



سيسكو
S I S C O
الشركة السعودية للخدمات الصناعية
Saudi Industrial Services Company

ANNUAL REPORT
2016

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

TABLE OF CONTENTS

CHAIRMAN'S LETTER TO SHAREHOLDERS	3
INTRODUCING NEW BRAND IDENTITY	5
CORPORATE INFORMATION	6
PERFORMANCE AT A GLANCE	7
ANALYSIS OF FINANCIAL RESULTS	8
BUSINESS REVIEW	9
BUSINESS SECTORS	10
SUBSIDIARY COMPANIES	11
ASSOCIATED COMPANIES	12
FINANCIAL REVIEW	21
KEY FINANCIAL INDICATORS	22
BALANCE SHEET	23
STATEMENT OF INCOME	26
KEY RATIOS	29
KEY FINANCIAL DATA	30
GEOGRAPHICAL ANALYSIS OF REVENUE	31
BANK LOANS AND DEBT INSTRUMENTS	32
REPAYMENT PROFILE	32
PAYMENTS TO GOVERNMENT AUTHORITIES	32
DIVIDEND POLICY	33
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)	34
MANAGEMENT FRAMEWORK	35
MANAGEMENT STRUCTURE & PHILOSOPHY	36
BOARD OF DIRECTORS	37
HUMAN CAPITAL DEVELOPMENT	39
CORPORATE GOVERNANCE	42
GOVERNANCE PERFORMANCE	43
AUDIT COMMITTEE REPORT	46
RISK MANAGEMENT	47
LIQUIDITY MANAGEMENT POLICY	48
RELATED PARTY TRANSACTIONS	49
BOARD AND MANAGEMENT REMUNERATION	52
BOARD DECLARATION / CONFIRMATION	53
SHAREHOLDING INTERESTS	55
SHAREHOLDING STATISTICS	55
OUTLOOK	57
FUTURE AT A GLANCE	58



CHAIRMAN'S LETTER TO SHAREHOLDERS

*In the Name of Allah, the Most Compassionate, the Most Merciful
Praise be to Allah, prayer and peace be upon the Messenger of Allah*

Distinguished shareholders of Saudi Industrial Services Co. (SISCO),

It is my honor and pleasure to present to you the annual directors' report of your company; highlighting the details and developments for the fiscal year 2016 and shedding some light on the company's future prospects. I hope you will find this report useful and thorough.

During 2016, SISCO continued its journey on the path that was adopted in its 2015 strategy, that focused on developments in its three key market segments, where the team has experience in their administrative, technical, and operational areas. These segments are ports & terminals, logistics and industrial services and water solutions; where SISCO operates through its subsidiaries and affiliated companies. SISCO's structure is one of a strategic holding company, and it supports its group companies by providing advice in: talent management, strategic finance and treasury, legal services, and assists our subsidiaries and affiliates to adopting international best practices in corporate governance and compliance.

Another key value addition is through fostering cooperation, coordination and healthy cooperation among the group companies to achieve our future strategic objectives. SISCO's management is always on the look-out for strategies to expand the company's foot-print in the chosen segments, to serve the interests of the Company and its shareholders. In line with our new strategy, the company has also reinvigorated its corporate identity and consequently, a new branding strategy and logo have been adopted.

Alhamdulillah, despite the challenges and rapidly changing condition, all of the group companies were able to deliver results in-line with expectations from the previous year. SISCO's revenue grew by 3.9% to SAR 640 million and net income increased by 2.2% from 2015 to SAR 92.1 million.

As of the Ports sector, the economy slowed down during 2016, resulting in lower gateway volume for the Saudi ports, however, Red Sea Gateway Terminal Co. recorded an increase in its total volume on the back of strong trans-shipment performance. The terminal also received an approval from Saudi Ports Authority for the berth extension in order to accommodate three mega vessels simultaneously. SISCO also managed to secure financing on time for the expansion project; which will increase the terminal's handling capacity by more than 40%, once the project is completed towards the end of 2017.

In the Logistics sector, Tusdeer has been focusing on replicating its successful model of bonded re-export zone to other areas by establishing new logistics centers of a similar international standard. The conceptual designs and layout for Jeddah Logistics Park in Al-Khumra area has been prepared and the project built-out will be in stages in accordance to market demands. This is the first project of its kind in the Kingdom; it will provide total integrated logistics facilities and auxiliary operational services to its tenants. The development of the Logistics Park in Jeddah Industrial City 1 has also started; the logistic hub will address the traffic congestion issues for heavy vehicles in the surrounding area. SISCO affiliated company S A Talke has also expanded its foot-print in the western region of the country and signed operational services contracts with Petro Rabigh and National Petrochemical Company.

In the water sector, Kindasa Water Co. has started the development of a new 6,000 cm³ per day capacity plant in Rabigh and the plant is expected to start its operations in the first half of 2018. The construction of the plant is being financed through Islamic Murabaha facility arranged from local banks and internal revenue generated by the company's operations. On the distribution side, international Water Distribution Co. (Tawzea) secured a 10-year concession for water distribution to Jeddah Industrial Cities 2 and 3. In addition Tawzea managed to sign contracts for management/operations in other developing smaller industrial cities in the country.

SISCO's continued successes are testament to the confidence that the government and local authorities place in the companies' abilities to deliver on its promise, complete the projects in time and operate them on par with international standards, contributing to the economic stability and national development of the Kingdom. During 2016, the company made efforts to minimize the impact of power price adjustments and increases in labor costs by focusing on efficiency, in support of the government's initiatives to reduce reliance on subsidies. SISCO



will be faced with similar challenges during 2017. Operational costs are expected to continue to rise, but we will strive to deliver the results that are expected of us, considering the prevailing market condition and economic environment, and continue to do our part in helping the government in achieving its objectives for Vision 2030 initiatives.

Ultimately, I would like to thank you for your continued support and faith in the company. I would also like to take this opportunity to thank my fellow members of the board and executive management team of SISCO, and its group companies for their efforts, which are clearly reflected in the results of 2016.

We look forward to a more prosperous 2017 *In Sha' Allah*.

Chairman of the Board
Mohamed Ahmed Alireza



INTRODUCING NEW BRAND IDENTITY

OLD IDENTITY

NEW IDENTITY



WE EXIST

To catalyze economic transformation

BRAND IDEA

Foundation Future

BRAND NARRATIVE

We at SISCO invest in the sustainable development of Ports & Terminals, Logistics Parks & Services, and Water Solutions. Our operating companies fuel the economic transformation of Saudi Arabia and build the foundation for its future.

Combined with our approach towards nurturing innovation, the scale and diversity of our businesses, provide a unique platform for growth and development for our people: the very reason why SISCO keeps inspiring and attracting talents across every level. We have always been and will always strive to be the partner of choice both inside and outside the Kingdom.

BRAND VARIATIONS



سيسكو
SISCO
الشركة السعودية للخدمات الصناعية
Saudi Industrial Services Company



CORPORATE INFORMATION

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

BANKS

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

REGISTERED OFFICE

Saudi Business Centre, Suite # 501
Al-Madina Road, Al-Sharafiyyah District
P. O. Box 14221
Jeddah 21424, Kingdom of Saudi Arabia
Phone: +966 12 661 9500 / +966 12 657 4455
Fax: +966 12 657 4270

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 Raza Sheikh (Chief Legal Officer)
Hesham El Gindy (Chief Audit Executive)
Richard Fourie (Human Capital Advisor)
Maqbool Omar Aswani (Investor Relations)
Youssef M. Abu Olyyan (Board Secretary)
Abdullah M. Habadi (IT Manager)

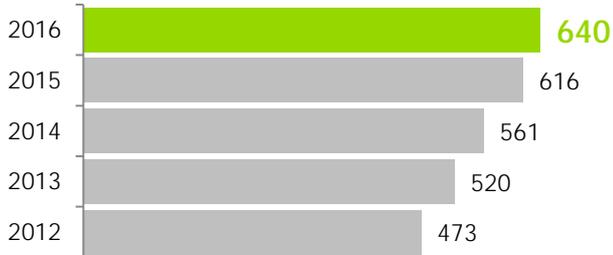
SHARE REGISTRAR

Securities Depository Center Co.
6897 King Fahad Road, Al Olaya
Unit No. 15
Riyadh 12211-3388
Kingdom of Saudi Arabia
Phone: +966 11 920001919
Fax: +966 11 2189326
Email: sdc.is@tadawul.com.sa

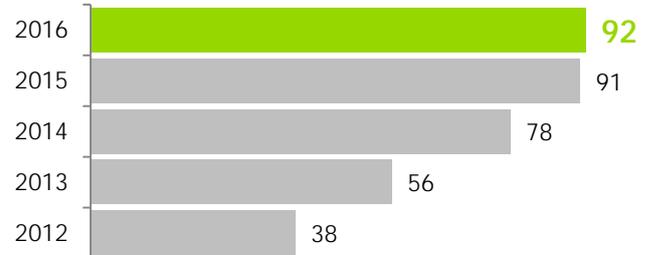
PERFORMANCE AT A GLANCE

(in SAR million)

