



الشركة السعودية للخدمات الصناعية
Saudi Industrial Services Co.





IN THE NAME OF ALLAH, THE MOST COMPASSIONATE, THE MOST MERCIFUL

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CORPORATE GOVERNANCE

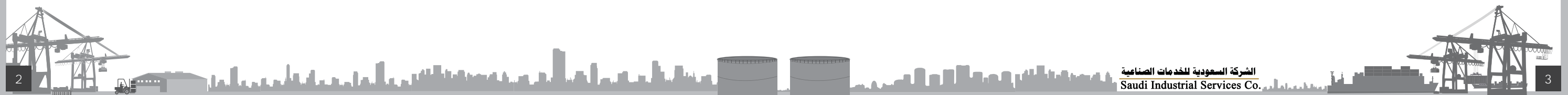
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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mohamed Ahmed Zainal Alireza
Alawi Mohammed Saeed Kamil
Waleed Abdul Aziz Kayal
Abdulaziz Abdullatif Jazzar
Adnan Abdullah Maimani
Saleh Ahmed Hefni
Aamer Abdullah Zainal Alireza

MANAGEMENT

Mohamed K Al-Mudarres (CEO)
Farooq A Shaikh (CFO)
Syed Z Reza (Chief Audit Executive)
Maqbool Aswani (Investor Relations)
Abd-al-Wahab Al-Milaik (Board Secretary)

REGISTERED OFFICE

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Kingdom of Saudi Arabia
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Fax : +966 12 657 4270
www.sisco.com.sa | infos@sisco.com.sa

BANKERS

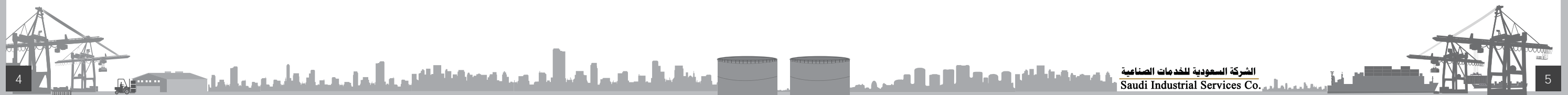
Al Jazira Bank
Al Rajhi Bank
National Commercial Bank
Saudi British Bank
Saudi Hollandi Bank

AUDITORS

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

SHARE REGISTRAR

Depository and Operations
Saudi Stock Exchange – Tadawul
6897, King Fahad Road, Al Olaya
Unit No. 15, Riyadh 12211 – 3388,
Kingdom of Saudi Arabia
Phone : +966 11 218 9090
Fax : +966 11 218 9326
www.tadawul.com.sa | osis@tadawul.com.sa





CHAIRMAN'S LETTER TO SHAREHOLDERS

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

It gives me great pleasure to present to you SISCO's Board of Directors' Annual Report for the year 2014 for your consideration and approval.

Although 2014 was a challenging year for our business sectors, we remained relentlessly focused upon our operational abilities, quality performance, and technical capabilities in the timely delivery of our services. As a result, our fortitude in pursuing strong initiatives and strategy in the Kingdom delivered some exceptionally encouraging and rewarding results, which will act as a springboard towards further long term success in the future In Sha Allah.

Our success in 2014 is attributable to some key factors that I should like to highlight. First, we remained resolute in our commitment towards a robust strategy and growth. This year saw our businesses perform exceptionally well

recording the highest net profit in the company's history. Our strong adherence towards a practical strategy ensured that businesses not only achieved but surpassed expectations and targets set for their respective sectors.

I am also pleased to inform you that the Board has recommended the first ever dividend in Company's history for general assembly's approval. Our objective is to make this a part of our annual program and ensure the sustainability of the dividend balanced against the requirements for future growth.

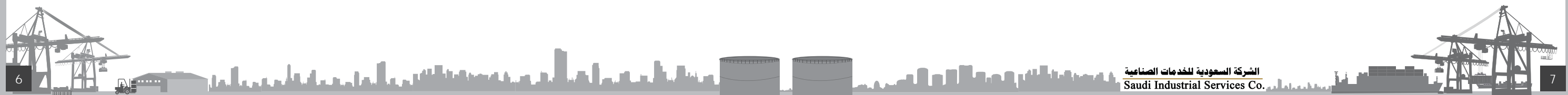
Our success in 2014 is also attributable to the dedication, loyalty and commitment of our employees towards the pursuit of our corporate objectives and their implementation. We have continued our efforts towards nationalization and our determination to train Saudi nationals for future managerial positions, coupled

with intensive continuing professional development programs to provide them with a solid foundation towards acquisition of knowledge and its practical application.

