<b>Operational Statistics</b>					
Containers ('000 TEUs)	1,554	1,411	1,396	1,367	1,013
No. of Vehicles	39,855	33,299	29,089	14,825	15,178
General Cargo (metric tons)	110,907	124,076	112,921	98,643	82,112
Water Production (million m3)	20.0	17.2	9.8	11.8	11.7

## GEOGRAPHICAL ANALYSIS OF REVENUE

The Group's consolidated subsidiaries principally operate in Jeddah, Kingdom of Saudi Arabia. Consequently, more than 97% of the consolidated revenue is generated in Jeddah itself. Only consolidated business of significant nature out of Jeddah was a fuel station in Riyadh managed by ISNAD.

COMPANY (SAR '000)	2015			2014		
	Western	Central	Eastern	Western	Central	Eastern
RSGT	409,706	-	-	366,519	-	-
TUSDEER	99,606	-	-	101,814	-	-
KINDASA	105,896	-	-	91,474	-	-
ISNAD *	876	-	-	1,192	-	-
<b>TOTAL</b>	<b>616,084</b>	<b>-</b>	<b>-</b>	<b>560,999</b>	<b>-</b>	<b>-</b>
	<b>616,084</b>			<b>560,999</b>		

\* Revenue of SAR 14.5 million (2014: SAR 17.0) Central Region is not included in the above table, as it has been reclassified as a discontinued operation in 2015 audited financial statements of the group.

SISCO's associated entities, whose revenues are not consolidated in SISCO's financial statements, operate across the Kingdom and their revenue break-down is as follows:

COMPANY (SAR '000)	2015			2014		
	Western	Central	Eastern	Western	Central	Eastern
TAWZEA	97,161	105,258	-	81,769	98,138	-
SA TALKE	-	-	151,849	-	-	133,397
STS SAUDI ARABIA	-	-	2,592	-	-	1,544
<b>TOTAL</b>	<b>97,161</b>	<b>105,258</b>	<b>154,441</b>	<b>81,769</b>	<b>98,138</b>	<b>134,941</b>
	<b>356,860</b>			<b>314,848</b>		



## BANK LOANS AND DEBT INSTRUMENTS

(SAR '000)

COMPANY	LENDER	START YEAR	ORIGINAL PRINCIPAL	BALANCE 1/1/2015	DRAW-DOWNS	RE-PAYMENTS	BALANCE 31/12/2015
RSGT	Al-Rajhi/ BSF	2008	1,271,091	1,026,235	-	(85,676)	940,559
TUSDEER	NCB	2013	35,000	30,625	-	(8,750)	21,875
KINDASA	SIDF	2011	61,209	26,800	-	(8,800)	18,000
	SABB	2013	6,000	3,500	-	(2,000)	1,500
	NCB*	2009-2011	23,556	5,722	-	(4,164)	1,558
<b>TOTAL</b>				<b>1,092,882</b>	<b>-</b>	<b>(109,390)</b>	<b>983,492</b>

\* Five different tranches were borrowed from 2009 till 2011.

## REPAYMENT PROFILE

COMPANY	RSGT		TUSDEER		KINDASA	
	Al-Rajhi/BSF	NCB	SIDF	SABB	NCB	
Lender						
Less than one year	91,674	8,750	9,000	1,500	1,558	
From 1 - to - 2 years	98,091	8,750	9,000	-	-	
From 2 - to - 5 years	337,429	4,375	-	-	-	
More than five years	413,365	-	-	-	-	
<b>Closing Balance of the Period</b>	<b>940,559</b>	<b>21,875</b>	<b>18,000</b>	<b>1,500</b>	<b>1,558</b>	

## PAYMENTS TO GOVERNMENT AUTHORITIES

INSTITUTION	2015	2014
Department of Zakat and Income Tax	12,459	9,908
General Organization of Social Insurance	7,332	6,454
Ministry of Interior for Passport / Visa Services	1,569	3,774
Department of Customs	3,412	2,128
Saudi Ports Authority	56,433	41,856
<b>TOTAL</b>	<b>81,205</b>	<b>64,120</b>

Part of the amounts in above table, is paid after the closing of the financial year on 31 December, in normal course of business.

## DIVIDEND POLICY

Company's dividend policy is governed by Articles (40) and (41) of its Articles of Association.

Article 40 mandates that the Company sets aside ten (10) percent of Net Profits after Zakat as statutory reserve and five (5) percent of Net Profits after Zakat as special reserve until each reserve reaches fifty (50) percent of the company's paid up share capital. Thereafter, the remaining profits can be distributed as follows:

1. Equivalent of 5% of company's paid up share capital to the shareholders.
2. 10% of the remaining amount to the Board members as their remuneration.
3. Distribute the remaining to shareholders with due consideration to business requirements.

Article (41) authorizes the Board to fix the date and place for distribution of dividends.

## MANAGEMENT STRUCTURE & PHILOSOPHY

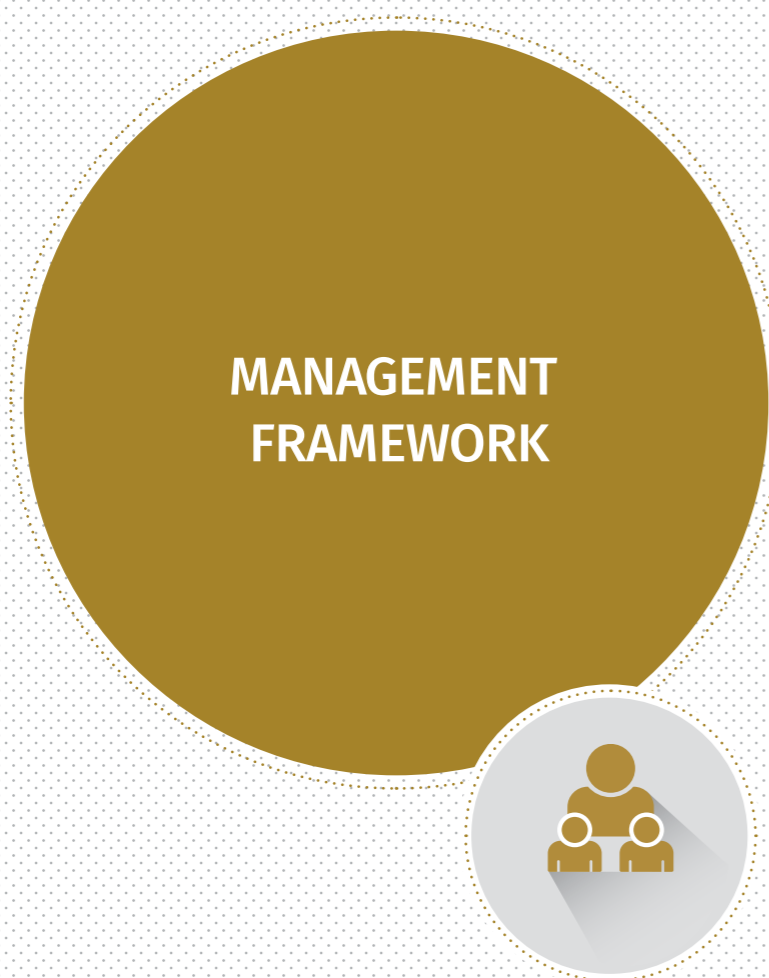
SISCO manages its group companies with the concept of 'strategic holding', where the individual business companies focus on growth within their respective sector and corporate center supports the unit through key centralized functions to bring in synergies.

SISCO's Board has a top down view as the custodian of shareholders' interests, and works with the CEO in deciding overall strategic vision and direction of the company and implementation of that vision. The Board is assisted by a number of Board Committees in making decisions related to Audit and Governance, Remunerations and Nomination.

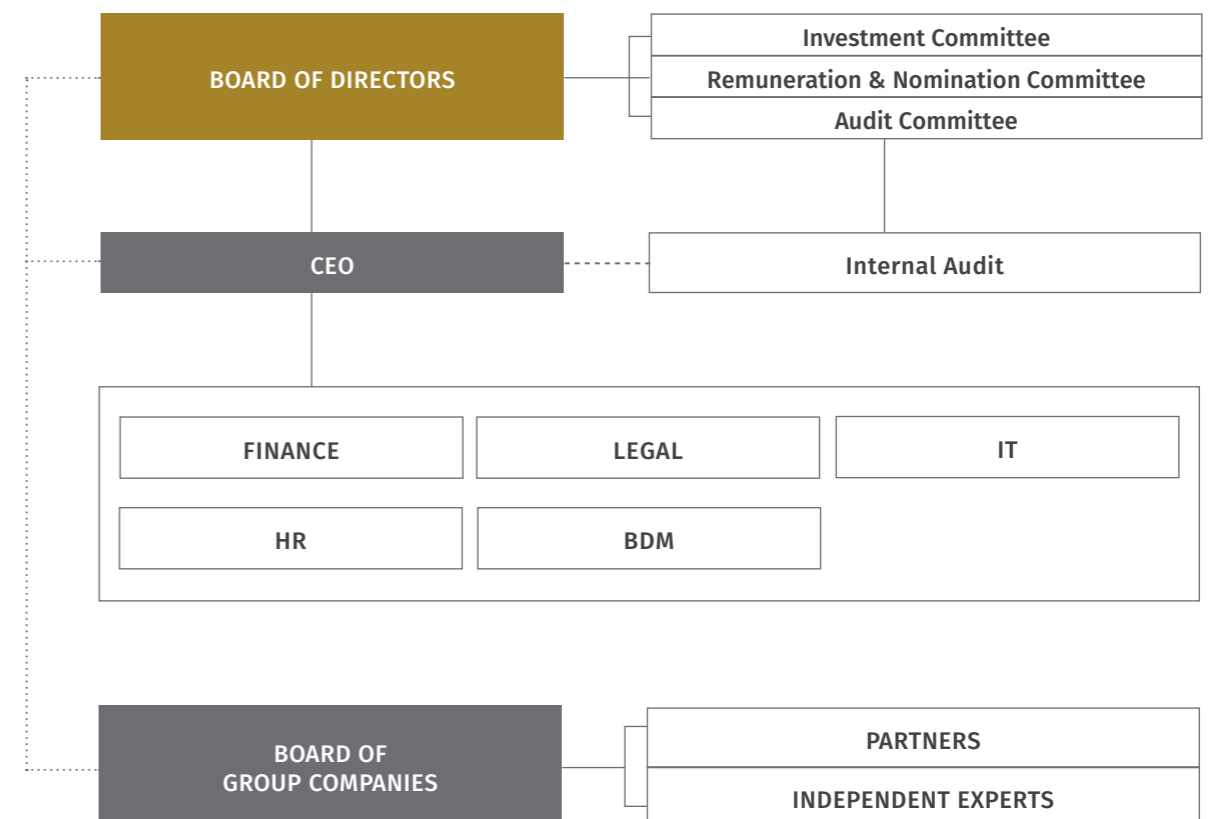
Each SISCO company (both subsidiaries and associated) is governed by an independent board, which appoints an independent CEO to the respective company, who is responsible for implementing the direction set by the Board into tangible results. SISCO is represented in each consolidated and associated company's board in-line with its shareholding position.

This approach of managing its investments ensures accountability without impeding the flexibility and entrepreneurial spirit within each business unit, translating in to SISCO group's continued growth.

Corporate functions provide the Board and CEO with a shared set of functional strengths and enable a 'portfolio-oriented' management of SISCO's investments. Centre mainly focuses on areas of finance, legal, compliance and new business/venture development. The core responsibility of the Corporate Center is to establish system and mechanism across the group which is in accordance with highest standards of integrity, and provides a uniform set of reporting, risk management, and compliance procedures.



### ORGANISATION CHART



## BOARD OF DIRECTORS



**Mr. Mohamed Ahmed Alireza**  
**Chairman of the Board**

Masters in Science in Civil Engineering  
Bachelors in Civil Engineering

Mr. Alireza has a bachelor's degree in Civil Engineering from Cornell University, United States and a master's degree in Engineering from the same university obtained in 1969. He is currently the Chairman of the Board of Directors in Xenel Industries Ltd, AME Saudi Arabia Company Limited, and The Arab Company for Trade Bulk Materials Co. Ltd. He is also a member of the Board of Directors in the MAGRABI hospitals, Sejel Technology, Haji Abdullah Alireza & Co. Ltd. and The Arabian Petroleum Supply Company (APSCO). He has previously held several official positions such as Consultative Council (Shura Council), Jeddah City Council, The Saudi Fund for Development (SFD), Emaar The Economic City (Emaar EC) and Bank Albilad.

### MEMBERSHIP IN OTHER JOINT STOCK COMPANIES

- Red Sea Port Development Co. (Closed JSC)
- Kindasa Water Services Co. (Closed JSC)
- Tamlik Co. (Closed JSC)



**Mr. Adnan A. Maimani**  
**Board Member**

Masters in Aviation Law  
Bachelors in Law

Mr. Maimani has extensive experience in the legal field. Previously, the General Manager for legal affairs for Saudi Arabian Airlines; he is currently the senior legal counsel of Xenel Industries Limited. He is also a board member of Sejel Technology and Hidada Steel Company.

### MEMBERSHIP IN OTHER JOINT STOCK COMPANIES

- Saudi Cable Co.
- National Petrochemical Industrial Co. (Closed JSC)
- Kindasa Water Services Co. (Closed JSC)



**Mr. Aamer A. Alireza**  
**Board Member**

BA in Economics and Political Science

He is a Board Member of the Xenel Group of Companies, the Managing Director of its Services Division, and a Board Member of a number of its subsidiaries and affiliates. He is also the Chief Executive Officer of RSGT and TUSDEER. He is the Chairman of the Board of AECOM Arabia Co. Ltd. and Vice-Chairman of the Board of Trican-SSOC Well Service Ltd. He also serves on the board of directors for Friends of Jeddah Parks, a non-profit organization.

Mr. Aamer graduated from Pitzer College in California with a B.A. in Economics and Political Science. He has also taken part in various management executive programs at the University of California, Stanford University, and most recently attended the Advanced Management Program at Harvard University.