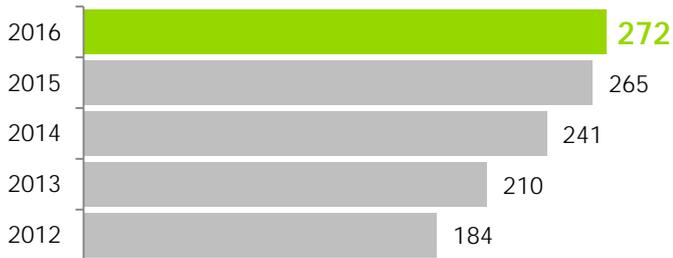
REVENUE



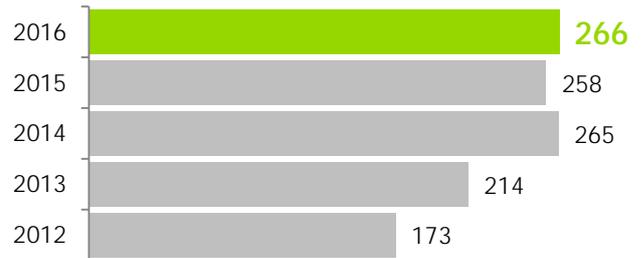
NET INCOME



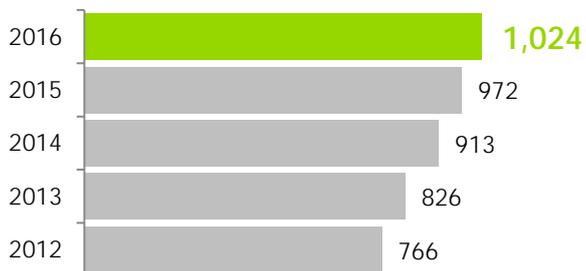
EBITDA



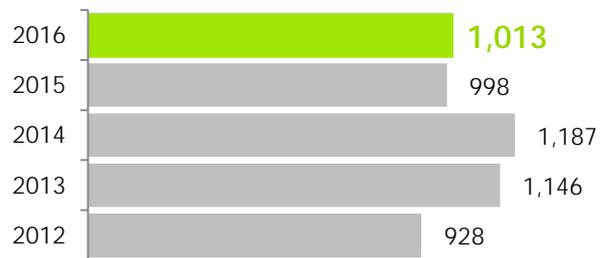
CASH FLOW FROM OPERATIONS



SHAREHOLDERS' EQUITY



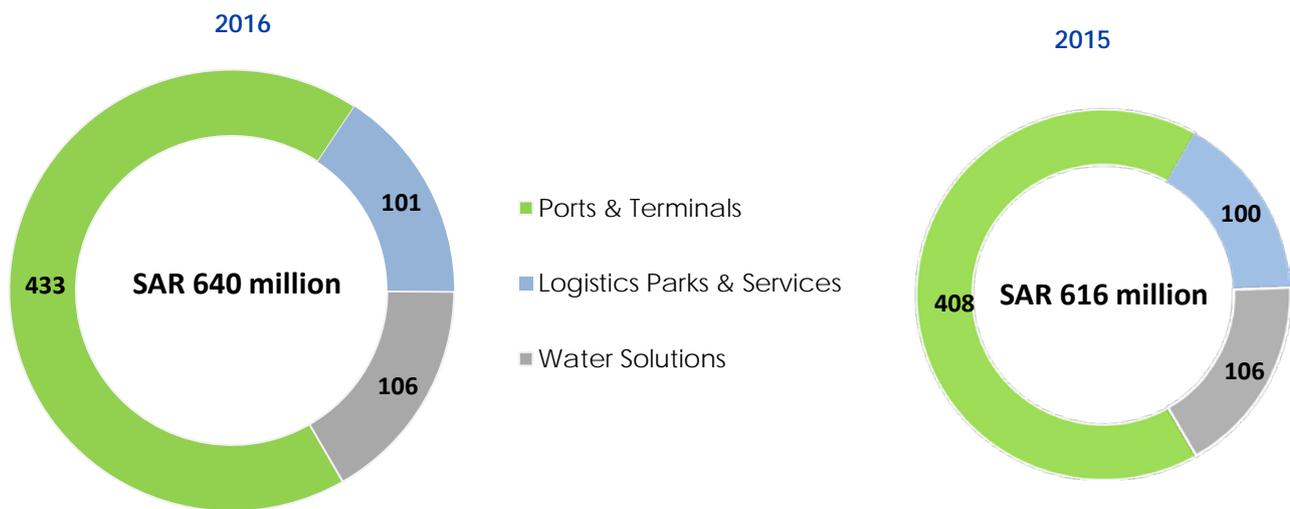
MARKET CAPITALIZATION



ANALYSIS OF FINANCIAL RESULTS

SISCO continued its growth trajectory of the past years by achieving net income of SAR 92.1 million, an increase of 1.7% over last year's net income of SAR 90.5 million. The company also achieved the highest ever top line of SAR 640 million in 2016, which is 3.9% higher than 2015 revenue of SAR 616 million.

REVENUE (SAR '000)

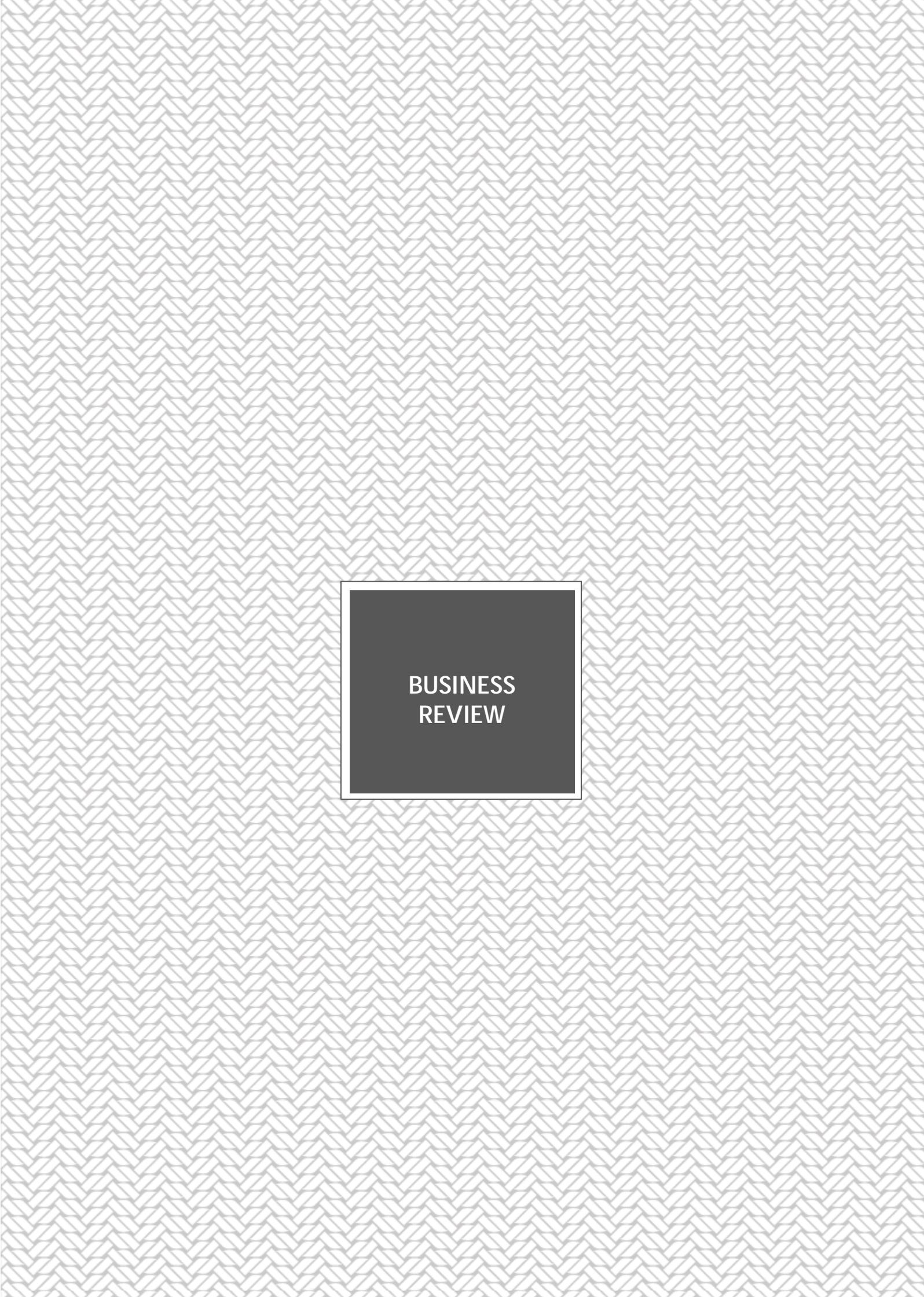


The key driver for the growth in revenue was Ports and Terminal segments where revenue increased by 5.6%. Despite marginal decrease in revenue from operational services, top line of Logistics and re-export zone increased by 1.1% on the back of higher occupancy rates for warehouses and yards.

Company continued to face an upward pressure on costs, mainly due to higher operating expenses. During the year, ports segment made a provision of SAR 4 million due a claim of additional rental from the port authority. The impact of higher electricity tariffs and fuel prices was SAR 7.2 million on Group Net Income. Further increases in repair & maintenance expenses and payroll costs resulted in decrease in operating profit by 6.2%.

Net results of associated companies significantly improved as compared to last year with a positive contribution of over SAR 11.2 million as compared to SAR 9.0 million in 2015. This was despite an impairment provision of SAR 4 million for a non-performing associate. Other income significantly increased due to reversal of a provision of SAR 7 million, which is no longer required and receipt of compensation of SAR 2.5 million for a claim from prior years.

Current economic scenario in the country has warranted a vigilant monitoring of the Company's cash-flow and a conservative approach towards future plans. However, some investments are necessary to maintain the competitiveness of the Company's business. During 2016, cash flow from operations increased by 3.3% to SAR 262.2 million but cash outflows on investments significantly increased from SAR 125.0 million to SAR 268.9 million, mainly due to on-going expansion works in ports segment and acquisition of additional 5% ownership stake in Kindasa Water Services Co.



**BUSINESS
REVIEW**

BUSINESS SECTORS

Over the past few years, SISCO has adopted the strategy of becoming a strategic investment holding company. This has been achieved through implementing and applying strategy and growth management policies, as well as being responsible for the operating companies' results in performance, decision-making and corporate governance framework that govern the relationship between the Group and its operating companies.

SISCO subsidiaries and associated companies are grouped under three main business sectors:

 PORTS & TERMINALS	 LOGISTICS PARKS & SERVICES	 WATER SOLUTIONS
<p>Red Sea Ports Development Co. (RSPD)</p> <p>Red Sea Gateway Terminal Co. (RSGT)</p>	<p>Saudi Trade & Export Development Co. (TUSDEER)</p> <p>Support Services Operation Co. (ISNAD)</p> <p>Saudi Aljabr Talke Co. (SA TALKE)</p> <p>Stork Technical Services Saudi Co. (STS SAUDI)</p>	<p>Kindasa Water Services Co. (KINDASA)</p> <p>International Water Distribution Co. (TAWZEA)</p>



S.A. TALKE

س.أ. تالكي



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

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 the subsidiary companies are as follows:

COMPANY & ITS BUSINESS	SHARE CAPITAL	DIRECT OWNERSHIP	HEAD OFFICE	COUNTRY OF INCORPORATION
Red Sea Ports Development Company 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.	SAR 333 million	53 %	Jeddah	Saudi Arabia
Red Sea Gateway Terminal Company 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.	SAR 555 million	21.2 %	Jeddah	Saudi Arabia
Saudi Trade and Export Development Co. Storage and Re-export of cars / containers, provide container storage yards and perform container handling operation, examination of customs 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.	SAR 140 million	76 %	Jeddah	Saudi Arabia
Kindasa Water Services Company Construction and operation of sea-water desalination plants.	SAR 77 million	65 %*	Jeddah	Saudi Arabia
Support Services Operations Co. Ltd. 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.	SAR 15 million	97 %	Jeddah	Saudi Arabia

*During the year 2016, SISCO increased its shareholding in Kindasa from 60% to 65%.

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 their financial and operating policy decisions.

Details of the associated companies are as follows:

COMPANY & ITS BUSINESS	SHARE CAPITAL	DIRECT OWNERSHIP	HEAD OFFICE	COUNTRY OF INCORPORATION
<p>International Water Distribution Co. 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>Saudi Al-Jabr Talke Company Implementation of contracting construction, operation and maintenance of warehouses and logistics for the petrochemical sector contracts.</p>	SAR 12 million	33.33 %	Jubail	Saudi Arabia
<p>Stork Technical Services Company 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 20 million	45 %	Jubail	Saudi Arabia

OTHER DIRECT 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.

OTHER INDIRECT INVESTMENTS

SISCO has indirect investment in Water and Environment Saudi Service Company Limited ("WESSCO") through its subsidiary Kindasa Water Services Company, which owns 49% of WESSCO.

SISCO has indirect investment in Xenmet SA, Vaduz ("Xenmet") through its subsidiary Saudi Trade and Export Development Company, which owns 25% of Xenmet SA.



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.

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 555.2 million
No. of Shares	555,207 of SAR 1,000 each

Impact on SISCO Financials

Revenues	67.6 %
Assets	70.9 %

BUSINESS ANALYSIS

During the year 2016, local trade volume remained depressed as businesses grappled with negative market conditions, changing consumer trends and rising input costs. This had direct impact on containerized trade as the total number of imported containers into Saudi Arabia through terminals located on west coast of the country decreased by 6% from 1.51 million TEUs to 1.42 million TEUs. A similar decline of 4% was witnessed in total number of containers exported (both full and empty), which went down from 1.53 million TEUs to 1.47 million TEUs. However,



COMPANY	NO. OF SHARES	%
SISCO	17,655,625	53.0%
CITY ISLAND HOLDING	6,662,500	20.0%
XENEL INDUSTRIES	5,330,000	16.0%
TUSDEER	3,331,250	10.0%
XENEL MAINTENANCE	333,125	1.0%
TOTAL	33,312,500	100%



COMPANY	NO. OF SHARES	%
RED SEA PORTS DEVELOPMENT	333,125	60.0%
SISCO	117,704	21.2%
CITY ISLAND HOLDING	44,416	8.0%
XENEL INDUSTRIES	37,754	6.8%
TUSDEER	22,208	4.0%
TOTAL	555,207	100%



decline in gateway cargo (import/export) was compensated by low margin transshipment volume, which increased by 14% from 2.27 million to 2.59 million TEUs.