While we look at 2014 with great enthusiasm with exceptional performance and results, equally we look to meet our expectations for 2015. We expect to focus on the key drivers towards success: a strong and challenging strategy and growth initiatives. In meeting these challenges, we will pursue viable commercial opportunities, expand our current projects where possible, identify potential acquisition targets, and where appropriate, diversify in other profitable segments to provide an optimal return to our shareholders.

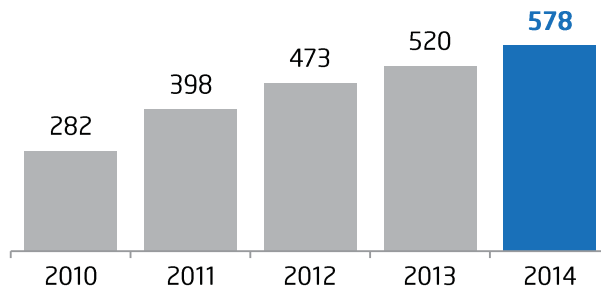
Yours truly,

Mohamed Ahmed Zainal Alireza

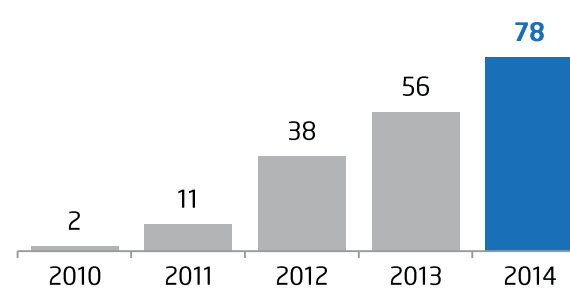


(in Saudi Riyal million)