### MEMBERSHIP IN OTHER JOINT STOCK COMPANIES

- BUPA Arabia for Co-operative Insurance
- Red Sea Ports Development (Closed JSC)



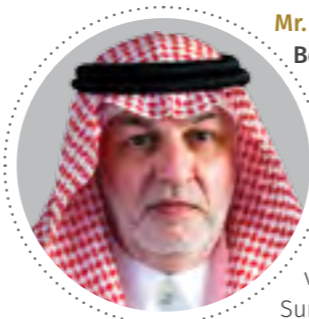
**Mr. Saleh A. Hefni**  
**Board Member**

M.Phil  
Bachelor of Science in Civil Engineering

Mr. Hefni's association with SISCO dates back to 1990, when joined as Deputy General Manager and worked his way up to the position of CEO and Board Member. He is currently CEO and Board member of Halwani Brothers Co., a pioneer in the world of foodstuff in Middle East and North Africa.

### MEMBERSHIP IN OTHER JOINT STOCK COMPANIES

- Halwani Brothers Co.
- Al-Ahli Takaful
- Kindasa Water Services Co. (Closed JSC)
- Middle East Healthcare Company-MEAHCO (Closed JSC)



**Mr. Alawi M. Kamel**  
**Board Member**

Masters in International Relations  
Bachelors in Economics & Political Science

Mr. Kamel has a long standing association with Dallah group, where he has worked in various positions. Currently he is the President of Dallah Group. He is also a board member of International City Clean Company in Egypt, authorized board member of Traffic Signal Factory Company, Arab Petroleum Aviation Services Company. Previously, he was also the Chairman of Aviation Support Services Company (Lebanon) and Sunbulah Operations and Maintenance. He was also a member of National Operations and Industrial Services Co. contractors committee of Jeddah Chamber, and Dallah Transportation Company for Pilgrims.

### MEMBERSHIP IN OTHER JOINT STOCK COMPANIES

- City Clean Co. (Egypt)
- Traffic Signal Factory Co.
- Arab Petroleum Aviation Services Company



**Mr. Waleed A. Kayyal**  
**Board Member**

Bachelor in Commerce

Mr. Waleed has in depth experience of banking business gained through his employment with Saudi British Bank, where he worked as the Regional Director before retiring in 2006. Afterwards, he remained associated with HSBC as a consultant for MENA for three years. He is also a member of Audit Committee member of Saudi Ground Services (SGS) Company.

### MEMBERSHIP IN OTHER JOINT STOCK COMPANIES

- SABB Takaful Company
- Itqan Capital (Closed JSC)
- Kinan International Co. (Closed JSC)



**Dr. Abdulaziz A. Jazzar**  
**Board Member**

Doctorate in Computer Science  
Masters in System Engineering

Dr. Abdulaziz is a retired Colonel from The Royal Saudi Airforce and currently is the Managing Partner of Malaz Capital. Before that he served as Managing Director of Saudi Research and Publishing Co. and CEO of Industrial Systems Engineering. He is a member of Board of Directors of the Economic Cities Authority and the National Industrial Cluster Development Program.

### MEMBERSHIP IN OTHER JOINT STOCK COMPANIES

- Malaz Capital (Closed JSC)
- Salam Cooperative Insurance Co.





## HUMAN CAPITAL DEVELOPMENT

SISCO's success can be attributed to one key factor above others: SISCO has consistently sought to attract, hire, and retain some of the most talented people in the region. Our ability to create and develop high performance teams in a culture of transparency, inclusiveness, professionalism and excellence is what drives our success more than any other factor. We place great emphasis on the pursuit of knowledge and training - a commitment that we have designed to motivate and inspire our people in delivering unbeatable quality, value and services to the company.

As a parent company, SISCO strives to create a 'one firm' culture to ensure that we leverage the most in terms of the synergies between our businesses. To this end, a unified talent management model is being developed to ensure that the firm is maximizing its ability to attract, retain and nurture highly skilled employees with diverse skills and abilities across the board.

Nationalization of operational and managerial positions has been the cornerstone of the group's HR philosophy. SISCO has driven forward the nationalization of numerous positions in all its companies by training and developing Saudi nationals.

SISCO entities pride themselves in maintaining the highest standards in health and safety at our facilities, monitoring carefully potential risks to our employees and our operations, so that we could provide a safe working environment for our team members, contractors, suppliers, and customers.

### HR PERFORMANCE

Committed to our resolve to establish a sustainable institutional mechanism to hire and retain people, the group inculcates the culture of employee engagement at all levels of the work force.



In achieving our goal of being the employer of choice, we recognize the importance of talent development and meet it through various managerial and skills-based training programs. Our port business launched The Admiral program, which aims at training talented Saudi graduates in the area of container terminal operations and prepare them for future managerial and leadership positions within the group.

Based on the feedback of the program, this concept will be rolled out to other SISCO group companies.



## COMPOSITION OF TOTAL EMPLOYEES BY COMPANY

COMPANY	2015
Saudi Industrial Services Company (SISCO)	35
Red Sea Gateway Terminal (RSGT)	1,118
Saudi Trade and Export Development (TUSDEER)	86
Kindasa Water Services (KINDASA)	131
Support Services Operation Co (ISNAD)	72
International Water Distribution Co (TAWZEA)	138
Al-Jabr Talke Co. (SA TALKE)	969
Stork Technical Services Saudi Arabia (STS SAUDI)	10
<b>TOTAL</b>	<b>2,559</b>
	<b>Total Number of Saudis</b> 425
	<b>Total Number of Non Saudis</b> 2,134



## CORPORATE GOVERNANCE



## GOVERNANCE PERFORMANCE

A robust Corporate Governance structure ensures the Group's continued high performance and integrity, while retaining the trust of its stakeholders. Maintaining effective corporate governance is, therefore, a key priority for the board, and this is achieved through implementing the principles and best practices and guidelines promulgated by Capital Markets Authority of Saudi Arabia and other relevant regulations as well as international best practices.

### THE BOARD

Every three years the shareholders elect a new board of directors that is responsible to the shareholders for the direction of the Group. The board has the ultimate and overall responsibility to set up a robust corporate governance structure, to envisage the Group's strategic direction and help in achieving the business objectives. The CEO, with the direction of the board, is responsible for the acquisition and divestment policies, major capital expenditures and the consideration of significant financial matters while the board monitors the Group's key business risks and reviews the direction of individual business units, and other investments.

Article (15) of SISCO's Articles of Association states that the Board of Directors is to comprise of 7 members, which complies with paragraph (a), Article (12) of the Corporate Governance Regulation issued by the Capital Markets Authority.

**A total of five meetings of the board of directors were held during the financial year, and the attendance record of the directors was as follows:**

NAME OF THE BOARD MEMBER	DATE AND ATTENDANCE OF THE BOARD MEETINGS				
	19/01/2015	18/02/2015	20/04/2015	25/05/2015	20/10/2015
Mohamed A. Alireza	●	●	●	●	●
Adnan A. Maimani			●	●	●
Alawi M. Kamel		●	●	●	●
Saleh A. Hefni	●	●		●	●
Waleed A. Kayyal	●	●	●	●	●
Aamer A. Alireza		●	●	●	●
Abdulaziz A. Jazzar	●	●	●		●

### BOARD BALANCE

SISCO's board is balanced and complies with the independent directors criteria set out under the requirements of Capital Markets Authority. All of the seven board members are non-executive and three of them are independent directors with expertise in different fields bringing independent judgment on matters of strategy, performance and utilization of resources of the Group. They provide unbiased views and their presence improves corporate accountability.

**The following table provides the classification of each member of the board of directors:**

NAME OF THE BOARD MEMBER	TITLE	INDEPENDENT	EXECUTIVE	NON-EXECUTIVE
Mohamed A. Alireza	Chairman			●
Adnan A. Maimani	Member			●
Alawi M. Kamel	Member	●		●
Saleh A. Hefni	Member			●
Waleed A. Kayyal	Member	●		●
Aamer A. Alireza	Member			●
Abdulaziz A. Jazzar	Member	●		●



Overall, the board comprises an appropriate mix of diverse academic and professional backgrounds to provide a collective range of skills, expertise and experience relevant to support the growth and address the complexities, competition and changes in SISCO's business environment.

The table below lists other joint stock companies, where SISCO board members serve as a member of their respective boards:

NAME OF THE BOARD MEMBER	ON SISCO BOARD SINCE	BOARD MEMBERSHIP OF OTHER JOINT STOCK COMPANIES
Mohamed A. Alireza	21 / 05 / 2003	- Red Sea Port Development Co. (Closed JSC) - Kindasa Water Services Co. (Closed JSC) - Tamlik Ltd.
Adnan A. Maimani	19 / 06 / 1999	- Saudi Cable Company - National Petrochemical Industrial Co. - Kindasa Water Services Co. (Closed JSC)
Alawi M. Kamel	29 / 10 / 1994	
Saleh A. Hefni	02 / 06 / 1998	- Halwani Brothers Co. - Al-Ahli Takaful - Kindasa Water Services Co. (Closed JSC) - Middle East Healthcare Company - MEAHCO (Closed JSC)
Waleed A. Kayyal	30 / 06 / 2002	- SABB Takaful Company - Itqan Capital (Closed JSC) - Kinan International Co. (Closed JSC)
Aamer A. Alireza	21 / 09 / 2003	- BUPA Arabia for Co-operative Insurance - Red Sea Ports Development (Closed JSC)
Abdulaziz A. Jazzar	20 / 01 / 2014	- Malaz Capital (Closed JSC) - Salama Cooperative Insurance Company

## BOARD COMMITTEES

The Board has established three committees, comprising of board members, external independent experts, and the Chief Executive Officer. These committees have specific charters approved by the Board.

NAME OF THE COMMITTEE	MEMBERS NAME	NO. OF MEETINGS	KEY RESPONSIBILITIES
Audit Committee	Waleed A. Kayyal (Chair) Adnan A. Maimani Alawi M. Kamel Abu Baker Bajabir (External Independent Member)	6	The committee meets at least once every quarter and assists the Board in fulfilling its oversight responsibilities; primarily in reviewing quarterly and annual financial statements, reporting financial and non-financial information, systems of internal controls, risk management, the audit process, and the related party transactions.
Investment Committee	Mohamed Ahmed Alireza (Chair) Saleh A. Hefni Waleed A. Kayyal Mohammed Kamal Al-Mudarres	1	The committee assists the Board in reviewing the Group's investment transactions and performances, oversee the Group's financial resources and advises on future strategy. The Committee meets on as needed basis.
Remuneration & Nomination Committee	Mohamed Ahmed Alireza (Chair) Saleh A. Hefni Waleed A. Kayyal *	1	The committee meets when needed, to review and recommend all elements of the Compensation, Organization and Employee Development policies. The committee also reviews the board composition on a periodic basis.

\* Mr. Waleed A. Kayyal was appointed to the committee during 2015 replacing Mr. Aamer A. Alireza.

## INTERNAL CONTROL FRAMEWORK

The Board is responsible for SISCO's system of internal control and for reviewing its effectiveness. The Board, while maintaining its overall responsibility for managing risk within the Group, has delegated the review of the detailed design and operation of the system to its sub committees comprising of board members and external experts while the responsibility of maintaining a robust framework of internal controls rests with Chief Executive Officer and Chief Financial Officer in co-ordination with Internal Audit Department.

The Group maintains an effective internal control framework comprising clear structures, authority limits, accountabilities, well understood policies and procedures, and annual budgets. The Board meets regularly to consider SISCO's financial performance, business growth and development plans, capital expenditure proposals and other key performance indicators.

## INTERNAL AUDIT FUNCTION

The Audit Committee annually reviews the appropriateness of resources and capabilities of the internal audit function. The Chief Audit Executive functionally reports to the Audit Committee. The Audit Committee approves the annual audit plan, based on an annual risk assessment. The internal audit function undertakes audit of financial, operational, and compliance controls, and reports the audit results to the Audit Committee.

The boards of major subsidiaries have established their own audit committees with dedicated internal audit resources. SISCO monitors the functioning of their internal audit department by having its nominated members in the audit committees of those subsidiaries.

## AUDIT COMMITTEE REPORT

The Audit Committee met for six times during the year 2015. Audit committee's primary role was to review quarterly and year-end financial statements, review group's accounting policies and disclosures, and assess the risk elements. Audit Committee also met with external auditors to have direct feedback about group's internal control framework, assessment of staff in financial reporting department, and other matters pertaining to their audit engagement.

In addition to the regular tasks, Audit Committee's focus area for 2016 will be conversion plan for Internal Financial Reporting Standards (IFRS) for full implementation in 2017 and compliance with new Company Law as promulgated by Ministry of Commerce and Industry.

## GOVERNANCE PERFORMANCE AND INTERNAL AUDIT RESULTS

SISCO's approach towards corporate governance is comprehensive to ensure maximum transparency in financial and internal control reporting. It begins with establishing a system of robust corporate governance structure and formation of internal audit functions and reporting structure that is designed to detect internal control lapses in a timely manner and follow up mechanism to take the corrective measures in minimum possible time.

The Board confirms that nothing came to the Audit Committee's attention that caused them to believe that there is any significant deficiency in the internal control procedures established by the Group and its subsidiaries. The Audit Committee's efforts are focused continuously to develop and improve the effectiveness and efficiency of the established internal controls.

On an aggregate basis, out of audit findings across the Group were rated as 'Management Attention Required' (MARs).

NAME OF THE COMPANY	SATISFACTORY	MAR	TOTAL	MAR %
SISCO	11	2	13	15.4 %
RSGT	275	40	315	12.7 %
TUSDEER	34	11	45	24.4 %
KINDASA	10	2	12	16.7 %
<b>TOTAL</b>	<b>330</b>	<b>55</b>	<b>385</b>	<b>14.3 %</b>



## RISK MANAGEMENT

Risk Management is an integral part of SISCO's overall management philosophy. During 2015, risk management workshops were conducted at major group companies. Senior management team participated in the workshops and identified risks that were facing the organization.

These risks were monitored throughout the year and appropriate actions were taken to ensure that the risks do not convert into issues that could affect the operations of the group companies.

GRC software was implemented at RSGT and Tusdeer during 2015 and the plan is to implement the same in other group companies.