Total container volumes handled in Jeddah Islamic Port (JIP) increased by 2% to 4.11 million TEUs in 2016. For the first time, RSGT became the terminal to handle highest number of gateway volume in JIP during a calendar year with 0.97 million TEUs. Total transshipment volume handled by RSGT during the year was 0.59 million TEUs, resulting in total volume of 1.56 million TEUs in 2016, which is an increase of 2% from 2015. This also marks the highest throughput (total number of containers loaded and discharged) achieved in a calendar year.

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 assist customers.

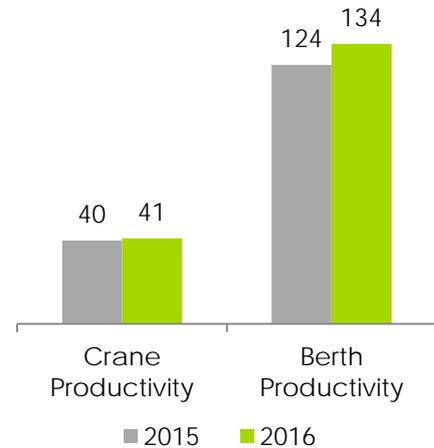
Innovation and advance modules in Terminal Operating System (TOS) have been acquired to improve planning and control efficiency to satisfy the dynamic requirement of sea side and land side operation. A new appointment system has improved customer relations and service levels.

The terminal has been able to maintain a high productivity levels with berth productivity registering an increase of 2% in gross crane rate and 8% in berth productivity. This is a result of improvements in process management and investment in additional equipment.

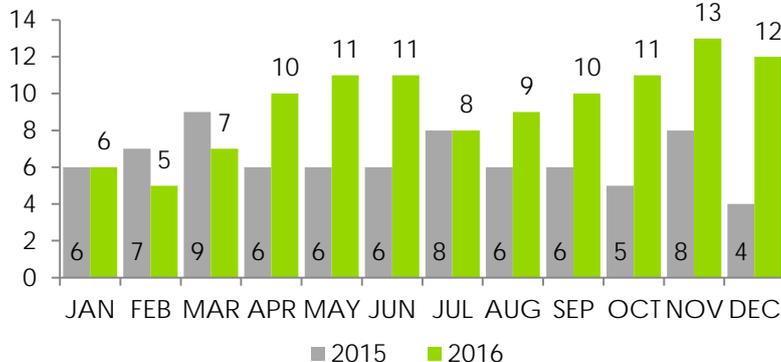
As part of its expansion program, RSGT received eight (8) new Yard Cranes and 12 new sets of Terminal Tractors / Trailers. During the year, the terminal also enhanced its refrigerated container handling capacity by increasing the number of reefer plugs 2,400. Further, to eliminate cargo loss during customs examination process, the terminal installed a temperature controlled cross-stuffing facility that can maintain temperature between -20 °C to +4 °C.



MOVES PER HOUR



MEGA VESSEL CALLS



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

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.

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

Revenues	15.8 %
Assets	11.6 %

COMPANY	NO. OF SHARES	%
SISCO	106,400	76.0%
XENEL INDUSTRIES	33,600	24.0%
TOTAL	140,000	100%

BUSINESS ANALYSIS

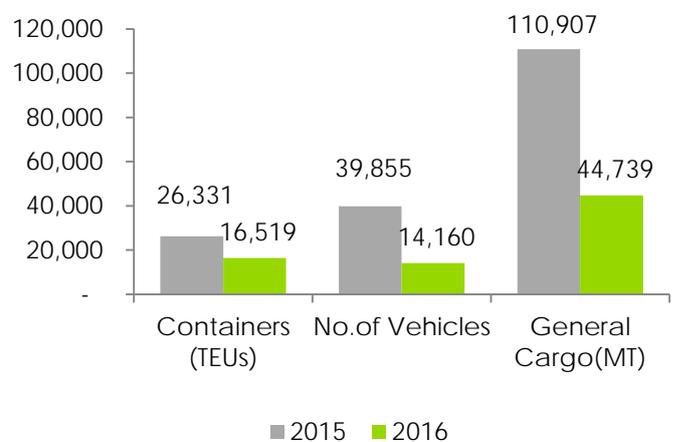
TUSDEER continued to spearhead SISCO's logistics segment despite serious head-winds faced by the country's traders during the year. The integrated logistics hub is its mark of commitment towards staying at the forefront of the logistics industry and continuous business growth.

During 2016, the company faced challenges as its customers were under tremendous pressures to reduce costs and optimize operational procedures. Despite the challenges, TUSDEER managed to increase its average outstanding lease contract life from 1.95 years to 2.41 years locking in customers for longer duration.

Demand for open yard lease remained very high, which was reflected in 97% occupancy rate (2015: 92%) of total leasable area of 507,000 square meters, whereas warehouses occupancy rate also increased marginally from 58% to 62% with total available area to be leased being 72,000 square meters.

Despite lower volumes during 2016, the company's share of revenue from operational services remained at relatively stable contribution of 40% of total revenue from the segment; whereas contribution from lease rentals remained at around 60% of total revenue from the segment.

During the year, the company also introduced new technological features including online tracking for customs clearance and for containers / vehicles stored in the zone. The state-of-the-art Information Technology system enables free flow of information and paperless transaction facility.





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, 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

Revenues	0.2%
Assets	0.8%

COMPANY	NO. OF SHARES	%
SISCO	14,550	97.0%
TUSDEER	450	3.0%
TOTAL	15,000	100%

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.

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 and / or Hazardous materials.
Share Capital	SAR 12 million
No. of Shares	12,000 of SAR 10 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.

Revenues	SAR 157.5 million
Assets	SAR 106.8 million

COMPANY	NO. OF SHARES	%
SISCO	4,000	33.3%
TALKE GmbH	4,000	33.3%
AZMEEL CORP (AL-JABR GROUP)	4,000	33.3%
TOTAL	12,000	100%

BUSINESS ANALYSIS

During the year, Company expanded its foot-print in Saudi Arabia with the acquisition of two major contracts in the Western Region with NATPET in Yanbu and Petro Rabigh in Rabigh.

The Company's improved commercial and operational performance has also reflected in better financial results, as the revenue increased by 3.7% to SAR 157.5 million, and asset base increased 20.4% reflecting management's optimism for coming years.

STORK TECHNICAL SERVICES SAUDI ARABIA LTD. (STS SAUDI)



Established	2014
Company Type	Limited Liability Co.
Head Office	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 20 million
No. of Shares	20,000 per SAR 1,000

COMPANY	NO. OF SHARES	%
SISCO	9,000	45.0%
STORK TECHNICAL SERVICES HOLDING BV	11,000	55.0%
TOTAL	20,000	100.0%

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.

Revenues	SAR 1,016 million
Assets	SAR 9,205 million

BUSINESS ANALYSIS

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.

During 2016 the company has been successfully in implementing some of projects, however due to the slowdown in the oil and petrochemicals market globally and locally, the company's business has been affected by this decline in its operational and financial results. The company's management is seeking to maintain its market share in light of the intense competition in this area and under these market conditions. SISCO is evaluating the overall performance of the company and re-assessing its strategy to continue this business.

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

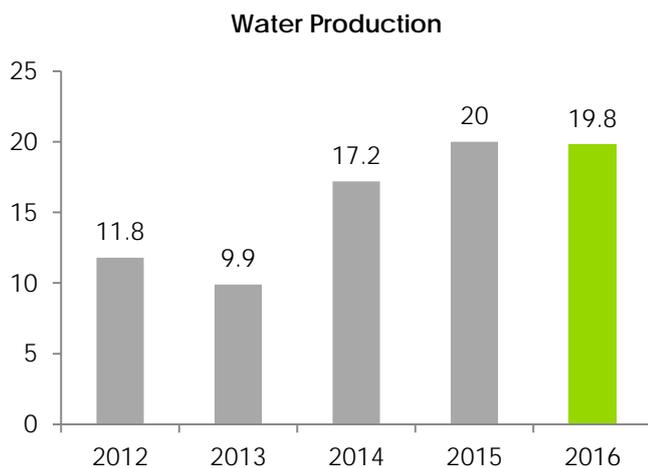
Revenues	16.5 %
Assets	10.0 %

COMPANY	NO. OF SHARES	%
SISCO*	5,024,500	65.0%
M. ABDUL LATIF JAMEEL CO.	2,705,500	35.0%
TOTAL	7,730,000	100%

*During the year 2016, SISCO increased its share in Kindasa from 60% to 65%.

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 2016 were 19.78 million cubic meters compared to 20.03 million cubic meters sold in 2015.



Kindasa's design capacity is 22 million cubic meters per year and during 2016, the plant operated at 90% utilization.

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).

During the year, Kindasa started the work towards establishing a small 5,000 cubic meters per day capacity plant in Rabigh, which is expected to start operations from early 2018.

INTERNATIONAL WATER DISTRIBUTION COMPANY LTD. (TAWZEA)



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

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

COMPANY	NO. OF SHARES	%
SISCO	73,000	50.0%
AMIWATER (AMIANITIT)	73,000	50.0%
TOTAL	146,000	100%

Impact on SISCO Financials

TAWZEA is not a consolidated subsidiary of SISCO group; therefore there is no direct contribution towards SISCO's Consolidated Assets or Revenues.

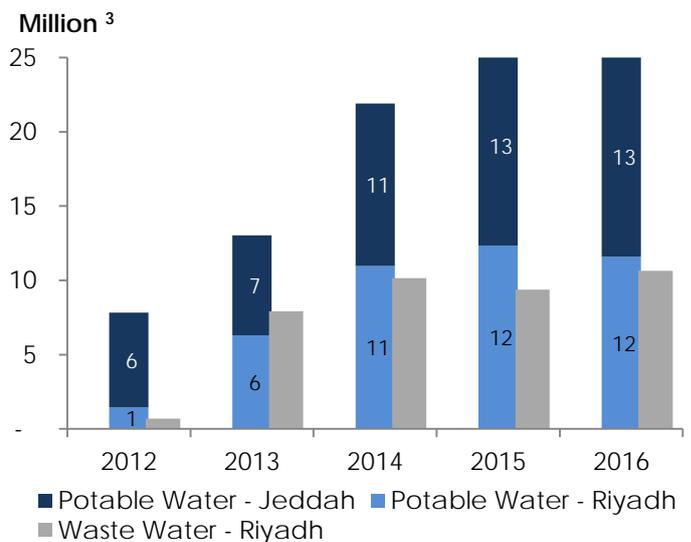
Revenues	SAR 230.7 million
Assets	SAR 269.9 million