NO.	POTENTIAL RISK	MITIGATING ACTIONS
<b>Strategic Risks – Risk of high level objectives not being met</b>		
1.	Delay in raising additional capital	Management engages with capital and financial market participants on regular basis to ensure that it secures the required additional capital at minimal cost.
2.	Lower Oil Prices may affect demand for products or services	Lower oil prices have impact on the overall economy, which in turn has an indirect impact on the demand for the products and services offered by the Group. The Group's investment in water business provides automatic diversification to reduce the Group's exposure to this risk. Management monitors the demand forecast for its products and services through regular engagement with its customers and scales its activities accordingly.
3.	Increased Competition	Management monitors the competitive environment and makes necessary investment to enhance its capability and capacity to meet the competition.
4.	Subsidiaries are exposed to similar risks	Group is continuously reviewing its portfolio of investments to diversify in sectors that could provide a hedge against drop in performance of its existing business units.
<b>Operational Risks – Risk of ineffective and inefficient utilization of resources</b>		
1.	Production and Productivity Losses	Maintenance and inspection strategies are put in place across all facilities. The Group continues to carry out necessary capital investment for equipment / plant reliability and availability. Further, it is ensured that operators are properly trained to carry out their roles efficiently.
2.	Health and Safety Risk	Group's operational facilities are aligned with international safety standards including OSHA. Safety, along with, ethics, remain top priority for the organization.
3.	Loss of trained and high potential employees, and employees in critical positions	Strategies have been developed and rolled out for top talent hiring and retention. Employee engagement and succession planning strategies have been put in place throughout the organization.
4.	Environmental Pollution e.g. pollution in seawater	Management continuously reviews its mitigation plans in conjunction with its legal and insurance consultants to protect against this risk.

## LIQUIDITY MANAGEMENT POLICY

Cash liquidity is managed, controlled, and carried out in accordance with the policies approved by the Board after thorough debates within the board. The purpose of the policies is to ensure that adequate cost-effective funding is available at all times and exposure to financial risk is minimized. The risks managed are liquidity risk, interest rate risk, and currency exchange rate risk. Derivative financial instruments like hedging strategies are applied to manage exposure to interest rate risk and currency risk.

SISCO's liquidity policy objectives include implementation of good business practices like repayment of obligations on timely basis that help in building the image of the company for future funding requirements and meeting business commitments on timely basis. Liquidity risk is mitigated by careful monitoring of cash flow needs, regular communication with our credit providers, and careful selection of financial strategies and appropriate financial partners.

## RELATED PARTY TRANSACTIONS

Various group companies had transactions with related parties of the Group. These transactions follow the same conditions and principles as of dealing with third parties. The related parties include: the Group board members, major shareholders, senior executives and any of their first degree relatives pursuant to the CMA and Ministry of Commerce and Industry regulations. These related party transactions are listed below:

RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTION	AMOUNT OF TRANSACTION
International Water Distribution Co. Ltd. (Tawzea)	SISCO owns 50% of Tawzea. Mr. Mohammed Mudarres (SISCO CEO) is also board member of TAWZEA.	Sales of water by Kindasa and IT services by Kindasa. Net expenses incurred by the Group on behalf of the affiliate.	60,437,135 99,050
Karam Fedics	Xenel Industries (SISCO shareholder) is also a shareholder of Karam Fedics. Mr. Aamer A. Alireza (SISCO Board member) is a board member of Karam Fedics.	Purchase of catering and employee housing by RSGT.	10,514,876
Water & Environmental Services Saudi Co. Ltd.	Kindasa (SISCO subsidiary) owns 49% of WESSCO.	Sale of O&M services by Kindasa. Expenses paid on behalf WESSCO. Dividend received from Associate	1,151,739 6,441,476 1,960,000
Ali Reza Travel and Tourism Co. Ltd.	Mr. Mohammed A. Alireza (SISCO Chairman) is also a board member of the parent company of Alireza Travel.	Purchase of air tickets by RSGT.	2,140,910
Resource Science Arabia Limited (RSAL)	Xenel Industries (SISCO shareholder) is also a shareholder of RSAL. Mr. Aamer A. Alireza (SISCO Board member) is chairman of RSAL.	Payments made by RSGT. Purchase of consultancy.	27,287 93,533
Xenel Industries Limited (XIL)	XIL is a shareholder of SISCO and Mr. Mohammed A. Alireza and Mr. Aamer A. Alireza (SISCO board members) are also board members of XIL.	Payments made by the Group on behalf of affiliate. Expenses incurred by affiliate on behalf of the Group.	680,988 2,108,884
Water and Environmental Services Co. Ltd.	Subsidiary of a partner in Kindasa.	Purchase of desalinated water by Kindasa.	21,782,741
Stork Technical Services Saudi Co. Ltd.	STS Saudi is an associated company of SISCO and Mr. Mohammed M.Kamal Al-Mudarres (SISCO CEO) and Mr. Farooq A. Shaikh (SISCO CFO) are board members of STS Saudi.	Sale of services by Isnad. Expenses incurred by Group on behalf of associate. Payments made by the Group on behalf of affiliate.	34,209 626,560 1,869,550
Al Jabr Talke Co. Ltd. (SA Talke)	SA Talke is an associated company of SISCO and Mr. Mohammed M.Kamal Al-Mudarres (SISCO CEO) and Mr. Aamer A. Alireza (SISCO Board members) are board members of SA Talke.	Expenses incurred by Group on behalf of associate. Expenses incurred by affiliate on behalf of associate. Receipt of shareholders' loan from SA Talke to SISCO.	617,533 603,778 5,146,825
Halwani Bros Co.	Mr. Saleh A. Hefni (SISCO Board Member) is CEO and authorized board member of Halwani Bros.	Sale of water by Kindasa.	753,432
Hidada	Hidada is owned by Xenel Industries (one of SISCO shareholder). Mr. Adnan Maimani (SISCO Board member) is a board member of Hidada.	Purchase and installation of steel reefer racks by RSGT.	950,604
Saudi Cables Co.	Xenel Industries (a SISCO shareholder) is also a significant shareholder in Saudi Cable. Mr. Adnan A. Maimani (a SISCO board member) is also a board member of Saudi Cables.	Warehouse / Land lease and other services by Tusdeer.	854,179
Arabian Bulk Trade Co. Ltd (ABT)	ABT is owned by Xenel Industries (one of SISCO shareholder) and Mr. Mohammed A. Alireza (SISCO Chairman) and Mr. Aamer A. Alireza (SISCO board member) are also board members of ABT.	Warehouse / Land lease and other services by Tusdeer.	1,494,372

## BOARD AND MANAGEMENT REMUNERATION

SISCO' Board and committee members are compensated through annual remuneration and meeting attendance fee based on the rules and regulations stipulated by the Ministry of Commerce & Industry and in accordance with the Company's Articles of Association.

Executives of the company are compensated in the form of salaries, allowances, bonus and benefits in kind according to contracts signed with them.

Compensation and benefits paid to Board Members and Senior Executives during 2014 are as follows:

DESCRIPTION	INDEPENDENT	NON-EXECUTIVE	EXECUTIVE	MANAGEMENT <sup>1</sup>	TOTAL
Salaries & Benefits	-	-	-	3,687,851	<b>3,687,851</b>
Meeting Attendance Fee	57,000	72,000	-	-	<b>129,000</b>
Annual Remuneration / Bonus <sup>2</sup>	600,000	800,000	-	1,001,879	<b>2,401,879</b>
Committee Remuneration <sup>2</sup>	225,000	450,000	-	-	<b>675,000</b>
<b>TOTAL</b>	<b>882,000</b>	<b>1,322,000</b>	<b>-</b>	<b>4,689,730</b>	<b>6,893,730</b>

1) For top 5 senior executives including CEO and CFO of the Company.

2) As approved in the Annual General Assembly Meeting No. 23 held on 05<sup>th</sup> May 2015.

## BOARD DECLARATION / CONFIRMATION

In accordance with the requirements of Article (43) of the Registration and Listing Rules and Article (9) of the Corporate Governance Regulations, to ensure the Board's commitment to highlight the applicable and non-applicable requirements under these Articles, the Board confirms the following:

Not applicable items from Article (43) of CMA listing rules:

SUB CLAUSE	DECLARATION / CONFIRMATION REQUIREMENTS
(13)	A description of the classes and numbers of any convertible debt instruments, any contract based securities, warrants, or similar rights issued or granted by the Company during the financial year, together with the consideration received by the Company.
(14)	A description of any conversion or subscription rights under any convertible debt instruments, contract based securities, warrants, or similar rights issued or granted by the Company.
(15)	A description of any redemption or purchase or cancellation by the Company of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the Company and those purchased by its subsidiaries.
(19)	A description of waiving any salary and compensation by an arrangement or agreement with a director or a senior executive of the Company.
(20)	A description of any arrangement or agreement under which a shareholder of the issuer has waived any rights to dividends.
(22)	A statement as to the value of any investments made or any reserves set up for the benefit of employees of the issuer.
(25)	If the external auditor's report containing reservations on the relevant annual financial statements is qualified, the directors report must include such qualifications, its reasons and any related information; and
(26)	If the directors recommend that the external auditors should be changed before the elapse of the term it is appointed for, the report must contain a statement to that effect and the reason for such recommendation.

Pursuant to sub-clause (23) of article (43) of CMA listing rules, the Board of Directors of the Company hereby declare that:

- The Group's accounting records were properly prepared.
- Group's internal control systems and procedures are properly developed and effectively executed.
- There are no doubts about the Group's ability to continue its business activities.

The Board acknowledges that the Company during the year 2015 complied with Corporate Governance regulations issued by CMA, except for following recommended and / or non-applicable item(s):

ARTICLE NO.	DESCRIPTION	REASON FOR NON-COMPLIANCE
Article 6 Clause (b)	In voting in the General Assembly for nomination to the Board Members, the cumulative voting method shall be applied.	Company's Article of Association does not specify the use of cumulative voting, while electing the directors for the Board. The company will amend with Articles of associations in accordance with new Company Law of Saudi Arabia once it becomes effective.
Article 6 Clause (d)	Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and Corporate Governance Regulations ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.	Not Applicable
Article 12 Clause (i)	Judicial person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors.	Not Applicable

### PENALTY

Capital Market Authority imposed a penalty on SISCO for violation of Clause C or Article 45 of the listing rules of CMA. The violation was imposed as one of the website had speculated about SISCO declaring dividend before SISCO had made an official announcement on the Saudi Stock Exchange (Tadawul) website.

SISCO has appealed against this penalty in accordance with Capital Market Authority regulations.

## SHAREHOLDER INTERESTS

Information of the shareholding required under the reporting framework is as follows:

### Shareholders holding more than 5% of the paid-up voting share capital of the Company:

NAME	NO. OF SHARE AS OF 1/1/2015	% OF CAPITAL	NO. OF SHARE AS OF 31/12/2015	% OF CAPITAL	CHANGE	
					NO.	%
Xenel Industries Limited	9,994,104	14.69 %	9,994,104	14.69 %	-	-

### Shareholders holding more than 5% of the paid-up voting share capital of the Company:

NAME	NO. OF SHARE AS OF 1/1/2015	% OF CAPITAL	NO. OF SHARE AS OF 31/12/2015	% OF CAPITAL	CHANGE	
					SHARES	%
Mohamed A. Alireza	400,910	0.590	418,910	0.616	18,000	0.026
Adnan A. Maimani	239,700	0.352	239,700	0.352	-	-
Alawi M. Kamel	1,000	0.001	1,000	0.001	-	-
Saleh A. Hefni	1,000	0.001	1,000	0.001	-	-
Waleed A. Kayyal	2,000	0.002	2,000	0.002	-	-
Aamer A. Alireza	26,398	0.038	26,398	0.038	-	-
Abdulaziz A. Jazzar	17,000	0.025	17,000	0.025	-	-

## SHAREHOLDER STATISTICS

### Shareholding Pattern as of 31<sup>st</sup> December 2015:

NO.	OWNERSHIP OF SHARES	SHAREHOLDERS		SHARES	
		NO.	%	NO.	%
1.	Less than 20 shares	1,356	11.29	5,690	0.01
2.	From 20 to 99 shares	1,413	11.76	72,418	0.11
3.	From 100 to 499 shares	3,677	30.61	858,112	1.26
4.	From 500 to 999 shares	1,592	13.25	1,045,730	1.54
5.	From 1,000 to 19,999 shares	3,638	30.28	12,853,494	18.90
6.	From 20,000 to 99,999 shares	304	2.11	9,955,367	14.64
7.	From 100,000 to 999,999 shares	74	0.62	20,130,670	29.60
8.	From 1,000,000 to 4,999,999 shares	6	0.07	13,084,415	19.24
9.	More than 5,000,000 shares	1	0.01	9,994,104	14.70
	<b>Total</b>	<b>12,013</b>	<b>100.00%</b>	<b>68,000,000</b>	<b>100.00%</b>

### Shareholder Categories as of 31<sup>st</sup> December 2015:

NO.	CATEGORY OF SHAREHOLDER	NO. OF INVESTORS	TOTAL SHARES OWNED	%
1.	Individuals	11,954	44,044,199	64.77
2.	Corporations	24	14,555,386	21.41
3.	Investment Funds	35	9,400,415	13.82
	<b>Total</b>	<b>12,013</b>	<b>68,000,000</b>	<b>100.00%</b>

### Nationality of shareholders as of 31<sup>st</sup> December 2015:

NO.	NATIONALITY	CURRENT BALANCE	%
1.	Saudi	62,094,104	91.31
2.	Kuwait	2,529,278	3.72
3.	UAE	1,796,844	2.64
4.	USA	580,578	0.85
5.	Others (24 Countries)	999,196	1.50
	<b>Total</b>	<b>68,000,000</b>	<b>100.00%</b>

### Top five shareholders as of 31<sup>st</sup> December 2015 - CORPORATES:

NO.	NAME	CURRENT BALANCE	%
1.	Xenel Industries Limited	9,994,104	14.7
2.	Saudi Services and Operations Company	1,067,410	1.6
3.	Pearl of Gulf Trading Company	900,000	1.3
4.	Arabian Bulk Trading Company	584,500	0.9
5.	Yamama Cement Company	462,942	0.7
	<b>Total</b>	<b>13,008,956</b>	<b>19.1%</b>

### Top five shareholders as of 31<sup>st</sup> December 2015 - INVESTMENT COMPANIES AND FUNDS:

NO.	NAME	CURRENT BALANCE	%
1.	Financial Investment Fund No. 24	2,737,200	4.03
2.	National Investment Company	1,645,650	2.42
3.	EFG-Hermes UAE Ltd. / Swap	1,417,120	2.08
4.	Kuwait General Investment Authority	718,905	1.06
5.	ACADIAN AM / Swap	579,578	0.85
	<b>Total</b>	<b>7,098,453</b>	<b>10.44%</b>

## OUTLOOK & CALENDAR



## EXPECTATIONS AND PLANS FOR 2016\*

Despite the challenging economic forecast, increase in input prices with little possibility of passing on those increased prices, and decrease in consumer confidence level; the group companies have budgeted to deliver the same level of result as of last year and also continue to focus future growth opportunities.