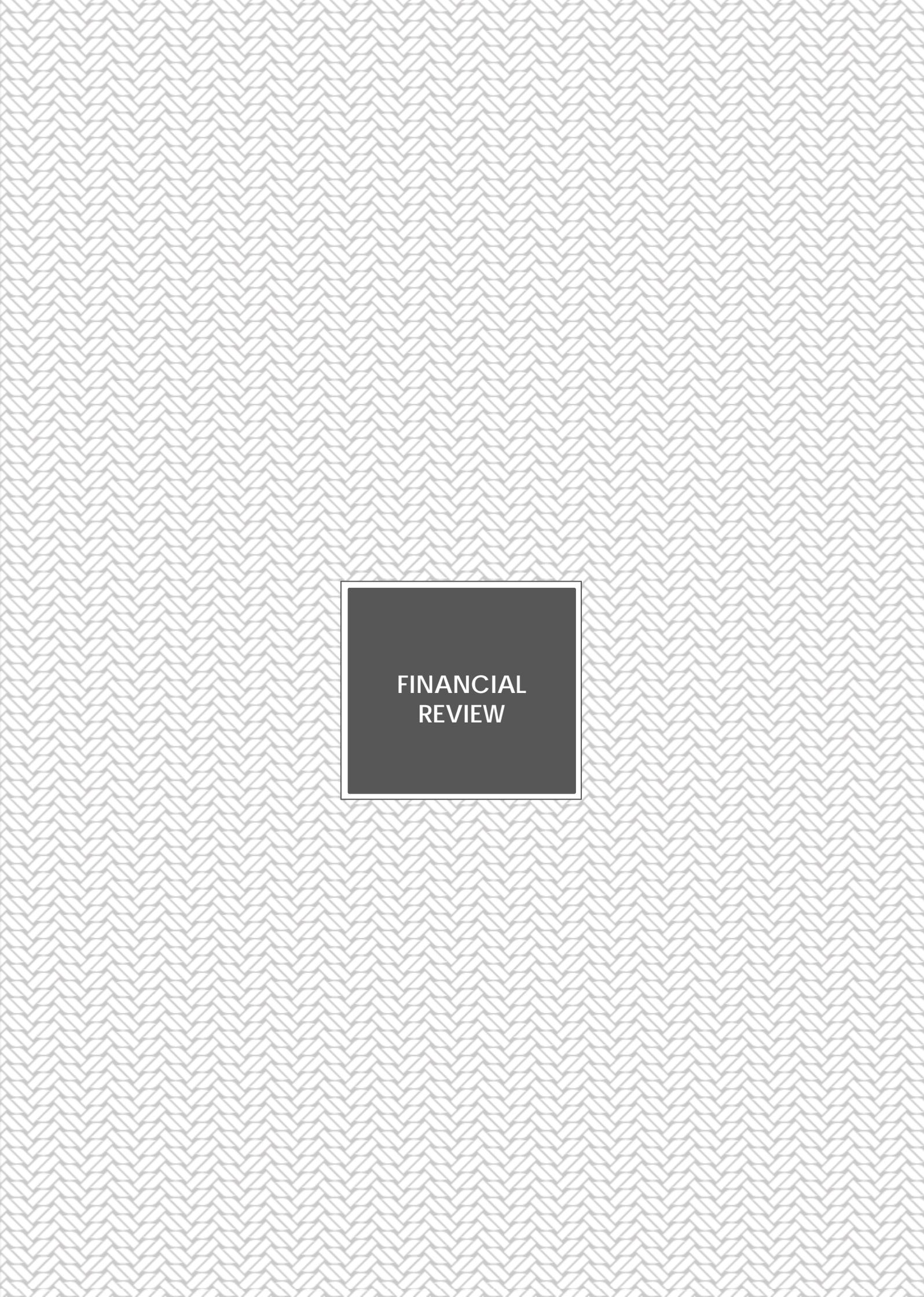
BUSINESS ANALYSIS

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

During 2016, TAWZEA continued to extend its coverage of the industrial areas under concession meeting more than 90% of the demand. During the year, TAWZEA also started operations and maintenance, and customer services in industrial cities of Shaqra, Sudair, Al-Kharj, Zulfi, and Hafr Al-Baten.

Additionally, TAWZEA's joint venture with AquaPor secured supply and maintenance concession for Jeddah Industrial City 2 and 3.

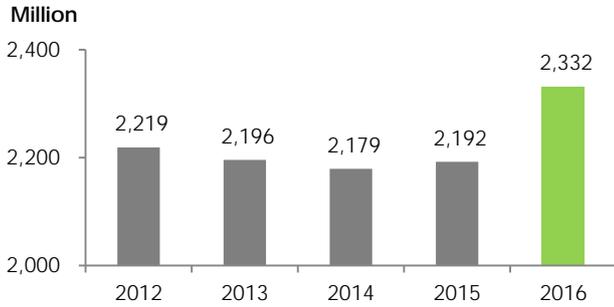




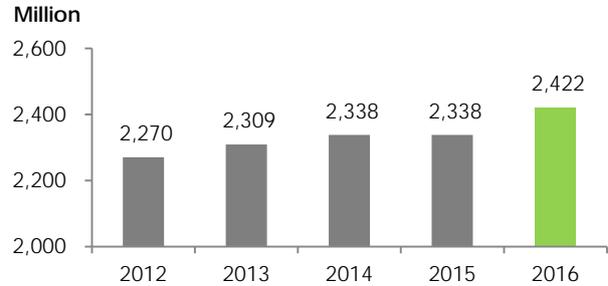
**FINANCIAL
REVIEW**

KEY FINANCIAL INDICATORS

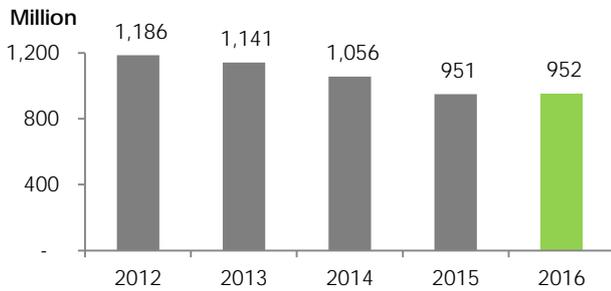
LONG TERM ASSETS



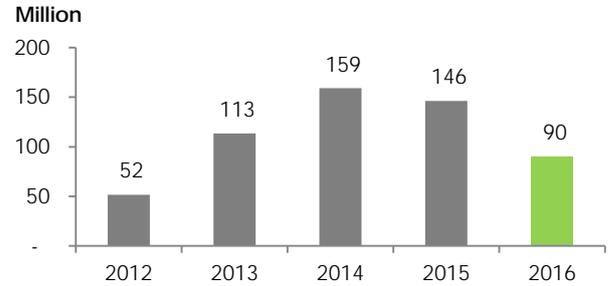
CAPITAL EMPLOYED



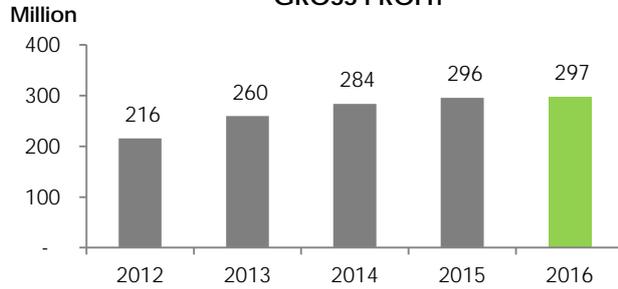
LONG TERM BORROWINGS



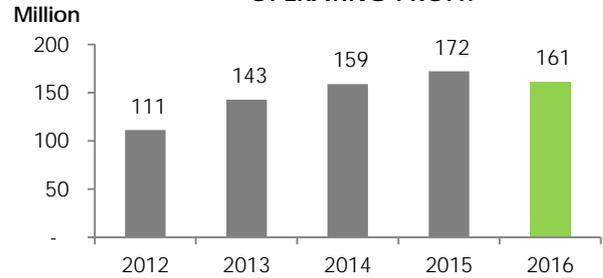
WORKING CAPITAL



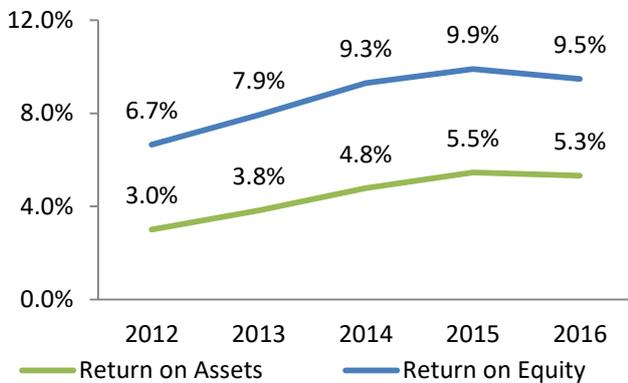
GROSS PROFIT



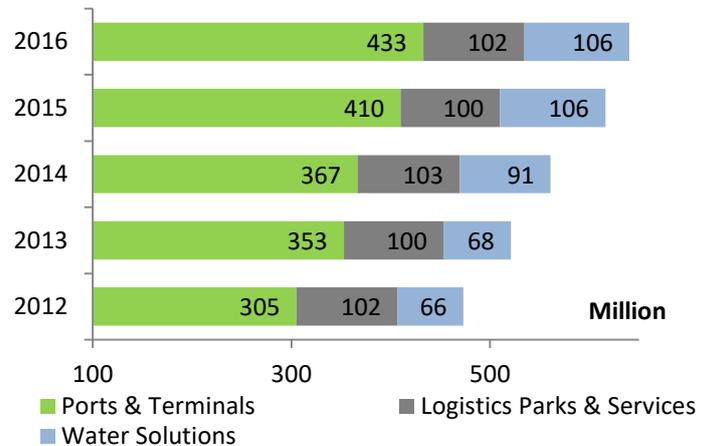
OPERATING PROFIT



RETURN RATIOS



SEGMENT WISE REVENUE



BALANCE SHEET

(SAR '000)	2016	16 vs. 15 % Change	2015	2014	2013	2012
ASSETS						
CURRENT ASSETS						
Bank Balances and Cash	195,404	-23 %	252,669	273,438	209,418	163,051
Receivables	113,962	-4 %	118,565	101,304	102,640	84,821
Inventories	41,179	11 %	37,172	27,496	18,959	14,912
	350,545	-14 %	408,406	402,239	331,017	262,784
NON-CURRENT ASSETS						
Investments	118,777	4 %	114,542	107,766	87,984	82,850
Property, Plant and Equipment	911,134	29 %	707,654	633,922	606,756	562,397
Other Non-Current Assets	1,302,261	-5 %	1,369,898	1,437,526	1,501,114	1,573,447
	2,332,172	6 %	2,192,093	2,179,214	2,195,854	2,218,694
TOTAL ASSETS	2,682,717	3 %	2,600,499	2,581,452	2,526,871	2,481,478
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Payables	144,520	-3 %	149,612	133,527	114,973	121,252
Short-term Loans	116,018	3 %	112,483	109,795	102,567	89,871
	260,538	-1 %	262,094	243,321	217,540	211,123
NON-CURRENT LIABILITIES						
Long Term Bank Loans	836,402	-	838,185	946,160	1,038,557	1,096,520
Other Non-Current Liabilities	54,602	22 %	44,674	44,167	37,315	39,743
Employees' End of Service Benefits	23,375	8 %	21,639	17,936	13,756	11,204
	914,379	1 %	904,498	1,008,263	1,089,628	1,147,468
SHAREHOLDERS' EQUITY						
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	59,629	30 %	45,815	32,238	20,527	12,121
Other Non-Distributable Reserves	8,447	-36 %	13,152	9,344	(730)	(3,450)
Retained Earnings / (Loss)	239,517	22 %	196,638	155,106	88,740	41,106
Equity Attributable to Parent Company	1,024,001	5 %	972,014	913,098	826,404	766,186
Non-Controlling Interest	483,800	5 %	461,893	416,770	393,299	356,701
Total Equity	1,507,801	5 %	1,433,907	1,329,868	1,219,703	1,122,887
TOTAL LIABILITIES AND EQUITY	2,682,717	3 %	2,600,499	2,581,452	2,526,871	2,481,478

BALANCE SHEET

(Horizontal Analysis)

Horizontal analysis is done using 2012 as the base year, and shows the development in key elements of the balance sheet over last 5 years.