1. TUSDEER signed a 30-year lease with Jeddah Development and Urban Regeneration Company to build and develop a logistics park in south of Jeddah. In addition to that, TUSDEER is engaged with other potential partners to develop new logistic centers in the Kingdom.
2. RSGT is in advance stages of -negotiation with authorities for its terminal expansion plans to increase its capability to handle mega-vessels simultaneously.
3. ISNAD's future focus is on development of a logistics hub in Jeddah Industrial City 1, design of which has been completed and construction is expected to start from third quarter of the year.
4. KINDASA is now working on new desalination plants out of Jeddah Islamic Port and it is expected that one new deal will be signed during the year.

As a result of SISCO's strategic assessment during 2015, the group has started working on various initiatives to further streamline its corporate structure in order to capitalize on new business opportunities and better respond to changing market dynamics.

\* This section of the Annual Report contains forward-looking statements. Such statements are subject to risks and economic and other uncertainties as various factors, many of which are beyond SISCO control, may cause actual development and results to differ materially from expectations contained in this report.

### Conversion to International Financial Reporting Standards

In accordance with Capital Market Authority directive number 2978/4 dated 25<sup>th</sup> March 2014, based on the letter number 4579/2014 from Director General of the Saudi Organization of Certified Public Accountants (SOCPA), SISCO group has already started working on a conversion plan to have its audited financial statements from 1<sup>st</sup> January 2017 to be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by SOCPA.

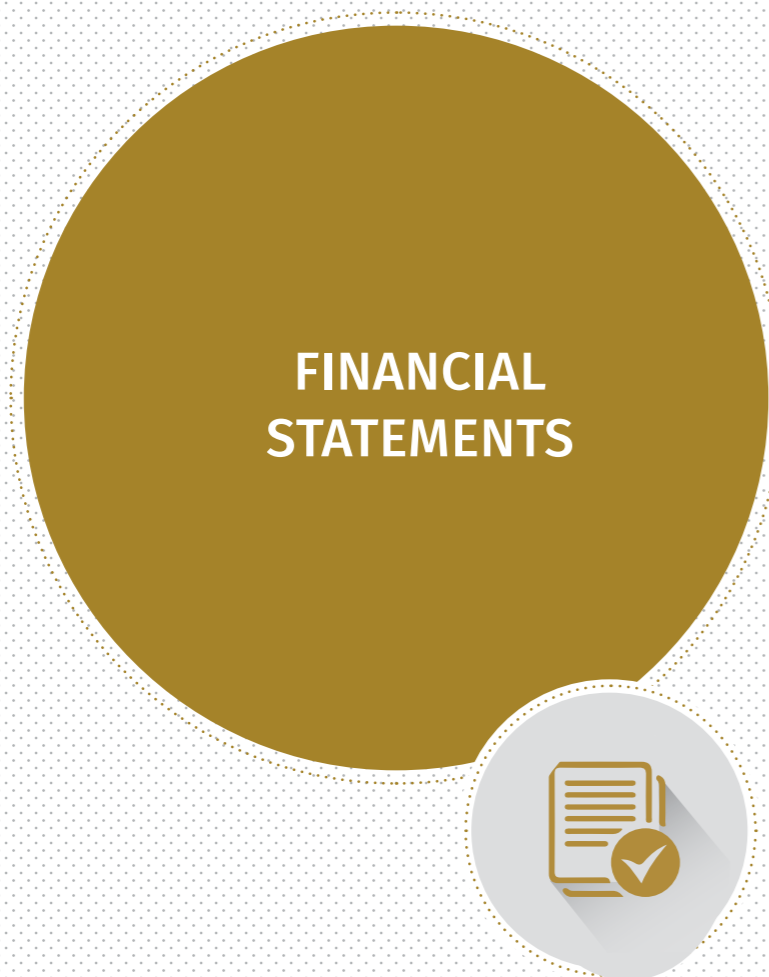
Salient features of the plan are as under:

PROJECTS STEPS	DETAILS	DELIVERABLES	KEY DATES
Project plan and approval	-Develop the Plan -Assess the needs	-Plan approval -Assessment and Selection of Project team	31 <sup>st</sup> Jan 2016
Gap analysis	-Identify difference between current accounting policies of the group under SOCPA and IFRS	-A thorough review of company's accounting policies and identification of key areas of changes including IT systems and reporting mechanisms. -Assessment of impact on Company's 2016 opening balances.	31 <sup>st</sup> Mar 2016
Revised policy and IFRS adoption options	-Development of new accounting policy manual of the group -Review of first time IFRS adoption options for the group	-Approval of new accounting policy manual and first time adoption options by the Board. -Actuarial valuation of liabilities related to employees -Preparation of 2016 opening balance sheet of the company in accordance with IFRS.	31 <sup>st</sup> May 2016
Roll-Out of Conversion Plan	-Implementation of the conversion plan across all group companies -Assessment of IT systems and reporting framework	-Roll-out of implementation plan -Incorporation of changes to group's accounting policies. -Review report on group's consolidation procedures, IT systems, tax/zakat implications.	30 <sup>th</sup> June 2016
Training	-IFRS Training of group employees	-A workshop with all relevant employees to brief them about the changes and how IFRS will impact future financial reporting	31 <sup>st</sup> Oct 2016

SISCO board approved the IFRS conversion program in its board meeting held in January 2016 and has constituted a project implementation team from group employees, who are qualified in the field of accounting and have prior experience of working with IFRS. The board has also authorized them to engage external advisors, if needed, to support them in the process and for actuarial valuations.

All main subsidiary and associated companies of SISCO group will implement IFRS at the same time and issue 2017 financial statements accordingly. Further, the external audit engagement for the year 2016 will also include a requirement to issue special purpose financial statements in accordance with IFRS in order to have audited comparatives from year 2016 when the official reporting under IFRS starts from year 2017.





**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2015  
with

**INDEPENDENT AUDITOR'S REPORT**



KPMG AL Faisala & Partners  
Chartered Public Accountants  
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Kingdom of Saudi Arabia

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KPMG is the U.S. member firm of the KPMG

## INDEPENDENT AUDITORS' REPORT

The Shareholders  
Saudi Industrial Services Company  
Jeddah, Kingdom of Saudi Arabia.

We have audited the accompanying consolidated financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries (collectively referred as "the Group") which comprise the consolidated balance sheet as at December 31, 2015 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 34 which form an integral part of the consolidated financial statements.

### *Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Article 123 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. 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 misstatements.

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 these risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies 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 opinion.

كافة البيانات والمعلومات الواردة في هذا التقرير  
هي من إعداد المحاسبين المقيمين في المملكة العربية  
السعودية ولا يمكن الاعتماد عليها في أي قرار مالي  
أو استثماري آخر.







### Opinion

In our opinion, the consolidated financial statements taken as a whole:

- 1) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015 and the consolidated results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group, and
- 2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Partners

Ibrahim Ubaid Hachson  
License No. 382



Jeddah on 14 Jumada Al Awal 1437H  
Corresponding to 23 February 2016

## CONSOLIDATED BALANCE SHEET

As at 31 December 2015 (Expressed in Saudi Arabian Riyals)

	NOTES	2015	2014
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	252,669,021	273,438,500
Accounts and other receivables	5	118,565,253	101,303,911
Inventories	6	37,172,077	27,495,716
<b>Total current assets</b>		<b>408,406,351</b>	<b>402,238,127</b>
<b>Non-current assets:</b>			
Investments	7	114,541,576	107,765,862
Property, plant and equipment	8	707,653,503	633,921,633
Intangible assets - quay project	9	1,361,120,885	1,428,749,367
Goodwill	10	8,776,760	8,776,760
<b>Total non-current assets</b>		<b>2,192,092,724</b>	<b>2,179,213,622</b>
<b>Total assets</b>		<b>2,600,499,075</b>	<b>2,581,451,749</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable and other current liabilities	12	149,611,630	133,526,600
Current portion of long-term loans and bank facilities	13	112,482,638	109,794,842
<b>Total current liabilities</b>		<b>262,094,268</b>	<b>243,321,442</b>
<b>Non-current liabilities:</b>			
Non-current portion of long-term loans and bank facilities	13	838,185,086	946,159,881
Other long-term liabilities	14	44,661,233	37,379,103
Employees' end of service benefits	15	21,638,938	17,936,255
Derivative financial instruments	16	13,040	6,787,990
<b>Total non-current liabilities</b>		<b>904,498,297</b>	<b>1,008,263,229</b>
<b>Total liabilities</b>		<b>1,166,592,565</b>	<b>1,251,584,671</b>
<b>Equity attributable to the shareholders' of Parent Company</b>			
Share capital	17	680,000,000	680,000,000
Share premium		36,409,063	36,409,063
Statutory reserve	18	30,549,496	21,498,599
Special reserve	19	15,265,205	10,739,756
Other reserves		13,151,743	9,344,571
Retained earnings		196,638,201	155,105,577
<b>Total equity attributable to the shareholders' of Parent Company</b>		<b>972,013,708</b>	<b>913,097,566</b>
<b>Non-controlling interests</b>		<b>461,892,802</b>	<b>416,769,512</b>
<b>Total equity</b>		<b>1,433,906,510</b>	<b>1,329,867,078</b>
<b>Total liabilities and equity</b>		<b>2,600,499,075</b>	<b>2,581,451,749</b>

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014 (Expressed in Saudi Arabian Riyals)

	NOTES	2015	2014
<b>Continuing Operations:</b>			
Revenue	22	616,084,082	560,998,881
Costs of revenue	23	(311,217,128)	(277,374,659)
<b>Gross profit</b>		<b>304,866,954</b>	<b>283,624,222</b>
General and administrative expenses	24	(120,209,798)	(110,801,192)
Selling and distribution expenses	25	(14,219,801)	(13,620,513)
<b>Operating profit</b>		<b>170,437,355</b>	<b>159,202,517</b>
Share in net income / (loss) from equity accounted associates, net	7-2	9,066,007	(304,502)
Other income, net	26	2,123,823	7,939,197
Financial charges		(32,646,172)	(36,532,063)
Income before Zakat from continuing Operations		<b>148,981,013</b>	<b>130,305,149</b>
Discontinued Operations:			
Net profit for the year from Discontinued Operations	11	1,074,322	893,329
		<b>150,055,335</b>	<b>131,198,478</b>
Zakat	27	(8,119,685)	(7,566,373)
<b>Net income for the year</b>		<b>141,935,650</b>	<b>123,632,105</b>
<b>Net income attributable to:</b>			
-Shareholders' of the Parent Company		90,508,970	78,077,459
-Non-controlling interest's share of net income in subsidiaries		51,426,680	45,554,646
<b>Net income for the year</b>		<b>141,935,650</b>	<b>123,632,105</b>
Earnings per share on operating profit for the year	28 (a)	<b>2.51</b>	<b>2.34</b>
Earnings per share from net income for the year attributable to the Shareholders' of the Parent Company	28 (b)	<b>1.33</b>	<b>1.15</b>

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015 (Expressed in Saudi Arabian Riyals)

	NOTES	2015	2014
<b>Operating activities:</b>			
Income before Zakat and non-controlling interests from continuing operations		148,981,013	130,305,149
Adjustments for:			
Depreciation and amortization	8.4 & 9	114,631,996	109,613,668
Provision for employees' end of service benefits	15	5,738,385	5,251,167
(Gain) / loss on disposal of property, plant and equipment	26 & 11	(167,533)	98,005
Share of in net (income) / loss from equity accounted associates, net	7-2	(9,066,007)	304,502
Other provisions		6,414,767	5,755,619
Provision for doubtful debts	5 (b)	969,538	887,011
Provision for inventories		100,000	-
Net profit from discontinued operations	11	1,074,322	893,329
Provision for asset replacement cost	14	7,303,983	11,036,431
Financial charges		32,646,172	36,532,063
		<b>308,626,636</b>	<b>300,676,944</b>
Changes in operating assets and liabilities:			
Accounts and other receivables		(18,230,880)	449,406
Inventories		(9,776,361)	(8,536,632)
Accounts payable and other current liabilities		19,398,803	19,373,341
<b>Cash generated from operating activities</b>		<b>300,018,198</b>	<b>311,963,059</b>
Employees' end of service benefits paid	15	(2,035,702)	(1,070,852)
Financial charges paid		(32,347,275)	(36,085,898)
Zakat and tax paid	27	(11,732,355)	(9,925,957)
<b>Net cash generated from operating activities</b>		<b>253,902,866</b>	<b>264,880,352</b>
<b>Investing activities:</b>			
Investments in associates	7.2	-	(11,250,000)
Dividend received from associates	7.2	1,960,000	-
Net movement in assets and liabilities held for sale		-	499,446
Additions to property, plant and equipment	8	(127,462,178)	(79,266,198)
Proceeds from disposal of property, plant and equipment		479,560	694,333
<b>Net cash used in investing activities</b>		<b>(125,022,618)</b>	<b>(89,322,419)</b>
<b>Financing activities:</b>			
Net change in loans and bank facilities		(105,286,999)	(85,168,558)
Dividend and other distributions	33	(35,400,000)	-
Net change in other long term liabilities		(21,853)	(4,443,516)
Net movement in non-controlling interests		(8,940,875)	(21,925,525)
<b>Net cash used in financing activities</b>		<b>(149,649,727)</b>	<b>(111,537,599)</b>
<b>Net change in cash and cash equivalents</b>		<b>(20,769,479)</b>	<b>64,020,334</b>
Cash and cash equivalents at the beginning of the year		273,438,500	209,418,166
<b>Cash and cash equivalents at the end of the year</b>	4	<b>252,669,021</b>	<b>273,438,500</b>
<b>Non-cash supplementary information:</b>			
Change in fair value of derivative financial instruments	16	(6,774,950)	380,310
Change in fair value of available for sale investments	7	(330,293)	8,836,068

The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014 (Expressed in Saudi Arabian Riyals)

### Equity attributable to the shareholders' of the Parent Company

					Other Reserves		CASH FLOW HEDGING RESERVE	UNREALIZED GAIN ON AVAILABLE FOR SALE INVESTMENT	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	SHARE PREMIUM	STATUTORY RESERVE	SPECIAL RESERVE	EFFECT OF REDUCING THE OWNERSHIP PERCENTAGE IN A SUBSIDIARY (NOTE 20)							
Balance at January 1, 2015	680,000,000	36,409,063	21,498,599	10,739,756	4,653,218		(4,144,715)	8,836,068	155,105,577	913,097,566	416,769,512	1,329,867,078
Net income	-	-	-	-	-		-	-	90,508,970	90,508,970	51,426,680	141,935,650
Transfer to reserves	-	-	9,050,897	4,525,449	-		-	-	(13,576,346)	-	-	-
Net movement in non-controlling interests	-	-	-	-	-		-	-	-	-	(8,940,875)	(8,940,875)
Dividend paid (note 33)	-	-	-	-	-		-	-	(34,000,000)	(34,000,000)	-	(34,000,000)
Other distributions (note 33)	-	-	-	-	-		-	-	(1,400,000)	(1,400,000)	-	(1,400,000)
Changes in fair value of available for sale investments (note 7.3)	-	-	-	-	-		-	(330,293)	-	(330,293)	-	(330,293)
Changes in fair value of derivative financial instruments (note 16)	-	-	-	-	-		4,137,465	-	-	4,137,465	2,637,485	6,774,950
<b>Balance at December 31, 2015</b>	<b>680,000,000</b>	<b>36,409,063</b>	<b>30,549,496</b>	<b>15,265,205</b>	<b>4,653,218</b>		<b>(7,250)</b>	<b>8,505,775</b>	<b>196,638,201</b>	<b>972,013,708</b>	<b>461,892,802</b>	<b>1,433,906,510</b>
Balance at January 1, 2014	680,000,000	36,409,063	13,690,853	6,835,883	4,653,218		(3,923,156)	-	88,739,737	826,405,598	393,299,142	1,219,704,740
Net income	-	-	-	-	-		-	-	78,077,459	78,077,459	45,554,646	123,632,105
Transfer to reserves	-	-	7,807,746	3,903,873	-		-	-	(11,711,619)	-	-	-
Net movement in non-controlling interests	-	-	-	-	-		-	-	-	-	(21,925,525)	(21,925,525)
Changes in fair value of available for sale investments (note 7.3)	-	-	-	-	-		-	8,836,068	-	8,836,068	-	8,836,068
Changes in fair value of derivative financial instruments (note 16)	-	-	-	-	-		(221,559)	-	-	(221,559)	(158,751)	(380,310)
<b>Balance at December 31, 2014</b>	<b>680,000,000</b>	<b>36,409,063</b>	<b>21,498,599</b>	<b>10,739,756</b>	<b>4,653,218</b>		<b>(4,144,715)</b>	<b>8,836,068</b>	<b>155,105,577</b>	<b>913,097,566</b>	<b>416,769,512</b>	<b>1,329,867,078</b>

The accompanying notes 1 through 34 form an

integral part of these consolidated financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014 (Expressed in Saudi Arabian Riyals)

### 1. ORGANISATION AND PRINCIPAL ACTIVITIES

Saudi Industrial Services Company ("the Company" or "the Parent Company" or "SISCO") is a joint stock company incorporated in accordance with Saudi Arabian Regulations for Companies under the Ministry of Commerce Resolution No. 223 of Rabi Awwal 7, 1409 H (corresponding to October 18, 1988) and registered under Commercial Registration No. 4030062502 dated Rabi Thani 10, 1409H (corresponding to November 20, 1988). The objective of the Company is to invest in and manage subsidiaries in addition to maintenance, operations and management of factories, industrial facilities, construction of residential buildings and all related facilities such as entertainment centers, malls, restaurants, catering projects, construction of hospitals and buildings to provide health services to factory and industrial company workmen, marketing factory products locally and worldwide, provide services and participate in formation of companies.

#### The registered head office of the Company is located at the following address:

Saudi Business Center  
P. O. Box 14221,  
Jeddah 21424,  
Kingdom of Saudi Arabia.

These consolidated financial statements include assets, liabilities and the results of the operations of the Company and its following subsidiaries (collectively referred as "Group"):

COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE SHAREHOLDING		PRINCIPAL ACTIVITIES
		2015	2014	
Saudi Trade and Export Development Company Limited ("Tusdeer")	Saudi Arabia	76%	76%	Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Company – Closed Joint Stock Company ("Kindasa")*	Saudi Arabia	60%	60%	Water desalination and treatment plant and sale of water.
Support Services Operation Company Limited ("ISNAD")	Saudi Arabia	99.28%	99.28%	Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease.
Red Sea Gateway Terminal Company Limited (RSGT)	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.
Red Sea Port Development Company – Closed Joint Stock Company ("RSPD")	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

\* During the year, the legal status of the company was changed from limited liability company to a closed joint stock company on June 14, 2015.

### 2. BASIS OF PREPARATION

#### Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by Saudi Organization for Certified Public Accountants (SOCPA).

#### Functional and presentation currency

These accompanying consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency of the Group.

#### Comparative figures

Certain comparative figures have been regrouped to conform to the presentation in the current period.

#### Accounting convention

The consolidated financial statements have been prepared under the historical cost convention, except for available for sale investments and derivative financial instruments which are measured at fair value, using accrual basis of accounting and going concern assumption.

#### Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. The key areas requiring significant management judgements and estimates are as follows:

##### Impairment of accounts receivable and other current assets

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

##### Provision for slow moving inventory items

The Group makes a provision for slow moving inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

##### Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

##### Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable in part or full. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the consolidated statement of income. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

##### Impairment of available for sale investments

The Group exercises judgement to consider the impairment of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgement. The Group also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Impairment losses once recognized are not reversible.

##### Impairment of intangible assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses once recognized are not reversible.

##### Impairment of non-financial assets

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset (including assets classified as held for disposal) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.



#### Provision for equipment replacement cost

Provision for asset replacement cost is assessed periodically based on the Build, Operate and Transfer Agreement and is discounted at a rate reflective of the term of the obligation.

#### Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied by the Group for the preparation of these consolidated financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation.

#### Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries as set out in note 1.

#### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries, which are prepared for the same reporting period as the Parent Company using consistent accounting policies, are included in the consolidated financial statements from the date that control commences until the date control ceases.

All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

#### Non-controlling interests

Non-controlling interest ("NCI") represents the interest in subsidiary companies, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interest parties are treated as transactions with parties external to the Group.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less.

#### Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

#### Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Provision is made where necessary for obsolete and slow moving inventories.

#### Investment in associates

The Group's investment in associates is accounted for under the equity method of accounting. These are entities over which the Group exercises significant influence, but not control, over the financial and operating policies and generally accompanying a shareholding between 20% and 50% of voting rights in the investee. Investment in associates are carried in the consolidated balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value based on its latest financial statements at each reporting date. The consolidated statement of income reflects the Group's share of the results of its associate. Where there has been a change recognized directly in the equity of associate, the Group recognizes its share of any changes and discloses this when applicable in the consolidated statement of changes in equity. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. The financial statements of the associates are prepared for the same period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Dividends are recorded when received and credited to the investment.

#### Available for sale investments

Investments purchased neither with the intention of being held to maturity nor for trading purposes are designated as available for sale investments and initially recorded at fair value plus any directly attributable transaction costs and subsequently measured at fair value. Unrealised gains and losses reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity, is included in the consolidated statement of income for the period.

Fair value is determined by reference to the market value in the open market. If fair value is not available, cost is considered to be the most appropriate objective and reliable measurement of the fair value of investments. Dividend income is recognized when the right to receive the dividend is established.

#### Property, plant and equipment

Free hold land is not depreciated. The development cost of leasehold land and the buildings constructed thereon are depreciated over the shorter of estimated useful life or the remaining period of lease and stated at cost net of accumulated depreciation and any impairment in value. Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment in value. Depreciation is calculated on the basis of estimated useful lives of property, plant and equipment using straight line method. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required substantially to complete and prepare those assets for its intended use.

Expenditure for repair and maintenance are charged to the consolidated statement of income. Cost of improvements that increase the value or materially extend the life of the related assets are capitalized.

Expenditure for repair and maintenance are charged to the consolidated statement of income. Cost of improvements that increase the value or materially extend the life of the related assets are capitalized.

#### Capital work-in-progress

Capital work-in-progress is measured at cost less impairment losses, if any, and not depreciated until such time the assets are

#### The estimated economic useful lives of assets are as follows:

Buildings	Shorter of lease period or 10 - 40 years
Leasehold improvements	Shorter of lease period or 10 - 35 years
Plant and equipment	7 - 25 Years
Desalination plants, water filling stations and accessories	8 - 21 Years
Machinery and equipment	8 - 25 Years
Motor vehicles and tankers	4 - 10 Years
Furnitures and fixtures	2 - 10 Years
Computers and equipments	2- 7 Years

ready for intended use and transferred to the respective category under property, plant and equipment.

#### Intangible asset - quay project

##### Port concession rights

The Group's port terminal operations are conducted pursuant to a long-term concession arrangement. The Group recognises port concession rights arising from a service concession arrangement, in which the public sector ("the grantor") controls or regulates the services provided, the prices charged and also controls any significant residual interest in the infrastructure such as property and equipment if the infrastructure is existing infrastructure of the grantor or the infrastructure is constructed or purchased by the Group as part of the service concession arrangement.

The Group has adopted the guidance in International Financial Reporting Standards which is included in IFRIC 12 – Service concession arrangements ("IFRIC 12") issued by the International Financial Reporting Interpretations Committee of the International



Accounting Standards Board to account for the costs incurred for the construction of container terminal (port concession rights) as there is no related guidance available under accounting standards issued by SOCPA. Pursuant to IFRIC 12, costs incurred under service concession arrangements are recognized as an intangible asset.

The port concession rights include all costs incurred towards construction of the container terminal. The port concession rights are stated at cost, less amortization of cost over the useful lives of the assets from the date of commencement of operations and impairment losses, if any.

#### *Right to use land*

Right to use land is measured on initial recognition at cost. Following initial recognition, right to use land is carried at cost less any accumulated amortisation and any accumulated impairment losses. Right to use land is amortized over the concession period on straight line basis.

#### **Goodwill**

Goodwill represents the increase in the cost of investment over the Company's share in the net fair value of investee's net assets, liabilities and contingencies as at acquisition date. Goodwill is subsequently recognized at cost, net of any accumulated impairment losses. The carrying value of goodwill is reviewed annually to determine whether any objective indicator of impairment exists, unless an event or change in circumstances occurs during the year indicating an impairment of the carrying value which requires a valuation of goodwill during the year. Goodwill includes Company's share and the minority share.

For impairment test, the goodwill for subsidiaries is determined individually, as each subsidiary is considered an independent cash generating unit.

The impairment is determined by reviewing the realizable amount of cash generating unit (subsidiary), the acquisition of which has given rise to goodwill. Where the realizable amount of a subsidiary is less than its carrying value, an impairment loss is recognized in the consolidated statement of income.

#### **Deferred charges**

Deferred charges primarily comprise pre-incorporation and pre-operating expenses incurred during pre-incorporation period and prior to commencement of commercial operations of the Company and its subsidiaries, net of non-operating revenue earned during incorporation period. Deferred charges for which future economic benefits are certain and evident are stated at cost less amortization using straight line method over seven years and impairment losses, if any.

#### **Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

#### **Employees' end of service benefits**

Provision is made for amounts payable to employees for their accumulated periods of service at the consolidated balance sheet date under the Saudi Arabian labour law.

For companies operating outside the Kingdom of Saudi Arabia, employees' end of service benefits, calculated in accordance with labour regulations of the countries of incorporation of the Group member companies, are accrued and charged to the consolidated statement of income.

#### **Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources embodying will be required to settle the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, where appropriate, current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **Derivative financial instruments**

The Group is using Profit Rate Swap contracts as hedging instruments to hedge its exposure to the variability in cash flows arising from profit payments on Ijara and other loan facilities obtained from banks. Hedging instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. Hedging instrument is carried as financial asset when the fair value is positive and as financial liability when the fair value is negative.

For the purpose of hedge accounting, hedging instrument is classified as cash flow hedge. The effective portion of the gain or loss on the hedging instrument is recognised directly in shareholders' equity in other reserves, while any ineffective portion is recognised immediately in the consolidated statement of income in financial charges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The docu-

ments include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed in an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Amount recognised in equity is transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial charges are recognized.

#### **Revenue recognition**

Sale is recognized when the goods are delivered and when risk and rewards are transferred.

Service revenue represents the invoiced value of services rendered by the Group during the period, net of trade discounts and Saudi Arabian Seaports Authority's ("SEAPA") share of revenue and are recognized when the amount of revenue can be measured reliably, on rendering of services to customers.

Construction revenue pertaining to construction of Port terminal is recognized using the percentage of completion method. Percentage of completion is determined by comparison of costs incurred to date with estimated total costs. When it is probable that the total costs will exceed the total contract revenue, the expected loss is recognized immediately.

Lease revenue from leased spaces and warehouses is recognised over respective lease periods. Lease revenue relating to subsequent years is deferred and recognised as income over future periods.

#### **Expenses**

Selling and distribution expenses are those arising from the Group's efforts underlying their marketing, selling and distribution functions. All other expenses, except cost of revenue and operations, are classified as general and administration expenses. Allocations of common expenses between cost of revenue and selling and distribution, general and administration expenses, when required, are made on a consistent basis.

#### **Finance costs**

Finance costs except for those, that are directly attributable to the construction of an asset are capitalised using capitalised rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed, are charged to the consolidated statement of income.