(2012 as base year)	2016	2015	2014	2013	2012
ASSETS					
CURRENT ASSETS					
Bank Balances and Cash	120	155	168	128	100
Receivables	134	140	119	121	100
Inventories	276	249	184	127	100
	133	155	153	126	100
NON-CURRENT ASSETS					
Investments	143	138	130	106	100
Property, Plant and Equipment	162	126	113	108	100
Other Non-Current Assets	83	87	91	95	100
	105	99	98	99	100
TOTAL ASSETS	108	105	104	102	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Payables	119	123	110	95	100
Short-term Loans	129	125	122	114	100
	123	124	115	103	100
NON-CURRENT LIABILITIES					
Long Term Bank Loans	76	76	86	95	100
Other Non-Current Liabilities	137	112	111	94	100
Employees' End of Service Benefits	209	193	160	123	100
	80	79	88	95	100
SHAREHOLDERS' EQUITY					
Share Capital	100	100	100	100	100
Share Premium	100	100	100	100	100
Reserves	492	378	266	169	100
Other Non-Distributable Reserves	(245)	(381)	(271)	(21)	100
Retained Earnings / (Loss)	583	478	377	216	100
Equity Attributable to Parent Company	134	127	119	108	100
Non-Controlling Interest	136	129	117	110	100
Total Equity	134	128	118	109	100
TOTAL LIABILITIES AND EQUITY	108	105	104	102	100

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)	2016	2015	2014	2013	2012
ASSETS					
CURRENT ASSETS					
Bank Balances and Cash	7.3	9.7	10.6	8.3	6.6
Receivables	4.2	4.6	3.9	4.1	3.4
Inventories	1.5	1.4	1.1	0.8	0.6
	13.1	15.7	15.6	13.1	10.6
NON-CURRENT ASSETS					
Investments	4.4	4.4	4.2	3.5	3.3
Property, Plant and Equipment	34.0	27.2	24.6	24.0	22.7
Other Non-Current Assets	48.5	52.7	55.7	59.4	63.4
	86.9	84.3	84.4	86.9	89.4
TOTAL ASSETS	100.0	100.0	100.0	100.0	100.0
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Payables	5.4	5.8	5.1	4.6	4.9
Short-term Loans	4.3	4.3	4.3	4.0	3.6
	9.7	10.1	9.4	8.6	8.5
NON-CURRENT LIABILITIES					
Long Term Bank Loans	31.2	32.1	36.7	41.1	44.1
Other Non-Current Liabilities	2.0	1.7	1.7	1.5	1.6
Employees' End of Service Benefits	0.9	0.8	0.7	0.5	0.5
	34.1	34.8	39.1	43.1	46.2
SHAREHOLDERS' EQUITY					
Share Capital	25.3	26.1	26.3	26.9	27.4
Share Premium	1.4	1.4	1.4	1.4	1.5
Reserves	2.2	1.8	1.2	0.9	0.4
Other Non-Distributable Reserves	0.3	0.5	0.5	-	(0.1)
Retained Earnings / (Loss)	8.9	7.6	6.0	3.5	1.7
Equity Attributable to Parent Company	38.2	37.4	35.4	32.7	30.9
Non-Controlling Interest	18.0	17.8	16.1	15.6	14.4
Total Equity	56.2	55.1	51.5	48.3	45.3
TOTAL LIABILITIES AND EQUITY	100.0	100.0	100.0	100.0	100.0

STATEMENT OF INCOME

(SAR '000)	2016	16 vs. 15 Change	2015	2014	2013	2012
Revenue	640,318	4 %	616,084	560,999	520,024	473,441
Cost of Revenue	(342,972)	7 %	(320,276)	(277,375)	(260,400)	(257,661)
GROSS PROFIT	297,346	1 %	295,808	283,624	259,624	215,781
Selling & Distribution Expenses	(13,287)	-7 %	(14,220)	(13,621)	(12,443)	(11,887)
General & Administration Expenses	(122,639)	12 %	(109,444)	(110,801)	(104,478)	(92,499)
OPERATING PROFIT	161,420	6 %	172,145	159,203	142,703	111,394
Financial Charges	(36,279)	6 %	(34,353)	(36,532)	(37,464)	(33,399)
Share Of Results From Associates	11,253	24 %	9,066	(305)	(1,255)	(8,072)
Other Income / (Loss)	12,013	466 %	2,124	7,939	594	10,598
Income from Continuing Operations	148,408	- %	148,981	130,305	104,578	80,521
Net result of discontinued operations	-	-100 %	1,074	893	(1,486)	(173)
Net Income before Zakat	148,408	-1 %	150,055	131,198	103,093	80,348
Zakat	(5,513)	-32 %	(8,120)	(7,566)	(6,465)	(5,595)
Group Net Income	142,894	1 %	141,936	123,632	96,627	74,753
Group Net Income Attributable to:						
Non-Controlling Interest	50,802	-1 %	51,427	45,555	40,587	36,527
Parent Company	92,092	2 %	90,509	78,077	56,040	38,226

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 the 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 2012 as the base year, and shows the development in key elements of the income statement over the last 5 years.

(2012 as base year)	2016	2015	2014	2013	2012
Revenue	135	130	118	110	100
Cost of Revenue	133	124	108	101	100
GROSS PROFIT	138	137	131	120	100
Selling & Distribution expenses	112	120	115	105	100
General & Administration expenses	133	118	120	113	100
OPERATING PROFIT	145	155	143	128	100
Financial Charges	109	103	109	112	100
Share of results from associates	(139)	(112)	4	16	-
Other Income / (Loss)	113	20	75	6	100
Income from Continuing Operations	184	185	162	130	100
Net Result of discontinued operations	-	100	100	100	100
Net Income before Zakat	184	187	163	128	100
Zakat	99	145	135	116	100
Group Net Income	191	190	165	129	100
Group Net Income Attributable to:					
Non-Controlling Interest	139	141	125	111	100
Parent Company	241	237	204	147	100

STATEMENT OF INCOME

(Vertical Analysis)

Vertical analysis is 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.

(Revenue as the base)	2016	2015	2014	2013	2012
Revenue	100	100	100.0	100.0	100.0
Cost of Revenue	(53.6)	(50.0)	(49.4)	(50.1)	(54.4)
GROSS PROFIT	46.4	48.0	50.6	49.9	45.6
Selling & Distribution Expenses	(2.1)	(2.3)	(2.4)	(2.4)	(2.5)
General & Administration Expenses	(19.2)	(17.8)	(19.8)	(20.1)	(19.6)
OPERATING PROFIT	25.2	27.9	28.4	27.4	23.5
Financial Charges	(5.7)	(5.6)	(6.5)	(7.2)	(7.1)
Share of Results from Associates	1.8	1.5	(0.1)	(0.2)	(1.7)
Other Income / (Loss)	1.9	0.3	1.4	0.1	2.2
Income from Continuing Operations	23.2	24.2	23.2	20.1	17.0
Net Result of Discontinued Operations	-	0.2	0.2	(0.3)	(0.0)
Net Income before Zakat	23.2	24.4	23.4	19.8	17.0
Zakat	(0.9)	(1.4)	(1.4)	(1.2)	(1.2)
Group Net Income	22.3	23.0	22.0	18.6	15.8
Group Net Income Attributable to:					
Non-Controlling Interest	7.9	8.3	8.1	7.8	7.7
Parent Company	14.4	14.7	13.9	10.8	8.1

KEY RATIOS

	2016	2015	2014	2013	2012
Liquidity Ratios					
Current Ratio	1.3	1.6	1.7	1.5	1.2
Quick Ratio	1.2	1.4	1.5	1.4	1.2
Cash to Current Liabilities	0.8	1.0	1.1	1.0	0.8
Cash Flow from Operations to Sales	0.4	0.4	0.5	0.4	0.4
Capital Structure Ratios					
Debt-Equity Ratio	0.6	0.7	0.8	0.9	1.1
Financial Leverage Ratio	1.3	1.2	1.0	0.9	0.8
Interest Cover Ratio	5.1	5.3	4.6	3.8	3.4
Activity Ratios					
Average Collection Period	50.8	55.1	47.0	70.6	71.3
Fixed Assets Turnover	0.3	0.3	0.3	0.2	0.2
Total Assets Turnover	0.2	0.2	0.2	0.2	0.2
Accounts Receivables Turnover	5.6	5.2	5.5	5.1	5.6
Profitability Ratios					
Gross Profit Margin (%)	46.4	48.0	50.6	49.9	45.6
Operating Profit Margin (%)	25.2	27.9	28.4	27.4	23.5
Net Profit Margin (%)	23.2	24.4	23.4	20.1	17.0
Return on Assets (%)	5.3	5.5	4.8	3.8	3.0
Return on Equity (%)	9.5	9.9	9.3	7.9	6.7
EBITDA Margin to Sales (%)	42.5	43.0	42.9	40.5	38.9
Investment / Market Ratio					
Price Earnings Ratio	11.0	11.0	15.2	20.4	24.3
Market Price per Share (SAR)					
At the end of the year	14.9	14.7	17.5	16.9	13.7
Highest during the year	16.8	20.4	20.7	16.8	20.2
Lowest during the year	9.5	13.0	15.2	13.2	13.0
Book Value per Share (SAR)	14.9	14.1	13.3	12.1	11.3
EBITDA Multiple	3.7	3.8	4.9	5.4	5.0
EV / EBITDA	8.3	8.2	9.9	11.7	12.5

KEY FINANCIAL DATA

	2016	2015	2014	2013	2012
Balance Sheet (SAR '000)					
Share Capital	680,000	680,000	680,000	680,000	680,000
Reserves	59,629	45,815	32,238	20,527	12,121
Shareholders' Equity	1,024,001	972,014	913,098	826,406	766,186
Long-term Borrowing	836,402	838,185	946,160	1,038,557	1,096,520
Capital Employed	2,422,180	2,338,405	2,338,130	2,309,332	2,270,355
Property, Plant, & Equipment	911,134	707,654	633,922	606,756	562,397
Other Non-Current Assets	1,302,261	1,369,898	1,437,526	1,501,114	1,573,447
Net Current Assets / Working Capital	90,007	146,312	158,917	113,478	51,661
Profit & Loss (SAR '000)					
Sales	640,318	616,084	560,999	520,024	473,441
Gross Profit	297,346	295,808	283,624	259,624	215,781
Operating Profit	161,420	172,145	159,203	142,703	111,394
Profit before Zakat and NCI	148,408	150,055	131,198	104,578	80,521
Net Profit	92,092	90,509	78,077	56,040	38,226
EBITDA	272,088	264,687	240,981	210,372	184,234
Earnings per Share	1.35	1.33	1.15	0.82	0.56
Cash-flow (SAR '000)					
Cash Flows from Operating Activities	266,257	257,984	264,880	214,029	173,194
Cash Flows from Investing Activities	(268,930)	(125,023)	(89,322)	(111,017)	(89,782)
Cash Flows from Financing Activities	(54,592)	(153,731)	(111,538)	(56,646)	(140,266)
Change in Cash and Cash Equivalents	(57,265)	(20,769)	64,020	46,367	(56,853)
Closing Cash and Cash Equivalents	195,404	252,669	273,439	209,418	163,051
Capitalization					
Closing Price (SAR per Share)	14.9	14.67	17.45	16.85	13.65
Market Capitalization (SAR '000)	1,013	998	1,187	1,146	928
Enterprise Value (SAR '000)	2,253	2,157	2,386	2,471	2,308
Numbers of Shares Issued (SAR '000)	68,000	68,000	68,000	68,000	68,000
Operational Statistics					
Containers ('000 TEUs)	1,614	1,554	1,411	1,396	1,367
No. of Vehicles	14,160	39,855	33,299	29,089	14,825
General Cargo (metric tons)	44,739	110,907	124,076	112,921	98,643
Water Production (million m ³)	19.8	20.0	17.2	9.8	11.8

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 is a fuel station in Riyadh managed by ISNAD.