#### **Operating leases**

Operating lease payments are recognized as an expense in the consolidated statement of income on a straight line basis over the lease term.

#### **Zakat**

The Company and its subsidiaries are subject to zakat and income tax in accordance with the regulations of Saudi Department of Zakat and Income Tax ("DZIT"). Company's zakat and its share in zakat of subsidiaries are charged to consolidated statement of income. Zakat and income tax attributable to other Saudi and foreign shareholders of the consolidated subsidiaries are charged to minority interest in the accompanying consolidated statement of balance sheet. Additional zakat and income tax liability, if any, related to prior years' assessments arising from DZIT are accounted for in the period in which the final assessments are finalized.

#### **Foreign currencies**

##### *Foreign currency transactions and balances*

Transactions in foreign currencies are recorded in Saudi Arabian Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate at the date of initial recognition.

##### *Foreign operations*

Assets and liabilities of foreign consolidated subsidiaries are converted into Saudi Arabian Riyals at the exchange rates in effect at the balance sheet date. The equity components of foreign subsidiaries with the exception of retained earnings of subsidiaries are translated at the exchange rates in effect at the dates the related items originated. The elements of foreign subsidiaries' income statements are translated using the weighted-average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiaries' financial statements into Saudi Arabian Riyals are reported as a separate component of equity (foreign currency translation reserve) attributable to shareholders of the Company in the consolidated financial statements.

##### **Assets and liabilities classified as held for disposal and discontinued operations**

Non-current assets, or a disposal group comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.



Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's other accounting policies generally at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in the consolidated statement of income. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on abandonment or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of income is re-presented as if the operation had been discontinued from the start of the comparative year.

#### Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

#### Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. As the Group carries out its business activities mainly in the Kingdom of Saudi Arabia, reporting disclosures in the consolidated financial statements is provided by business segment only (note 32).

#### Dividends

Dividends are recorded in the period in which they are approved by the shareholders

### 4. CASH AND CASH EQUIVALENTS

	2015	2014
Cash on hand	284,146	306,524
Cash at banks	146,384,875	223,131,976
Murabaha term deposits	106,000,000	50,000,000
	<b>252,669,021</b>	<b>273,438,500</b>

### 5. ACCOUNTS AND OTHER RECEIVABLES

	2015	2014
Trade receivables, net (note 'a' below)	70,072,009	43,935,420
Advances to suppliers	-	574,000
Margin deposits (note 29)	11,510,996	23,773,256
Amounts due from related parties (note 21)	3,471,436	10,498,251
Prepayments	22,329,351	16,339,941
Other receivables	11,181,461	6,183,043
	<b>118,565,253</b>	<b>101,303,911</b>

#### a) Trade receivables as at 31 December comprise the following:

	2015	2014
Due from related parties (note 21)	15,767,550	9,280,942
Third party customers	57,389,428	37,208,801
	73,156,978	46,489,743
Less: provision for doubtful debts (note 5(b))	(3,084,969)	(2,554,323)
	<b>70,072,009</b>	<b>43,935,420</b>

The Group does not have any collateral over receivables and accordingly are unsecured.

#### b) Movement in provision for doubtful debts is as follows:

	2015	2014
At the beginning of the year	2,554,323	2,202,834
Provision for the year	969,538	887,011
Written off during the year	(438,892)	(535,522)
	<b>3,084,969</b>	<b>2,554,323</b>

The Group does not have any collateral over receivables and accordingly are unsecured.

	UP TO THREE MONTHS	ABOVE THREE AND UP TO SIX MONTHS	ABOVE SIX MONTHS	TOTAL
December 31, 2015	68,939,372	1,123,405	3,094,201	<b>73,156,978</b>
December 31, 2014	42,815,491	1,342,244	2,332,008	46,489,743



## 6. INVENTORIES

	2015	2014
Spare parts	36,959,775	27,331,155
Raw materials and chemicals	85,280	48,830
Fuel, oil and desalinated water	127,022	115,731
	<b>37,172,077</b>	<b>27,495,716</b>

## 7. INVESTMENTS

	2015	2014
Investment in associates (note 7.1 below)	96,465,651	89,359,644
Available for sale investment - unquoted (note 7.3 below)	18,075,925	18,406,218
	<b>114,541,576</b>	<b>107,765,862</b>

### 7.1 As at 31 December the investment in associates comprises the following:

ASSOCIATES	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	EFFECTIVE SHAREHOLDING PERCENTAGE	2015	2014
International Water Distribution Company Limited	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	50%	48,123,318	44,503,751
Saudi Water and Environmental Services Company (note 'i' below)	Electrical, water and mechanical works and related operation and maintenance	Kingdom of Saudi Arabia	29.4%	17,516,874	16,925,767
Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	33.33%	23,032,422	16,514,221
Stork Technical Services Saudi Company Ltd. (note 'ii' below)	Maintenance and operations of power, oil, gas, desalination and petrochemical plants and calibration of machinery and electrical equipment	Kingdom of Saudi Arabia	45%	6,012,269	7,724,250
Xenmet SA, Vaduz (note 'iii' below)	Trading, storage and brokerage of commodities	Kingdom of Saudi Arabia	19%	1,780,768	3,691,655
				<b>96,465,651</b>	<b>89,359,644</b>

i. Saudi Water and Environmental Services Company is 49% (31 December 2014: 49%) owned by Kindasa Water Services Company (a subsidiary), which is 60% (31 December 2014: 60%) owned by the Parent Company.

ii. Xenmet SA, Vaduz is 25% (31 December 2014: 25%) owned by Saudi Trade and Export Development Company Limited (a subsidiary), which is 76% (31 December 2014: 76%) owned by the Parent Company.

### 7.2 Movements in investments in associates are as follows:

	2015	2014
At the beginning of the year	89,359,644	78,414,146
Investments during the year	-	11,250,000
Dividend received during the year	(1,960,000)	-
Share of results of associates, net	9,066,007	(304,502)
	<b>96,465,651</b>	<b>89,359,644</b>

### Summarised financial information of equity accounted investees are as follows:

	INVESTEE NAME				
	INTERNATIONAL WATER DISTRIBUTION COMPANY LIMITED	SAUDI WATER AND ENVIRONMENTAL SERVICES COMPANY	AL JABR TALKE COMPANY LIMITED	STORK TECHNICAL SERVICES SAUDI ARABIA LIMITED	XENMET SA, VADUZ
	<b>2015</b>				
Assets	260,927,365	37,383,560	88,694,648	10,247,599	7,815,116
Liabilities	(164,680,730)	(1,634,838)	(30,457,076)	(7,887,002)	(578,546)
Revenues	202,419,347	20,573,022	151,849,411	2,592,058	296,351
Net income / (loss)	7,239,499	5,206,340	23,667,174	(3,917,036)	(7,656,904)
	<b>2014</b>				
Assets	261,719,179	36,718,848	87,663,127	13,944,662	17,319,908
Liabilities	(172,712,043)	(2,176,466)	(50,571,437)	(7,535,029)	(2,553,289)
Revenues	179,907,390	20,206,517	133,397,318	1,544,107	1,305,120
Net income/(loss)	325,692	5,707,453	15,244,799	(7,590,367)	(525,860)

### 7.3 Movement in available for sale investments is as follows:

	2015	2014
At the beginning of the year	18,406,218	9,570,150
Change in fair value	(330,293)	8,836,068
<b>At the end of the year</b>	<b>18,075,925</b>	<b>18,406,218</b>

## 8. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net comprises of the following:

	2015	2014
Property, plant and equipment (note 8.1)	265,913,579	276,940,711
Property and equipment of bonded and re-export project (note 8.2)	200,257,224	193,066,106
Property and equipment - quay project (note 8.3)	241,482,700	163,914,816
	<b>707,653,503</b>	<b>633,921,633</b>





8.1 The movement in property, plant and equipment is as follows:

	LAND	BUILDINGS	LEASEHOLD IMPROVEMENTS	MOTOR VEHICLES AND TANKERS	PLANT AND EQUIPMENT		FUNITURES AND FIXTURES	COMPUTERS	DESALINATION PLANTS (NOTE 8.1(A))	CAPITAL WORK IN-PROGRESS (NOTE 8.1(C))	TOTAL
<b>COST</b>											
At the beginning of the year	67,878,266	4,181,898	131,943	14,990,263	9,467,559		7,423,207	1,568,165	310,883,681	3,345,242	419,870,224
Additions	-	-	-	632,361	359,685		675,828	113,865	4,607,927	11,761,675	18,151,341
Provision for impairment loss (Note 8.1(d))	-	-	-	-	-		-	-	(6,414,767)	-	(6,414,767)
Written off	-	(4,181,898)	-	-	(533,395)		(176,951)	-	-	-	(4,892,244)
Disposals	-	-	-	(1,704,836)	(155,068)		(15,399)	-	(1,306,328)	-	(3,181,631)
Transfers	-	-	-	-	1,075,928		1,698,502	-	5,311,078	(8,085,508)	-
<b>At the end of the year</b>	<b>67,878,266</b>	<b>-</b>	<b>131,943</b>	<b>13,917,788</b>	<b>10,214,709</b>		<b>9,605,187</b>	<b>1,682,030</b>	<b>313,081,591</b>	<b>7,021,409</b>	<b>423,532,923</b>
<b>DEPRECIATION</b>											
At the beginning of the year	-	3,521,498	131,943	10,389,455	6,508,759		4,804,348	1,354,005	116,219,505	-	142,929,513
Charge for the year	-	660,400	-	1,440,838	980,633		903,115	95,503	18,371,190	-	22,451,679
Disposals	-	-	-	(1,562,422)	(155,069)		(6,799)	-	(1,145,314)	-	(2,869,604)
Written off	-	(4,181,898)	-	-	(533,395)		(176,951)	-	-	-	(4,892,244)
<b>At the end of the year</b>	<b>-</b>	<b>-</b>	<b>131,943</b>	<b>10,267,871</b>	<b>6,800,928</b>		<b>5,523,713</b>	<b>1,449,508</b>	<b>133,445,381</b>	<b>-</b>	<b>157,619,344</b>
<b>NET BOOK VALUE</b>											
<b>As at 31 December 2015</b>	<b>67,878,266</b>	<b>-</b>	<b>-</b>	<b>3,649,917</b>	<b>3,413,781</b>		<b>4,081,474</b>	<b>232,522</b>	<b>179,636,210</b>	<b>7,021,409</b>	<b>265,913,579</b>
As at 31 December 2014	67,878,266	660,400	-	4,600,808	2,958,799		2,618,860	214,160	194,664,176	3,345,242	276,940,711

a) The desalination plant and filling stations are situated on land leased from the Jeddah Islamic Port for a period of 20 years from 7 March 2000 corresponding to 1 Thual Hujja 1420 H. Kindasa Water Services Company Limited has the option of renewing the lease agreement on expiry of the initial lease term.

b) The property, plant and equipment of Kindasa Water Services Company Limited with a net book value of SR 188,030,389 (2014: SR 201,395,010) are mortgaged to Saudi Industrial Development Fund (note 13(a)).

c) Capital work-in-progress mainly represents extension to water desalination pipeline.

d) During the year, due to the current political and economic condition in Yemen, an impairment loss amounting to SR 6.4 million (2014: SR 5 million) was recognised in respect of the property, plant and equipment of Yemen Kindasa (a subsidiary of Kindasa Water Services Company Limited).



## 8.2 Property and equipment of bonded and re-export project

The movement in property and equipment of bonded and re-export project is as follows:

	LEASEHOLD IMPROVEMENTS	BUILDINGS	EQUIPMENT	CAPITAL WORK-IN PROGRESS (NOTE 8.2(A))	TOTAL
<b>COST</b>					
At the beginning of the year	118,360,983	135,882,114	3,483,142	7,634,982	265,361,221
Additions	101,750	-	-	15,036,974	15,138,724
Transfers	-	11,879,521	-	(11,879,521)	-
<b>At the end of the year</b>	<b>118,462,733</b>	<b>147,761,635</b>	<b>3,483,142</b>	<b>10,792,435</b>	<b>280,499,945</b>
<b>DEPRECIATION</b>					
At the beginning of the year	37,170,198	33,088,320	2,036,597	-	72,295,115
Charge for the year	3,282,778	4,302,044	362,784	-	7,947,606
<b>At the end of the year</b>	<b>40,452,976</b>	<b>37,390,364</b>	<b>2,399,381</b>	<b>-</b>	<b>80,242,721</b>
<b>NET BOOK VALUE</b>					
<b>As at 31 December 2015</b>	<b>78,009,757</b>	<b>110,371,271</b>	<b>1,083,761</b>	<b>10,792,435</b>	<b>200,257,224</b>
As at 31 December 2014	81,190,785	102,793,794	1,446,545	7,634,982	193,066,106

a) Capital-work-in progress mainly represents extension to the buildings and facilities.

## 8.3 Property and equipment - quay project

The movement in property and equipment – quay project is as follows:

	LEASEHOLD IMPROVEMENTS	MOTOR VEHICLES	FURNITURE AND FIXTURES	COMPUTERS AND EQUIPMENTS	MACHINERY AND EQUIPMENTS	CAPITAL WORK IN PROGRESS	TOTAL
<b>COST</b>							
At the beginning of the year	13,699,466	4,123,525	8,104,279	11,155,581	135,109,681	33,396,660	205,589,192
Additions	7,526,988	-	819,226	2,875,227	13,141,276	69,809,396	94,172,113
Transfers	16,640,649	-	3,924,189	38,308	1,602,795	(22,205,941)	-
<b>At the end of the year</b>	<b>37,867,103</b>	<b>4,123,525</b>	<b>12,847,694</b>	<b>14,069,116</b>	<b>149,853,752</b>	<b>81,000,115</b>	<b>299,761,305</b>
<b>DEPRECIATION</b>							
At the beginning of the year	2,158,606	2,817,102	3,993,273	7,789,302	24,916,093	-	41,674,376
Charge for the year	2,360,096	416,793	946,872	2,201,340	10,679,128	-	16,604,229
<b>At the end of the year</b>	<b>4,518,702</b>	<b>3,233,895</b>	<b>4,940,145</b>	<b>9,990,642</b>	<b>35,595,221</b>	<b>-</b>	<b>58,278,605</b>
<b>NET BOOK VALUE</b>							
<b>At 31 December 2015</b>	<b>33,348,401</b>	<b>889,630</b>	<b>7,907,549</b>	<b>4,078,474</b>	<b>114,258,531</b>	<b>81,000,115</b>	<b>241,482,700</b>
At 31 December 2014	11,540,860	1,306,423	4,111,006	3,366,279	110,193,588	33,396,660	163,914,816

a) Capital work-in-progress comprises the following:

	2015	2014
Civil works	4,751,405	11,530,044
Equipments	76,248,710	21,866,616
	<b>81,000,115</b>	<b>33,396,660</b>

8.4 Depreciation charge for the year has been allocated as follows:

	2015	2014
Cost of revenue	24,227,614	24,374,616
Selling and distribution expenses (note 25)	6,809,928	6,360,416
General and administration expenses (note 24)	15,238,537	11,698,945
Reclassified under discontinued operation	727,435	866,920
	<b>47,003,514</b>	<b>43,300,897</b>

## 9. INTANGIBLE ASSETS - QUAY PROJECT

	2015	2014
Civil works	1,331,555,732	1,398,059,741
Equipments	29,565,153	30,689,626
	<b>1,361,120,885</b>	<b>1,428,749,367</b>

a) Intangible assets – Quay project

	CONTAINER TERMINAL	COMPUTER EQUIPMENT & SOFTWARE	MACHINERY & EQUIPMENT	TOTAL
<b>COST</b>				
<b>At the beginning and end of the year</b>	<b>1,327,128,745</b>	<b>12,543,902</b>	<b>378,346,352</b>	<b>1,718,018,999</b>
<b>DEPRECIATION</b>				
At the beginning of the year	217,865,314	11,263,244	90,830,700	319,959,258
Charge for the year	47,331,174	607,337	18,565,498	66,504,009
<b>At the end of the year</b>	<b>265,196,488</b>	<b>11,870,581</b>	<b>109,396,198</b>	<b>386,463,267</b>
<b>NET BOOK VALUE</b>				
<b>As at 31 December 2015</b>	<b>1,061,932,257</b>	<b>673,321</b>	<b>268,950,154</b>	<b>1,331,555,732</b>
As at 31 December 2014	1,109,263,431	1,280,658	287,515,652	1,398,059,741

b) Saudi Trade and Export Development Company (Tusdeer) ("an affiliate of RSGT") had an agreement with Saudi Arabian Sea-ports Authority ("SEAPA") for the construction of a container terminal at the re-export zone of Jeddah Islamic Port. This Build-Operate-Transfer ("BOT") Service Concession Agreement with SEAPA has been novated by Tusdeer to RSGT, effective from 22 Shawal 1428H (corresponding to 3 November 2007), and the duration of this agreement is 32 years. As per the BOT agreement, at the end of the concession period, the property and equipment underlying the quay project's intangible assets shall be transferred to SEAPA.

c) The amortisation charge for the year ended December 31, 2015 amounting to SR 66,504,009 (2014: SR 66,312,771) has been included under costs of revenue.



d) The Ijara facilities have been secured against the intangible assets – quay project (note 13(b)).

e) Quay projects intangible assets are being amortised over the useful lives of the underlying assets (representing the property and equipment) or the remaining term of concession, whichever is shorter.

## 10. GOODWILL

Goodwill of SR 9.3 million (2014: SR 9.3 million) was recognised on acquisition of Kindasa Water Services Company, a subsidiary; and its carrying value as of December 31, 2015 is SR 8.8 million (2014: SR 8.8 million).

The management reviews goodwill for impairment annually and when there is an indicator of impairment. For the purposes of impairment testing, goodwill has been allocated to the associate (i.e. cash generating unit). The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management.

During the year ended December 31, 2015, goodwill has been reviewed for impairment and the management has ascertained that no impairment is required.

## 11. DISCONTINUED OPERATIONS

a) During the year, Support Services Operations Company (ISNAD) (a subsidiary of SISCO) received a notice from Saudi Industrial Property Authority (the Authority) No. 2/1/2733 issued on Dhul – Qadah 11, 1436H, corresponding to August 26, 2015, confirming the completion of the contract of Riyadh Services Station at the end of the lease term (Safar 20, 1437H, corresponding to December 2, 2015). As this resulted in the discontinuation of activity of the station, the net value of the buildings and other assets relating to the Riyadh Service Station were disposed off.

Net results of the discontinued operation were as follows:

	2015	2014
Sales	14,563,019	17,055,226
Cost of sales	(11,822,245)	(13,960,990)
<b>Gross Profit</b>	<b>2,740,774</b>	<b>3,094,236</b>
General and administrative expenses	(1,105,244)	(1,353,024)
Selling and distribution expenses	(612,708)	(684,210)
<b>Net operating profit</b>	<b>1,022,822</b>	<b>1,057,002</b>
Gain on disposal of property and equipment of discontinued operations	50,000	-
Other income	1,500	5,500
<b>Net profit from discontinued operation</b>	<b>1,074,322</b>	<b>1,062,502</b>

b) During 2013, the Board of Directors of Bahr Kindasa (a subsidiary of Kindasa) had decided to liquidate the entity and appointed a liquidator to perform the liquidation. Accordingly, during 2014, Bahr Kindasa Water Services Company Limited was liquidated and the remaining assets and liabilities of the entity were distributed between the shareholders in accordance with their percentage of shareholding.

Net results of the discontinued operation were as follows:

	2015	2014
<b>Expenses incurred and net loss for the year from discontinued operation</b>	<b>-</b>	<b>(169,173)</b>

## 12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2015	2014
Accrued expenses	63,990,707	49,316,782
Provision for Zakat contingency (note 27)	23,200,000	23,200,000
Unearned revenue	18,977,068	21,317,087
Other payables	15,462,604	5,232,645
Zakat payable (note 27)	9,962,179	9,572,066
Accounts payable	5,785,929	14,736,204
Amounts due to related parties (note 21)	5,038,080	5,992,736
Payable to Port authorities	4,012,511	2,316,489
Income tax payable (note 27)	1,137,999	1,402,517
Retention payable	2,044,553	440,074
	<b>149,611,630</b>	<b>133,526,600</b>

## 13. LONG TERM LOANS AND BANK FACILITIES

Long-term loans and bank facilities as at 31 December are as follows:

	2015	2014
Saudi Industrial Development Fund loan (note a)	18,000,000	26,800,000
Ijara facilities obtained from banks (note b)	907,734,221	989,307,944
Long-term loan (note c)	21,875,000	30,625,000
Long-term loan (note d)	1,558,503	5,721,779
Long-term loan (note e)	1,500,000	3,500,000
<b>Total long-term loans</b>	<b>950,667,724</b>	<b>1,055,954,723</b>
Less: current portion	(112,482,638)	(109,794,842)
<b>Non-current portion</b>	<b>838,185,086</b>	<b>946,159,881</b>

a) During 2003, Kindasa signed an agreement with Saudi Industrial Development Fund ("SIDF") for obtaining a loan of SR 64.5 million to finance the extension of the desalination plant. Out of this amount, Kindasa has drawn SR 61.2 million (2014: SR 61.2 million), the outstanding balance of which amounted to SR 18 million as at December 31, 2015 (2014: SR 26.80 million).

The loan is secured by the mortgage over Kindasa's property and equipment (note 8(b)) and personal guarantees from its shareholders. The loans agreements include certain covenants such as limiting rents, capital expenditure, dividends and maintenance of certain financial ratios. The loans are repayable over semi-annual instalments with maturity of up to July 2017.

	2015	2014
Long-term loan	18,000,000	26,800,000
Less: current portion	(9,000,000)	(8,800,000)
<b>Long-term portion</b>	<b>9,000,000</b>	<b>18,000,000</b>



b) During 2007, RSGT, entered into an Ijara arrangement with two banks to obtain a loan of SR 1,271 million. The Ijara facility is secured by the intangible assets of RSGT (note 9(d)). The remaining amount of loan will be repaid in semi-annual instalments, ending in December 2023. The loan bears commission rate of SIBOR plus an agreed margin.

The facility includes unamortised portion of the advance rentals and other fees paid to the banks, this will be amortised over the remaining period of the Ijara facility.

	2015	2014
Long-term Ijara financing	940,558,528	1,026,235,289
Less: Unamortized portion of advance rentals paid	(32,824,307)	(36,927,345)
	<b>907,734,221</b>	<b>989,307,944</b>
Less: current portion	(91,674,135)	(85,676,761)
<b>Non-current portion</b>	<b>816,060,086</b>	<b>903,631,183</b>

c) During 2013, Tusdeer entered into an agreement for a long-term loan facility with a commercial bank up to a maximum aggregate amount of SR 35 million. As at December 31, 2015 amount of SR 35 million has been utilised. The loan carries commission at commercial rates and is repayable in eight equal semi-annual instalments. The loan is secured by assigning rights of the rental income and through promissory notes.

	2015	2014
Long-term loan	21,875,000	30,625,000
Less: current portion	(8,750,000)	(8,750,000)
<b>Long-term portion</b>	<b>13,125,000</b>	<b>21,875,000</b>

d) In previous years, Kindasa obtained long-term Murabah finance from local commercial bank. The loan was received in 5 different periods, bearing a Murabaha rate from 4.8% to 6.1% per annum. The purpose of the Murabaha financing was to finance a project for Kindasa. The loan is repayable in quarterly installments with maturity of up to May 2016.

	2015	2014
Long-term Ijara financing	1,558,503	5,721,779
Less: Unamortized portion of advance rentals paid	(1,558,503)	(4,568,081)
<b>Non-current portion</b>	<b>-</b>	<b>1,153,698</b>

e) During 2013, Kindasa entered into an agreement for a long-term loan facility with a commercial bank up to a maximum aggregate amount of SR 6 million. As at December 31, 2015 amount of SR 6 million has been utilised. The loan carries commission at commercial rates and is repayable in twelve equal quarterly instalments with maturity of up to September 2016. The loans agreement include certain covenants such as restrictions on the use of funds for capital expenditure, dividend payments and routing of sales proceeds through bank account maintained with commercial bank.

	2015	2014
Long-term loans	1,500,000	3,500,000
Less: current portion	(1,500,000)	(2,000,000)
<b>Non-current portion</b>	<b>-</b>	<b>1,500,000</b>

#### 14. OTHER LONG-TERM LIABILITIES

	2015	2014
Provision for asset replacement cost (note "a")	44,425,073	37,121,090
Others	236,160	258,013
<b>Balance at December 31</b>	<b>44,661,233</b>	<b>37,379,103</b>

#### a) Provision for asset replacement cost

As per the BOT agreement with SEAPA, RSGT (one of the subsidiary of the Company) has an obligation to replace certain machinery and equipment (the "Equipment") during the tenure of the agreement. The management of RSGT has estimated that RSGT will be required to incur an amount of SR 429 million (2014: SR 429 million) to replace the Equipment. Useful life of this equipment shall extend beyond the expiry of the BOT agreement and the remaining net book value of that Equipment at the end of the concession agreement is estimated to be SR 304.9 million (2014: SR 304.9 million). As at December 31, 2015, an amount of SR 44.43 million (2014: SR 37.12 million) has been recorded as provision for equipment replacement cost.

During 2015, RSGT has used 3.8806% (2014: 3.3082%) as discount rate for determining the present value of obligation. The management believes that the discount rate of 3.8806% is reflective of the term of obligation.

The movement in the provision for asset replacement cost is as follows:

	2015	2014
Balance at January 1	37,121,090	26,084,659
Provided during the year	7,303,983	11,036,431
<b>Balance at December 31</b>	<b>44,425,073</b>	<b>37,121,090</b>

#### 15. EMPLOYEES' END OF SERVICE BENEFITS

The movement in employees' end of service benefits during the year was as follows:

	2015	2014
Balance at January 1	17,936,255	13,755,940
Charge for the year	5,738,385	5,251,167
Payments made during the year	(2,035,702)	(1,070,852)
<b>Balance at December 31</b>	<b>21,638,938</b>	<b>17,936,255</b>

#### 16. DERIVATIVE FINANCIAL INSTRUMENT

During 2012, a subsidiary "Red Sea Gateway Terminal Company Limited" entered into a Profit Rate Swap contract with a commercial bank to hedge its exposure to the variability in cash flows arising from profit payments on Ijara facilities obtained from banks. The negative fair value of this instrument as at December 31, 2015 is SR 0.017 million (2014: SR 6.56 million). The maturity date of the instrument is June 30, 2017.

During 2013, a subsidiary "Saudi Export Development Company Limited" entered into a Profit Rate Swap contract to hedge its exposure to the variability in cash flows arising from profit payments on long-term loan facilities obtained from banks. The positive fair value of this instrument as at December 31, 2015 is SR 0.004 million (2014: negative fair value of SR 0.20 million). The maturity date of the instrument is December 31, 2017.

For the purposes of hedge accounting, hedging instrument is classified as a cash flow hedge. The fair value and notional amount of the hedge is as follows:

	2015		2014	
	Negative Fair Value	Notional Amount	Negative Fair Value	Notional Amount
Profit Rate Swap	13,040	581,835,119	6,787,990	650,741,174

Movement in derivative financial instruments is as follows:

	2015	2014
Balance at January 1	6,787,990	6,407,680
Change in fair value	(6,774,950)	380,310
<b>Balance at December 31</b>	<b>13,040</b>	<b>6,787,990</b>



The Profit Rate Swap contract is assessed to be highly effective and as at December 31, 2015, a net un-realised loss of SR 0.007 million (2014: SR 4.14 million) has been included in equity as cash flow hedging reserve.

The amount shown as cash flow hedge reserve under equity as at December 31, 2015 is mainly expected to affect the profit and loss in the forthcoming two years.

During the year, ineffective portion of SR 6.92 million (2014: SR 6.76 million) was transferred from "cash flow hedging reserve" in the consolidated statement of Parent Company's equity to consolidated statement of income.

## 17. SHARE CAPITAL

The authorised and paid up capital of the Company is divided into SR 68 million (2014: SR 68 million) shares of SR 10 each.

## 18. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the Regulation for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year, 10% of its net income to a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for distribution.