COMPANY (SAR '000)	2016			2015		
	WESTERN	CENTRAL	EASTERN	WESTERN	CENTRAL	EASTERN
RSGT	432,959	-	-	409,706	-	-
TUSDEER	99,851	-	-	99,606	-	-
KINDASA	105,782	-	-	105,896	-	-
ISNAD	1,726	-	-	876	-	-
TOTAL	640,318	-	-	616,084	-	-
	640,318			616,084		

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)	2016			2015		
	WESTERN	CENTRAL	EASTERN	WESTERN	CENTRAL	EASTERN
TAWZEA	110,236	120,487	-	97,161	105,258	-
SA TALKE	18,884	-	138,625	-	-	151,849
STS SAUDI ARABIA	-	-	1,016	-	-	2,592
TOTAL	129,120	120,487	139,641	97,161	105,258	154,441
	389,248			356,860		

BANK LOANS AND DEBT INSTRUMENTS

No.	COMPANY (SAR '000)	LENDER	START YEAR	ORIGINAL PRINCIPAL	BALANCE 1/1/2016	DRAWDOWNS	REPAYMENTS	BALANCE 31/12/2016
1	RSGT	Al Rajhi / BSF	2016	260,000	-	118,230	-	118,230
			2008	1,271,091	940,559	-	91,674	848,884
2	TUSDEER	NCB	2013	35,000	21,875	-	12,948	8,927
3	KINDASA	SIDF	2011	109,083	18,000	-	9,000	9,000
			2013	6,000	1,500	-	1,500	-
			2009-11	23,556	1,559	-	1,559	-
			2016	24,000	-	-	-	-
TOTAL				1,728,730	983,492	118,230	116,681	985,041

REPAYMENT PROFILE

COMPANY (SAR '000)	RSGT		TUSDEER	KINDASA	TOTAL
	Al-Rajhi / BSF (1)	Al-Rajhi / BSF (2)	NCB	SIDF	
Less than one year	98,091	-	8,927	9,000	116,018
From 1 to 2 years	104,958	17,025	-	-	121,983
From 2 to 5 years	361,049	57,176	-	-	418,224
More than 5 years	284,787	44,029	-	-	328,816
Closing Balance of the Period	848,884	118,230	8,927	9,000	985,041

PAYMENTS TO GOVERNMENT AUTHORITIES

INSTITUTION (SAR '000)	2016	2015
Department of Zakat and Income Tax	13,379	12,459
General Organization of Social Insurance	7,821	7,332
Ministry of Interior for Passport / Visa Services	1,525	1,569
Department of Customs	1,778	3,412
Saudi Ports Authority	58,133	56,433
TOTAL	82,636	81,205

Part of the amount in above table is paid after the closing of the financial year on 31 December.



DIVIDEND POLICY

The 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 the 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 the shareholders with due consideration to business requirements.

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

Once the cash dividend is approved by the shareholders, it is distributed accordingly after deducting the withholding taxes on non-resident/foreign shareholders in accordance with applicable rules and regulations of General Authority of Zakat and Tax (GAZT).

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Conversion to International Financial Reporting Standards

In accordance with Capital Market Authority directive number 2978/4 dated 25th March 2014, based on the letter number 4579/2014 from Director General of the Saudi Organization of Certified Public Accountants (SOCPA), SISCO group has almost completed the IFRS conversion process and is ready to prepare its audited financial statements from 1st January 2017, in accordance with International Financial Reporting Standards (IFRS) as adopted by SOCPA.

Salient features of the plan are as under:

PROJECT STEPS	DETAILS	DELIVERABLES	STATUS
Project plan and approval	-Develop the Plan. -Assess the needs.	- Plan approval. - Assessment and Selection of Project team.	Completed
Gap analysis	-Identify differences between current accounting policies of the group under SOCPA and IFRSs.	- 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.	Completed
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.	Completed
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.	Completed
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.	Ongoing

PROJECT STEPS	DETAILS	STATUS
IFRS based Consolidated Financial Statements for 2016.	Summary financials for the Year 2016 under IFRS.	28 February 2017
IFRS based Special Purpose Financial Statements for 2016.	Full set of financials for the Year 2016.	31 March 2017



**MANAGEMENT
FRAMEWORK**

MANAGEMENT STRUCTURE & PHILOSOPHY

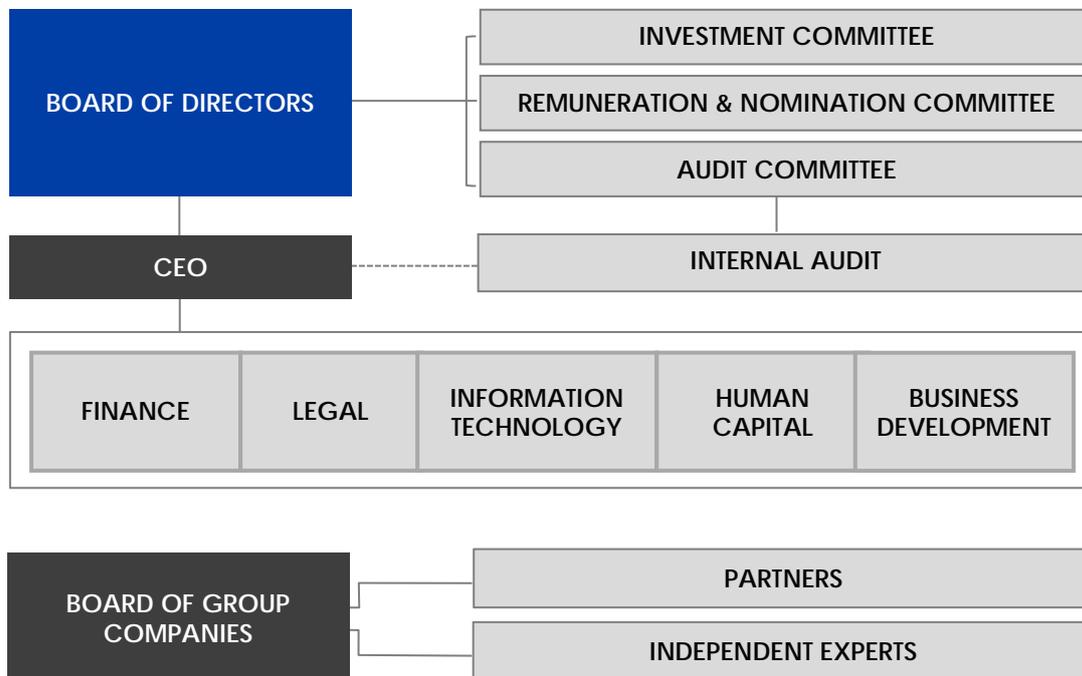
SISCO manages its group companies with the concept of strategic long term investment, where the individual business companies focus on growth within their respective sector, and corporate center supports the unit through key advisory functions to bring in synergies.

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, Investments, 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 company, translating in to SISCO group's continued growth.

Corporate functions provide the Board and CEO with a set of functional strengths and enable a 'portfolio-oriented' management of SISCO's investments. The core responsibility of the Corporate Center is to advise and support in establishing a 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.

ORGANIZATION 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 bachelors and masters degree in Civil Engineering from Cornell University, United States. He is currently the Chairman of the Board of Directors in Xenel Industries Ltd, AMI and The Arabian Bulk Trade.

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 (Shoura 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)
- APSCO 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. 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, Managing Director and Assistant vice president of the project sector.

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.



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 Managing Director and CEO 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



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 of Saudi Ground Services (SGS).

MEMBERSHIP IN OTHER JOINT STOCK COMPANIES

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



Mr. Aamer A. Alireza
Board Member

BA in Economics and Political Science

Mr. Alireza 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 a Board Member of Tabadul. He also serves on the board of directors for Friends of Jeddah Parks, a non-profit organization.

Mr. Alireza 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)
- Tabadul (Closed JSC)



Dr. Abdulaziz A. Jazzar
Board Member

Doctorate in Computer Science
Masters in System Engineering

Dr. Jazzar is an executive partner of Malaz Capital, a Riyadh based private equity firm. Between 2002-2004, he was the Managing Director of Saudi Research and Publishing Co (SRPC), the largest publishing house in the Middle East. Between 1993-2002, he was the President/CEO of International Systems Engineering Ltd (ISE) a company formed in partnership with The Boeing Company.

Between 1976-1993 he was an officer in the Royal Saudi Airforce. He retired as the Director of computing, HQ. His Public assignments include Board Membership of the Riyadh Chamber of Commerce & Industry (2000 -2004) and the chairman of the organizing committee for Riyadh Economic Forum (2002 – 2006). He was also a member of the board of Trustees of the Centennial Fund and a Member of the board of directors of the Economic Cities Authority and of the National Industrial Cluster Development Program.

He graduated from Essex University in England with a Bachelor Degree in Computer & Communications Engineering. He received his Master Degree in System Engineering from KFUPM University in Dhahran. In 1988 he received his Doctorate Degree in Computer Science from USC in California.

MEMBERSHIP IN OTHER JOINT STOCK COMPANIES

- Malaz Capital (Closed JSC)
- Salama 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 has been 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.

Today SISCO companies employ 160 more Saudi Nationals than the start of the year 2016, with average employment duration of 5 years of service. We have focused on employing Saudi women, where appropriate, and have 30 women currently employed. In addition 75% of SISCO companies have a Platinum Nitaqat status, with the remaining 25% at mid to high green.

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.





SISCO as a group of companies engaged in 809 man hours of training during 2016 and plan to significantly increase this number in 2017 by implementing the SISCO management development program, as well as continuing to run our industry specific training such as the Admiral program.



At SISCO we face an exciting and challenging time in the Kingdom, the 2030 vision positions SISCO in a very favorable place to be able to take advantage of a number of the government initiatives. As we prepare the group to be in the best position to benefit from the 2030 vision, and to best leverage the group position, we see an opportunity to grow and develop our future leaders and managers.

We have, at a group level, put together a program that would train and develop the future leaders and managers who have been identified as those who we want to retain and develop for our future expansion.

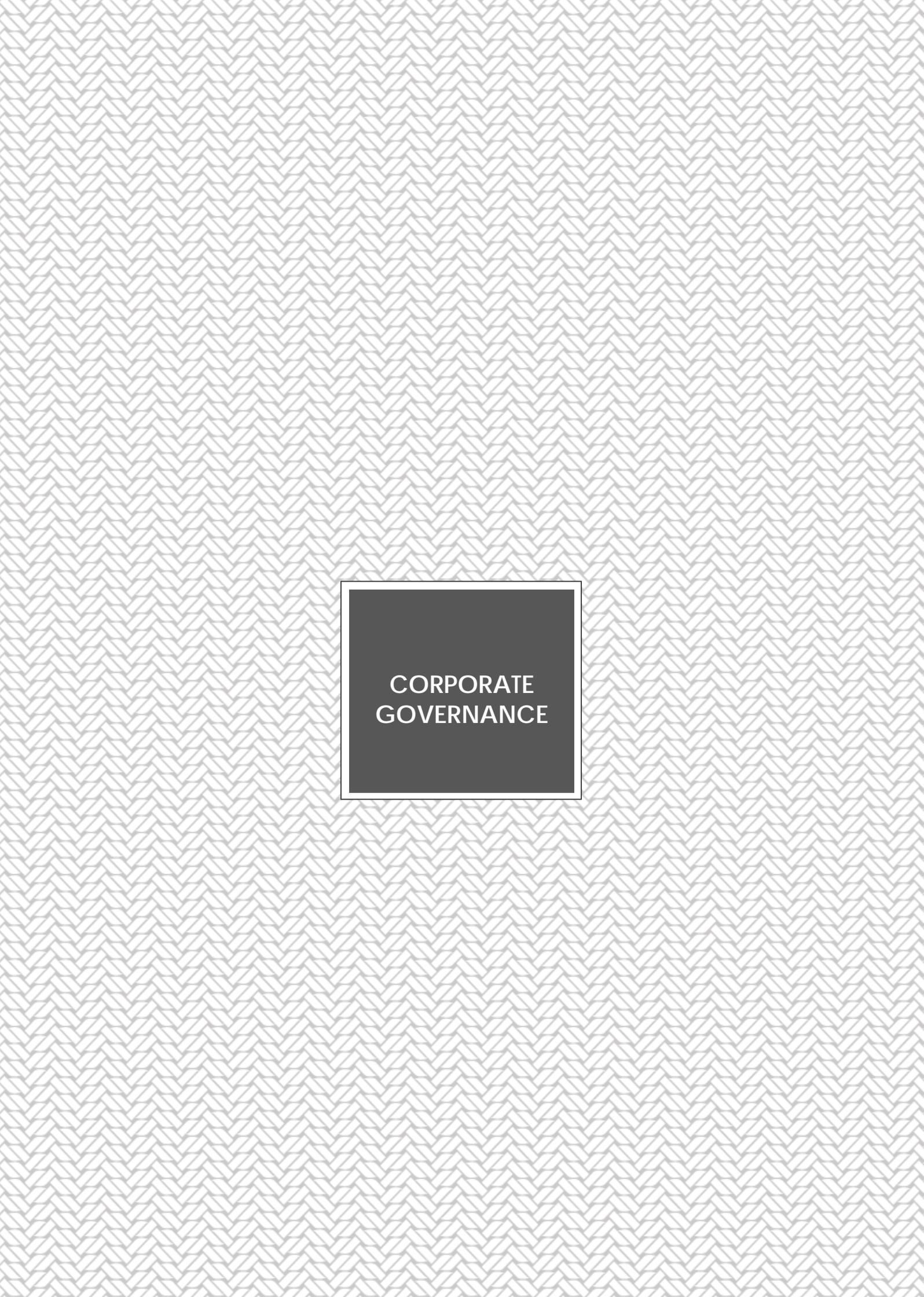


In achieving our goal of being the employer of choice, we recognize the importance of talent development and meet it through various managerial and skills-based training programs. Our port business launched *The Admiral* program, which aims at training talented Saudi graduates in the area of container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



COMPOSITION OF TOTAL EMPLOYEES BY COMPANY

COMPANY	TOTAL
Saudi Industrial Services Company (SISCO)	35
Red Sea Gateway Terminal (RSGT)	1,135
Saudi Trade and Export Development (TUSDEER)	77
Kindasa Water Services (KINDASA)	145
Support Services Operation Co (ISNAD)	66
International Water Distribution Co (TAWZEA)	143
Al-Jabr Talke Co. (SA TALKE)	1,106
Stork Technical Services Saudi Arabia (STS SAUDI)	8
TOTAL	2,715
<i>Total Number of National Employees</i>	585
<i>Total Number of Expatriate Employees</i>	2,130



**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 the 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 implementing 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 7 members, which complies with paragraph (a), Article (12) of the Corporate Governance Regulation issued by the Capital Market Authority.

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

NAME OF THE BOARD MEMBER	DATE AND ATTENDANCE OF THE BOARD MEETINGS					
	20/1/16	23/02/16	21/04/16	02/05/16	19/10/16	14/11/2016
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 the 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. (Closed JSC) - APSCO Co. (Closed JSC)
Adnan A. Maimani	19 / 06 / 1999	- Saudi Cable Company - National Petrochemical Industrial Co. (Closed JSC) - 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
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) - Tabadul (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.

These committees are:

NAME OF THE COMMITTEE	NAME OF MEMBERS	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, reviewing 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	2	The committee assists the Board in reviewing the Group's major investment transactions and performances, oversee the Group's financial resources and advises on future financial 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 at least once, to assist the Board of Directors in reviewing and approving the compensation to be provided to SISCO Corporation, Board members, Chief Executive Officer and employees. In addition, the Committee is responsible for overseeing the development, screening and nomination of qualified individuals for membership of the Board and its committees.

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 the Audit Committee which comprises board members and external experts while the responsibility of maintaining a robust framework of internal controls rests with SISCO's management.



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 2016. Audit committee's primary role was to assist the Board in fulfilling its oversight responsibilities; primarily in reviewing quarterly and annual financial statements, reporting financial and non-financial information, reviewing systems of internal controls, risk management, the audit process, and the related party transactions.

The Audit Committee also met with external auditors to have direct feedback on the Group's internal control framework and other matters pertaining to their audit engagement. In addition to the regular tasks, the Audit Committee's focus area for 2017 will be to the evaluation of internal controls in SISCO's most risky functions through internal audit.

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 weaknesses in a timely manner and to monitor follow-up mechanisms to take the corrective measures in reasonable 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 system.

During 2016, on an aggregate basis, 92 out of 508 audit findings across the Group were rated as 'Management Attention Required' (MARs).

NAME OF THE COMPANY	SATISFACTORY	MAR	TOTAL	MAR %
RSGT	354	83	437	19.0 %
TUSDEER	30	4	34	11.8 %
KINDASA	32	5	37	13.5 %
TOTAL	416	92	508	18.1 %

RISK MANAGEMENT

Risk Management is an integral part of SISCO's overall management philosophy. During 2016, risk management updates were undertaken at major group companies. Senior management teams participated in this process and risks were updated.

Risks across the group companies were monitored throughout the year and appropriate actions were taken to ensure that the risks are properly mitigated.

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

NO.	POTENTIAL RISK	MITIGATING ACTIONS
-----	----------------	--------------------

Strategic Risks – Risk of high level objectives not being met

1.	Increase energy cost	Increase energy cost will lead to increase of operational cost at the group. The group's companies are in the process of reviewing their pricing strategy and contracts with suppliers.
2.	Persistent low 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.	New government fees on the group as well as the expat employees	General and administration costs will increase and there will be possibility of losing some of our skillful employees. The group is discussing a number of Human Resource alternatives to mitigate this risk.
5.	Lack of liquidity in traditional sources of financing.	The Group is evaluating number of untraditional financing options to be used in the future.
6.	Limited diversification in the group operations	The 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.

Operational Risks – Risk of ineffective and inefficient utilization of resources

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	The 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 such as repayment of obligations on a timely basis that assist in building the image of the company for future funding requirements and meeting business commitments on a 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 Investment regulations.

The following table lists down all related party transactions where the relation is through the Board Member of SISCO and are required to be approved by the General Assembly in accordance with Article 71 of the Saudi Company Law:

RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTION	AMOUNT OF TRANSACTION
Karam Fedics	Xenel Industries (SISCO shareholder) is also a shareholder of Karam Fedics. Also, Mr. Aamer A. Alireza (SISCO board member) is a board member of Karam Fedics.	- Purchase of catering and employee housing by RSGT.	8,590,778
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.	2,021,846
Resource Science Arabia Limited (RSAL)	Xenel Industries (SISCO shareholder) is also a shareholder of RSAL. Mr. Aamer A. Alireza (SISCO board member) is the chairman of RSAL.	- Payments made by RSGT.	36,939
Xenel Industries Limited (XIL)	XIL is a shareholder of SISCO and Mr. Mohammed A. Alireza (SISCO Chairman) and Mr. Aamer A. Alireza (SISCO board member) are also board members of XIL.	- Payments made by the Group on behalf of affiliate. - Expenses incurred by affiliate on behalf of the Group.	799,202 1,783,825
Al Jabr Talke Co. Ltd. (SA Talke)	SA Talke is an associated company of SISCO and Mr. Aamer A. Alireza (SISCO board member) is a board member of SA Talke.	- Expenses incurred by Group on behalf of associate. - Expenses incurred by affiliate on behalf of associate. - Dividend received from Associate.	333,332 1,727 3,770,107
Halwani Bros Co.	Mr. Saleh A. Hefni (SISCO board member) is CEO and authorized board member of Halwani Bros.	- Sale of water by Kindasa.	186,870
Hidada Steel Company	Hidada is owned by Xenel Industries (one of SISCO shareholder). Also, Mr. Adnan Maimani (SISCO Board member) is a board member of Hidada.	- Purchase and installation of steel reefer racks by RSGT.	3,161,333
Saudi Cables Co.	Xenel Industries (SISCO shareholder) is also a significant shareholder in Saudi Cable. Also, Mr. Adnan A. Maimani (SISCO board member) is a board member of Saudi Cables.	- Purchase of cables by RSGT. - Lease of land and warehouses by Tusdeer.	1,068,699 990,828

RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTION	AMOUNT OF TRANSACTION
Arabian Bulk Trade Co. Ltd (ABT)	ABT is owned by Xenel Industries (SISCO shareholder). Mr. Mohammed A. Alireza (SISCO Chairman) and Mr. Aamer A. Alireza (SISCO board member) are also board members of ABT.	- Warehouse lease by Tusdeer.	769,290
Bupa Arabia	Mr. Aamer A. Alireza (SISCO board member) is also board member of Bupa Arabia.	- Adjustment of excess medical insurance premium.	20,433
General Technical Division Ltd. (GENTEC)	Mr. Mohammed A. Alireza (SISCO Chairman) is a shareholder of the holding company of GENTEC.	- Purchase of Goods by RSGT.	225,236

In addition to the above table, following are the additional related party transactions required to be disclosed in accordance with Listing Rules and Corporate Governance Guideline issued by Capital Market Authority.

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 board member of TAWZEA.	- Sales of water by Kindasa and IT services by Kindasa.	64,969,157
		- Net expenses incurred by the Group on behalf of the affiliate.	127,635
Water & Environmental Services Saudi Co. Ltd.	Kindasa (SISCO subsidiary) owns 49% of WESSCO.	- Sale of O&M services by Kindasa	4,765,535
		- Dividend received from Associate	1,960,000
Stork Technical Services Saudi Co. Ltd.	STS Saudi is an associated company of SISCO. Mr. Mohammed Mudarres (SISCO CEO) and Mr. Farooq A. Shaikh (SISCO CFO) are board members of STS Saudi.	- Sale of services by ISNAD.	2,400
		- Payments made by the Group on behalf of affiliate.	1,388,754
Red Sea Gateway Terminal Company Limited ("RSGT")	RSGT is a subsidiary of SISCO. Mr. Mohammed A. Alireza (SISCO Chairman), Mr. Aamer A. Alireza (SISCO board member) and Mr. Mohammed Mudarres (SISCO CEO) are board members of RSGT.	- Expenses incurred by SISCO on behalf of subsidiary.	456,341
		- Purchase of assets	15,000
Saudi Trade and Export Development Company Limited ("Tusdeer")	Tusdeer is a subsidiary of SISCO. Mr. Mohammed A. Alireza (SISCO Chairman), Mr. Aamer A. Alireza, Mr. Saleh A. Hefni, Mr. Adnan Maimani (SISCO board members) and Mr. Mohammed Mudarres (SISCO CEO) are board members of Tusdeer.	- Expenses incurred by subsidiary on behalf of SISCO.	812,167
		- Expenses incurred by SISCO on behalf of subsidiary.	1,245,665

RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTION	AMOUNT OF TRANSACTION
Kindasa Water Services Company - CJSC ("Kindasa")	Kindasa is a subsidiary of SISCO. Mr. Mohammed A. Alireza (SISCO Chairman), Mr. Saleh A. Hefni, Mr. Adnan Maimani (SISCO board members) and Mr. Mohammed Mudarres (SISCO CEO) are board members of Kindasa.	- Expenses incurred by SISCO on behalf of subsidiary.	754,129
Support Services Operation Company Limited ("ISNAD")	ISNAD is subsidiary of SISCO. Mr. Aamer A. Alireza (SISCO board member) and Mr. Mohammed Mudarres (SISCO CEO) are board members of ISNAD.	- Expenses incurred by SISCO on behalf of subsidiary.	328,291
		- Expenses incurred by subsidiary on behalf of SISCO.	179,564
Fallata Murad Law Firm	Legal advisor.	- Provision of legal services.	75,000
Al Fahad & Partners	Legal advisor.	- Provision of legal services.	45,925