## 19. SPECIAL RESERVE

As required by the Company's Bye- Laws, 5% of the net income for the year should be transferred to a special reserve to be spent on matters of benefit to the Company. The Company may resolve to discontinue such transfer when the reserve totals one half of its share capital.

## 20. EFFECT OF REDUCING SHAREHOLDING PERCENTAGE IN A SUBSIDIARY

During 2005, Tusdeer increased its capital to SR 80 million. The Parent Company had contributed SR 17,300,000 (divided into 17,300 shares) for the increase in Tusdeer's capital. Subsequently to the capital increase, the Parent Company held 60,800 shares representing 76% of the Tusdeer's capital compared to a shareholding of 96.67% prior to capital increase.

Due to the decrease of the Parent Company's shareholding in Tusdeer, the Parent Company's share in the accumulated losses of Tusdeer consequently decreased as other shareholders of Tusdeer had partially absorbed accumulated losses of SR 4,641,143 in addition to SR 12,075 arising from decrease of shareholding percentage in other subsidiaries during 2008. The above transactions were included in Parent Company's equity in the consolidated balance sheet.

## 21. RELATED PARTY TRANSACTIONS AND BALANCES

a) Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party in making financial and operating decisions.

Related parties include the shareholder, directors, associated companies and key management personnel of the Group. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

Related party transactions mainly represent services, expenses and other transactions which are undertaken at mutually agreed terms.

Significant related party transactions for the year ended December 31 and balances arising there from are described as under:

### Due from related parties – Under trade receivables:

NAME	RELATIONSHIP	NATURE OF TRANSACTIONS	AMOUNT OF TRANSACTIONS		CLOSING BALANCE	
			2015	2014	2015	2014
International Water Distribution Company Limited	Associate	Sales of goods and services	59,777,135	51,662,025	14,984,937	8,874,419
Halwani Bros Co.	Affiliate	Sales of goods	753,432	1,029,929	168,720	62,106
Arabian Bulk Trade Limited	Affiliate	Lease of land and warehouses	1,494,372	627,250	485,649	253,657
Saudi Cable Company Limited	Affiliate	Lease of land and warehouses	854,179	838,012	128,244	90,760
					<b>15,767,550</b>	<b>9,280,942</b>

### RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### Due from related parties – Under trade receivables:

NAME	RELATIONSHIP	NATURE OF TRANSACTIONS	AMOUNT OF TRANSACTIONS		CLOSING BALANCE	
			2015	2014	2015	2014
Stork Technical Services Saudi Arabia Limited	Associate	Payments made by the Group on behalf of associate	1,869,550	2,706,545	1,358,843	3,490,317
		Services rendered to associate				
		Service charges charged to associate	34,209	-	-	-
Al Jabr Talke Company Limited	Associate	Expenses incurred by subsidiary on behalf of associate	626,560	-	144,157	-
		Services rendered to associate	617,533	470,947	13,755	-
		Repayment of advances by associate	(5,146,825)	(1,500,000)	-	5,009,866
Saudi Water and Environmental Services Company Limited	Associate	Expenses incurred by associate on behalf of associate	603,778	595,815	-	-
		Services rendered to associate	1,151,739	1,140,406	-	-
		Repayment of advances by associate	1,960,000	-	-	-
Xenel Industries Limited	Affiliate	Expenses incurred by associate on behalf of associate	6,441,476	5,692,183	383,850	813,574
		Payments made by the Group on behalf of affiliate	680,988	213,728	-	-
		Payment made to affiliate in respect of share capital reduction of subsidiary	-	12,000,000	-	-
International Water And Distribution Company Limited	Associate	Services rendered to associate	660,000	600,000	-	-
		Payments made by Group on behalf of associate	99,050	45,621	1,543,544	1,184,494
Resource Science Arabia Limited	Affiliate	Payments made by the Group on behalf of affiliate	27,287	220,322	27,287	-
					<b>3,471,436</b>	<b>10,498,251</b>

#### Due to related parties under accounts payable and other current liabilities:

Karam Fedics	Affiliate	Purchase of goods and services	10,514,876	10,645,861	889,907	870,000
Resource Science Arabia Limited	Affiliate	Purchase of goods and services	93,533	1,089,906	--	44,370
Hidada	Affiliate	Purchase of goods and services	950,604	7,228,680	722,868	2,891,472
Xenel Industries Limited	Affiliate	Expenses incurred by affiliate on behalf of the Group	2,108,884	2,293,299	143,894	33,594
Stork Technical Services Saudi Arabia Limited	Associate	Amounts collected by subsidiary on behalf of associate	--	108,691	--	108,691
Water and Environmental Services Company Limited	Affiliate	Purchase of goods and services	21,782,741	16,223,441	3,138,566	1,853,384
Alireza Travel and Tourism Company	Affiliate	Purchase of goods and services	2,140,910	2,128,497	142,845	191,225
					<b>5,038,080</b>	<b>5,992,736</b>

#### b) Remuneration to key management personnel

Remuneration, compensation and bonuses of the key management personnel / executive directors and attendance fee of Board Directors and members of Board Committees paid during the year ended December 31, 2015 was SR 17.72 million (2014: SR 14.10 million).



## 22. REVENUE

	2015	2014
Shipping and unloading services	409,706,163	366,519,038
Rentals and support services	99,605,936	101,813,877
Sale of potable water	105,895,817	91,473,962
Transport and support Services	876,166	1,192,004
	<b>616,084,082</b>	<b>560,998,881</b>

## 23. COST OF REVENUE

	2015	2014
Shipping and unloading services	216,471,708	191,555,544
Cost of sale of potable water	64,065,935	55,532,111
Transport and support services	5,069,510	5,400,115
Rentals and support services	25,609,975	24,886,889
	<b>311,217,128</b>	<b>277,374,659</b>

## 24. GENERAL AND ADMINISTRATION EXPENSES

	2015	2014
Salaries, wages and benefits	67,810,668	63,336,706
Depreciation (note 8.4)	15,238,537	11,698,945
Government and professional fees	10,046,140	7,401,174
Business development expenses	1,861,840	2,048,663
Utilities, telecommunication and office supplies	5,081,386	5,522,590
Provision for impairment loss (note 8.1)	6,414,767	5,755,619
Rent	471,837	463,453
Others	13,284,623	14,574,042
	<b>120,209,798</b>	<b>110,801,192</b>

## 25. SELLING AND DISTRIBUTION EXPENSES

	2015	2014
Shipping and unloading services	3,231,871	3,724,812
Cost of sale of potable water	6,809,928	6,360,416
Transport and support services	1,210,000	1,043,279
Rentals and support services	2,968,002	2,492,006
	<b>14,219,801</b>	<b>13,620,513</b>

## 26. OTHER INCOME / EXPENSES, NET

	2015	2014
Gain / (loss) on sale of property, plant and equipment	117,533	(98,005)
Other income (note 'a' below)	2,006,290	8,037,202
	<b>2,123,823</b>	<b>7,939,197</b>

a) In the year ended December 31, 2014, other income included an amount of SR 5.7 million pertaining to compensation received against claims made in prior years.

## 27. ZAKAT

Movement in zakat provision during the year was as follows:

	2015	2014
At the beginning of the year	9,572,066	8,212,547
Charge for the year	8,119,685	7,566,373
Amounts paid during the year	(7,729,572)	(6,206,854)
<b>At the end of the year</b>	<b>9,962,179</b>	<b>9,572,066</b>

Zakat was calculated on the unconsolidated financial statement of the Company and its subsidiaries.

### Zakat assessments status

The Department of Zakat and Income Tax ("DZIT") has raised assessments for the years 2002 through 2008 with an additional liability of SR 25.8 million. The Company filed an objection against the DZIT's assessment. The Preliminary Objection Committee ("POC") rendered its decision on the Company's objection reducing the assessed liability to SR 3.9 million. The appeal is now with the Higher Appeal Committee ("HAC"). Moreover, the DZIT raised assessments for the years 2009 through 2013 with an additional Zakat and withholding tax liability of SR 10.95 million. The Company has accepted the imposition of Zakat amounting to SR 0.016 million and made payment there against. An appeal against the remaining amount has been filed with the DZIT. Further, till date the DZIT is yet to raise the assessment for the year ended 31 December 2014.

Movement in tax provision during the year was as follows:

	2015	2014
At the beginning of the year	1,402,517	1,405,865
Charge for the year	3,738,265	3,715,755
Amounts paid during the year	(4,002,783)	(3,719,103)
<b>At the end of the year</b>	<b>1,137,999</b>	<b>1,402,517</b>

Tax charge during the year relates to share of non controlling interests in subsidiaries.

## 28. EARNINGS PER SHARE

a) Earnings per share on net income from main operations (operating profit) for the year is calculated by dividing net income from main operations by the weighted average number of outstanding shares during the year. Earning per share has been calculated on net income from main operations attributable to the Group (including minority interest).

b) Earnings per share on net income for the year is calculated by dividing the net income attributable to the equity holders of the Parent for the year by the weighted average number of outstanding shares during the year.

The calculation of diluted earnings per share is not applicable to the Group.

## 29. COMMITMENTS AND CONTINGENCIES

The Group's bankers have issued letters of guarantee amounting to SR 32.88 million (2014: 36.37 million) against which cash margin of SR 11.51 million (2014: SR 15 million) was paid.

As at December 31, 2015, the group's bankers have issued letters of credit amounting to SR Nil (2014: 8.77 million) against which cash margin of SR Nil (2014: SR 8.77 million) was paid.

As at December 31, 2015, the Company has commitments for capital work in progress of SR 26.09 million (2014: SR 30.5 million) mainly relating to yard refurbishment works and purchase of container handling equipments.

## 30. RISK MANAGEMENT

The Group has exposure to the following risks from its user of financial:

- Commission rate risk
- Credit risk
- Liquidity risk
- Currency risk



This note represents information about the Group's exposure to each of the above risks, The Group's objectives, policies and processes for measuring and managing risk.

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

#### Commission rate risk

Commission risk arises from the possibility that changes in commission rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to commission risk primarily arises from loans and bank facilities.

The management limits the Group's commission rate risk by monitoring changes in commission rates. The Group is managing its commission rate risk on floating rate Ijara facilities obtained from banks using profit rate swap contract (note 16).

A change of 10 basis points in commission rate on floating rate loans denominated in Saudi Arabian Riyals at the reporting date would have increased / (decreased) the net result by the amounts shown below. This analysis assumes that all other variables remain constant.

	2015	
	+10 bps	-10 bps
Loans and bank facilities	(376,223)	376,223
	2014	
	+10 bps	-10 bps
Loans and bank facilities	(410,494)	410,494

#### Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

With respect to credit risk arising from the other financial assets of the Group, including bank balances and cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages its liquidity risk by ensuring that funds are available when required.

The table below summarises the maturities of the financial liabilities at 31 December, based on contractual payment dates.

	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	> 5 YEARS	TOTAL
<b>Year ended 31 December 2015</b>					
Accounts payables and other liabilities	138,511,451	-	-	-	138,511,451
Loans and bank facilities	10,518,580	97,861,020	441,232,736	401,055,388	950,667,724
<b>Total</b>	<b>149,030,031</b>	<b>97,861,020</b>	<b>441,232,736</b>	<b>401,055,388</b>	<b>1,089,179,175</b>
<b>Year ended 31 December 2014</b>					
Accounts payables and other liabilities	121,794,553	-	-	-	121,794,553
Loans and bank facilities	6,176,469	99,515,334	433,144,481	517,118,439	1,055,954,723
<b>Total</b>	<b>127,971,022</b>	<b>99,515,334</b>	<b>433,144,481</b>	<b>517,118,439</b>	<b>1,177,749,276</b>

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Arabian Riyals during the year.

### 31. FAIR VALUES OF FINANCIAL INSTRUMENTS

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. The Group's financial assets consist of bank balances and cash, investments, receivables, and its financial liabilities consist of term loans, derivative financial instruments and payables. Except for available for sale investment and derivative financial instruments, which are stated at fair values, the fair values of financial instruments are not materially different from their carrying values.

### 32. BUSINESS SEGMENTS

The Company and its subsidiaries consist of the following main business segments of business:

- Ports development and quay projects
- Storage and re-export
- Sea water desalination
- Logistics and support services
- Corporate office which comprises corporate office's operations and investment activities.

These form the basis of management internal reporting of main business segments.

Following are the assets, liabilities, sales and result of such segments for the year ended December 31:

SAR '000	PORT DEVELOPMENT AND OPERATIONS	WATER DESALINATION AND DISTRIBUTION	LOGISTIC PARKS AND RE-EXPORT ZONES	INDUSTRIAL SUPPORT SERVICES	CORPORATE OFFICE	TOTAL
<b>2015</b>						
<b>Assets</b>	1,778,356	279,010	294,835	23,166	225,132	2,600,499
<b>Liabilities</b>	1,033,487	38,742	58,971	2,674	32,719	1,166,593
<b>Revenue</b>	409,706	105,896	99,606	876	-	616,084
<b>Net income / (loss) before non-controlling interest</b>	92,154	13,942	51,656	(7,171)	(8,645)	141,936
<b>Net income / (loss) for the year</b>	58,543	9,980	37,802	(7,171)	(8,645)	90,509
<b>2014</b>						
Assets	1,753,981	275,800	282,597	22,555	246,519	2,581,452
Liabilities	1,099,001	49,579	68,843	3,033	31,129	1,251,585
Revenue	366,519	91,474	101,814	1,192	-	560,999
Net income / (loss) before non-controlling interest	77,122	14,342	48,491	(6,634)	(9,689)	123,632
Net income / (loss) for the year	49,711	8,605	36,084	(6,634)	(9,689)	78,077

The Group mainly operates in the Kingdom of Saudi Arabia.

### 33. DIVIDEND AND DISTRIBUTION

In the Annual General Meeting of the Company held on 5 May 2015, the shareholders authorized a final dividend of SR 0.5 per share (2014: SR Nil) amounting to SR 34 million (2014: SR Nil) and remuneration to Board of Directors amounting to SR 1.4 million (2014: SR Nil), which was appropriated from the retained earnings and paid during the period ended 30 June 2015.

### 34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised to issue by the Board of Directors \_\_\_\_\_.



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