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 and Investment 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 2016 are as follows:

DESCRIPTION	INDEPENDENT	NON-EXECUTIVE	EXECUTIVE	MANAGEMENT ¹	TOTAL
Salaries & Benefits	-	-	-	4,122,007	4,122,007
Meeting Attendance Fee	68,000	86,000	-	-	154,000
Annual Remuneration / Bonus ²	600,000	800,000	-	1,323,941	2,723,941
Committee Remuneration ²	225,000	450,000	-	-	675,000
TOTAL	893,000	1,336,000	-	5,445,948	7,674,948

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

2. As approved in the Annual General Assembly Meeting No. 24 held on 02nd May 2016.

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
(14)	A description of the classes and numbers of any convertible debt instruments, any contractually based securities, warrants or similar rights issued or granted by the issuer during the financial year, together with the consideration received by the issuer in return
(15)	A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the issuer
(16)	A description of any redemption or purchase or cancellation by the issuer of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the issuer and those purchased by its subsidiaries
(20)	A description of any arrangement or agreement under which a director or a senior executive of the issuer has waived any salary or compensation
(21)	A description of any arrangement or agreement under which a shareholder of the issuer has waived any rights to dividends
(23)	A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the issuer
(26)	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
(27)	If the directors recommends 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 reasons for such recommendation

Pursuant to sub-clause (24) of article (43) of CMA listing rules, the Board of Directors of the Company hereby declare that:

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

The Board acknowledges that the Company during the year 2016 complied with Corporate Governance guidelines issued by the 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.	The Company's Article of Association does not specify the use of cumulative voting, while electing the directors for the Board. The company will amend the Articles of associations in accordance with new Company Law of Saudi Arabia, and this requirement will become mandatory.
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

SHAREHOLDING 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 01/01/2016	% OF CAPITAL	NO. OF SHARE AS OF 31/12/2016	% OF CAPITAL	CHANGE	
					NO.	%
Xenel Industries Limited	9,994,104	14.69	9,994,104	14.69	-	-

Board Members and Senior Executives Interest and changes during the year

NAME	NO. OF SHARE AS OF 01/01/2016	% OF CAPITAL	NO. OF SHARE AS OF 31/12/2016	% OF CAPITAL	CHANGE	
					SHARES	%
Mohamed A. Alireza	418,910	0.616	531,000	0.780	112,090	0.16
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	-	-

SHAREHOLDING STATISTICS

Shareholding Pattern as of 31 December 2016

NO.	OWNERSHIP OF SHARES	SHAREHOLDERS		SHARES	
		NO.	%	NO.	%
1.	Less than 20 shares	1,350	11.4	5,562	0.0
2.	From 20 to 99 shares	1,389	11.7	71,326	0.1
3.	From 100 to 499 shares	3,569	30.1	831,236	1.2
4.	From 500 to 999 shares	1,531	12.9	1,003,892	1.5
5.	From 1,000 to 19,999 shares	3,629	30.6	13,447,920	19.8
6.	From 20,000 to 99,999 shares	302	2.5	12,071,208	17.8
7.	From 100,000 to 999,999 shares	71	0.6	18,874,552	27.7
8.	From 1,000,000 to 4,999,999 shares	7	0.1	11,700,200	17.2
9.	More than 5,000,000 shares	1	0.0	9,994,104	14.7
	TOTAL	11,849	100.0 %	68,000,000	100.0 %

Shareholder Categories as of 31 December 2016

NO.	CATEGORY OF SHAREHOLDER	NO. OF INVESTORS	TOTAL SHARES OWNED	%
1.	Individuals	11,777	43,449,598	63.9
2.	Corporations	65	16,989,493	25.0
3.	Funds	7	7,560,909	11.1
	TOTAL	11,849	68,000,000	100.0 %

Nationality of shareholders as of 31 December 2016

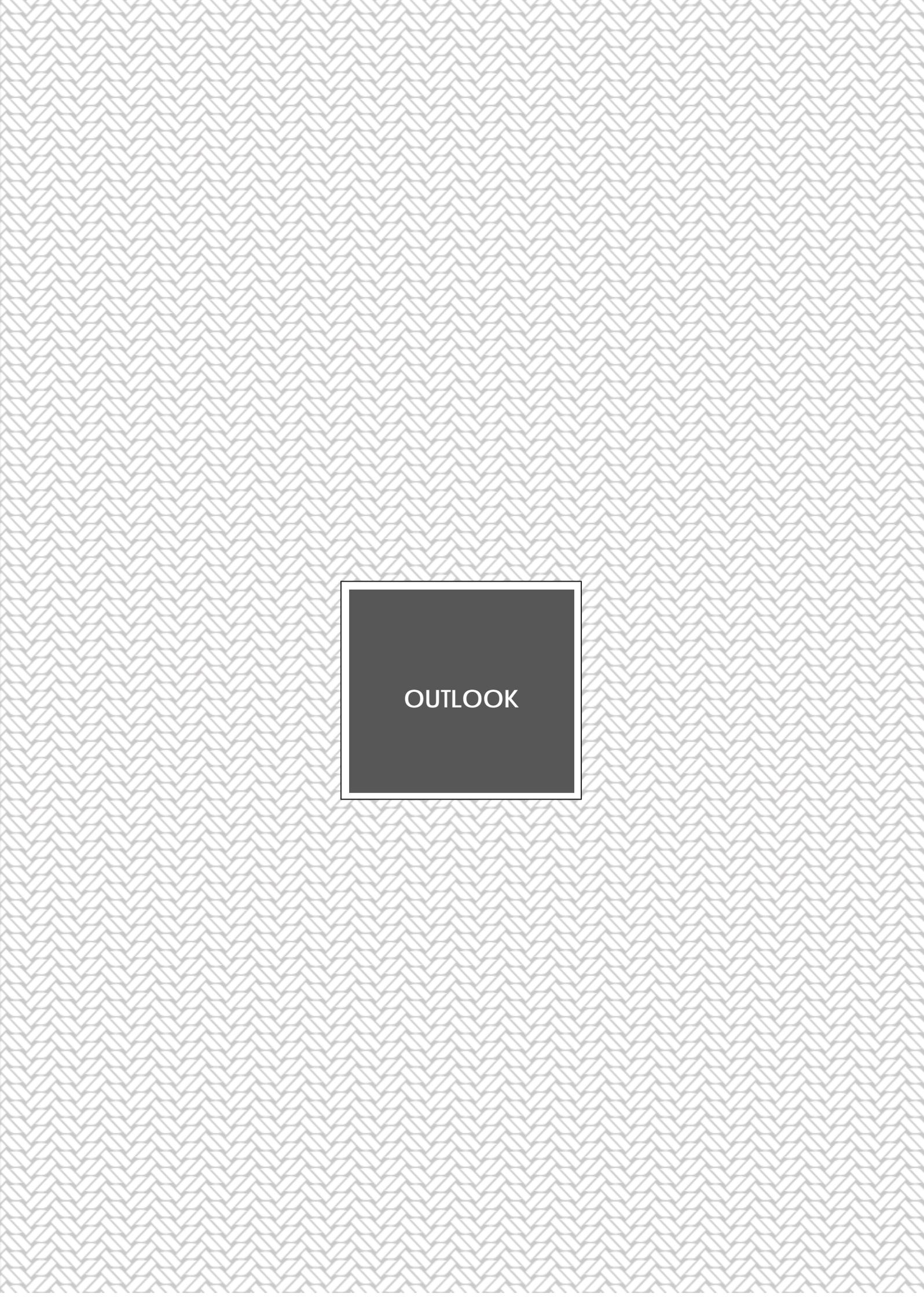
NO.	NATIONALITY	CURRENT BALANCE	%
1.	Saudi	64,500,076	94.85
2.	Kuwait	1,871,206	2.75
3.	UAE	647,288	0.95
4.	Yemen	384,788	0.57
5.	Others (23 Countries)	596,642	0.88
	TOTAL	68,000,000	100.00 %

Top five shareholders as of 31 December 2016 - CORPORATES

NO.	NAME	CURRENT BALANCE	%
1.	Xenel Industries Limited	9,994,104	14.69
2.	Saudi Services and Operations Company	1,067,410	1.57
3.	Gulf Pearl Trading Company	900,000	1.32
4.	Public Pension Agency	711,571	1.05
5.	Arabian Bulk Trading	584,500	0.86
	TOTAL	13,257,585	19.49 %

Top five shareholders as of 31 December 2016 - INVESTMENT COMPANIES AND FUNDS

NO.	NAME	CURRENT BALANCE	%
1.	Financial Investment Fund No. 24	2,562,200	3.77
2.	JADWA Investment Fund	2,172,080	3.19
3.	ARAMCO Investment Managements	920,160	1.35
4.	Kuwait General Investment Authority	518,095	0.76
5.	Al-Zamil Investment Group Co. Ltd	345,844	0.51
	TOTAL	6,518,379	9.59 %



OUTLOOK

FUTURE AT A GLANCE

The National Transformation Plan 2020 and Vision 2030 placed the enhancement of non-oil revenue for Saudi government high on the agenda. As a result of various measures announced (and some already implemented), Saudi Arabia's economy is expected to continue its consolidation and government's focus on fiscal disciplines remains unfettered. Consequently, economic activity is likely to remain subdued as cuts to public remuneration will hit domestic trade hard and contractors will be affected by further government efforts to rationalize procurement.



For SISCO, the theme for 2017 is to capitalize on all possible avenues for developing the three growth pillars: Ports & Terminals, Logistics Parks & Services and Water Solutions; as they are well-positioned to participate in the government's drive for a more inclusive role of private sector in areas of utilities, transport and logistics.

PORTS & TERMINALS

The year 2016 stood out in terms of consolidation for global container shipping industry, both in terms of outright mergers but also in the newer and larger alliances being forged to cut costs. The year also witnessed unprecedented events of a government-sponsored shipping line filing for court protection and a national regional shipping line being acquired by a European carrier.

Locally, growth in trade volume for Saudi Arabia is expected to remain muted resulting in lower demand for imported cargo and materials. This is expected to have direct impact on the terminal's gateway volume. Management's focus is on increasing the capacity utilization through trans-shipment business, but the margins are expected to be under pressure.

Expansion of the terminal is progressing as per the plan with 71.3% of the civil works completed by end of 2016. As per the plan, the civil construction is expected to be completed by August 2017 and 4 new cranes are expected to be delivered in October 2017. Once the expansion works are completed, the capacity of the terminal will increase to about 2.5 million TEUs.

LOGISTICS PARKS & SERVICES

Tusdeer has been able to weather the storm of local economic slowdown, due to its unique position and business model. However, owing to most of Tusdeer's customers facing commercial challenges, the growth prospects for additional/new leases are to be rationalized.

Progress on Jeddah Logistics Park in the south of the Industrial City is slow due to delays in obtaining approvals from relevant government agencies. Similarly, ISNAD's Logistics Hub has also faced bottlenecks in construction, which are currently being addressed. SISCO has now re-structured to put both Tusdeer and ISNAD under one management structure to improve the service offering to their customers.

WATER SOLUTIONS

Water segment is expected to remain stable and well-positioned to take advantage of the government's drive for private sector participation. Key risk in this segment is of increased utility prices, if the company is unable to or is restricted from passing on the cost increase to customers.

Kindasa is setting up a new plant with 5,000 cubic meters per day capacity in Rabigh and it is expected to start production from mid-2018.