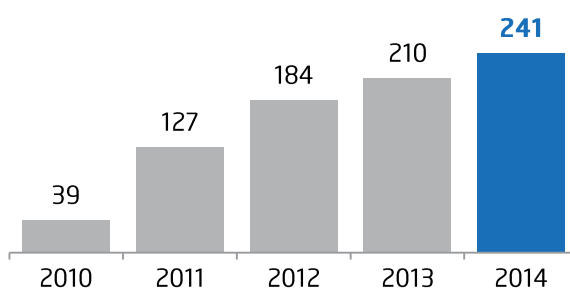
REVENUE



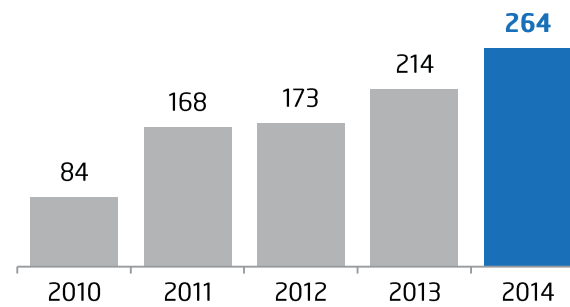
NET INCOME



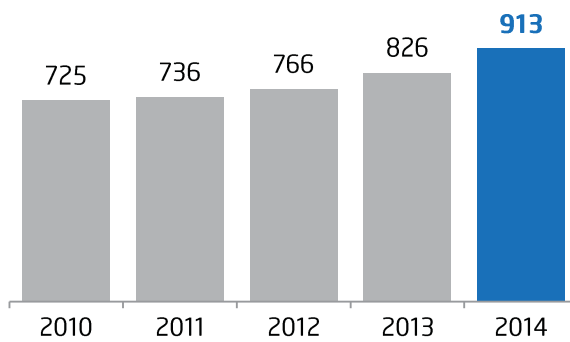
EBITDA



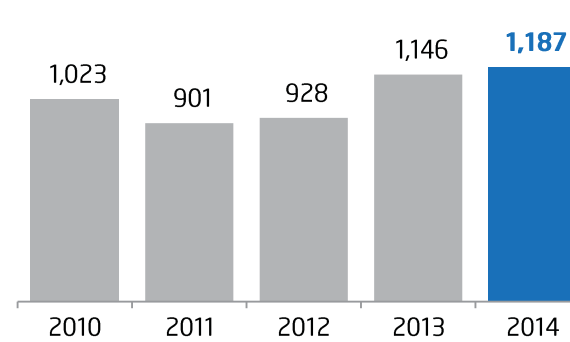
CASH FLOW FROM OPERATIONS



SHAREHOLDERS' EQUITY



MARKET CAPITALIZATION



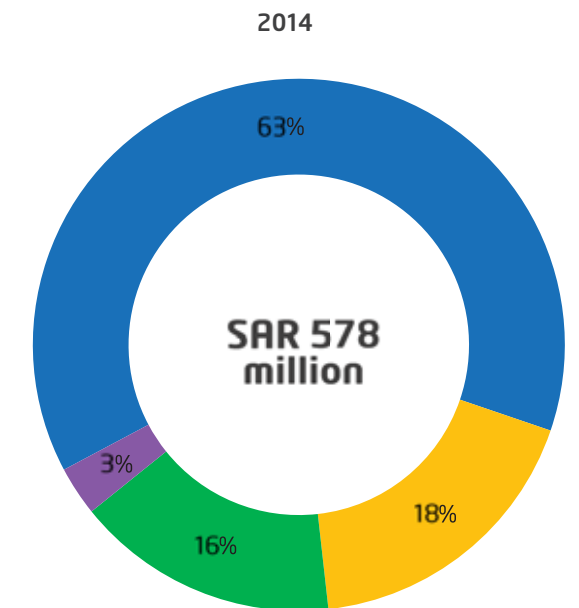
SISCO PERFORMED WELL THROUGHOUT 2014 ACHIEVING A RECORD NET PROFIT OF SAR 77 MILLION, WHICH IS A 39% INCREASE FROM 2013 OF SAR 56 MILLION. THE COMPANY ALSO ACHIEVED THE HIGHEST EVER TOP LINE OF SAR 578 MILLION IN 2014, RESULTING IN AN INCREASE OF 11% OVER LAST YEAR.

One of the main reasons for this significant increase was better than expected operational results of re-export segment, and increased contribution from the ports unit. Water desalination business also improved due to uninterrupted operations, and additional capacity generated during the second quarter of 2014. Further, the Group also received compensation of SAR 5.7 million for claims arising from previous years and SAR 0.9 million dividend from Growth Gate Corporation, which resulted in higher than expected other income.

Moreover, the share of net results from equity accounted associates also improved, with water distribution business posting its first profitable year, and the logistics facility in Jubail becoming operational during this period. However, this improvement was partially off-set by losses owing to the start-up of the new Joint Venture of Stork Technical Services Saudi Company Limited.

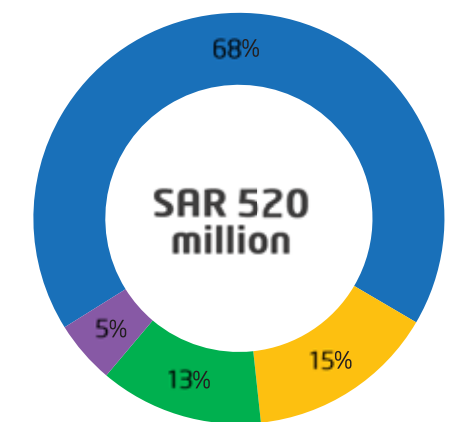
The Company's business diversification initiatives and expansion projects commenced during 2008 - 09, when financing was mobilized from the lenders and equity holders and invested in new innovative business and expansion projects. These businesses have now become fully operational resulting in a healthy growth in the Operating cash-flows. During 2014, cash flow from operations was SAR 264 million, which is SAR 50 million more than 2013. Similarly, cash-flows for investing activities have gradually declined, as a major part of capital expenditure in 2014 was of a recurring nature.

REVENUE
(in Saudi Riyal million)



- Ports
- Re-export Zone
- Water desalination
- Logistics and Support Services

2013



SISCO's Board has a top down view as the representative of shareholders' interests, and works with the CEO in deciding overall strategic vision and direction of the company and implementation of that vision. The Corporate functions provide the Board and CEO with a shared set of functional strengths. The Corporate Centre enables a 'portfolio-oriented' management of independent businesses, as well as integrating the management of businesses, where most skills can be shared across similar business systems.

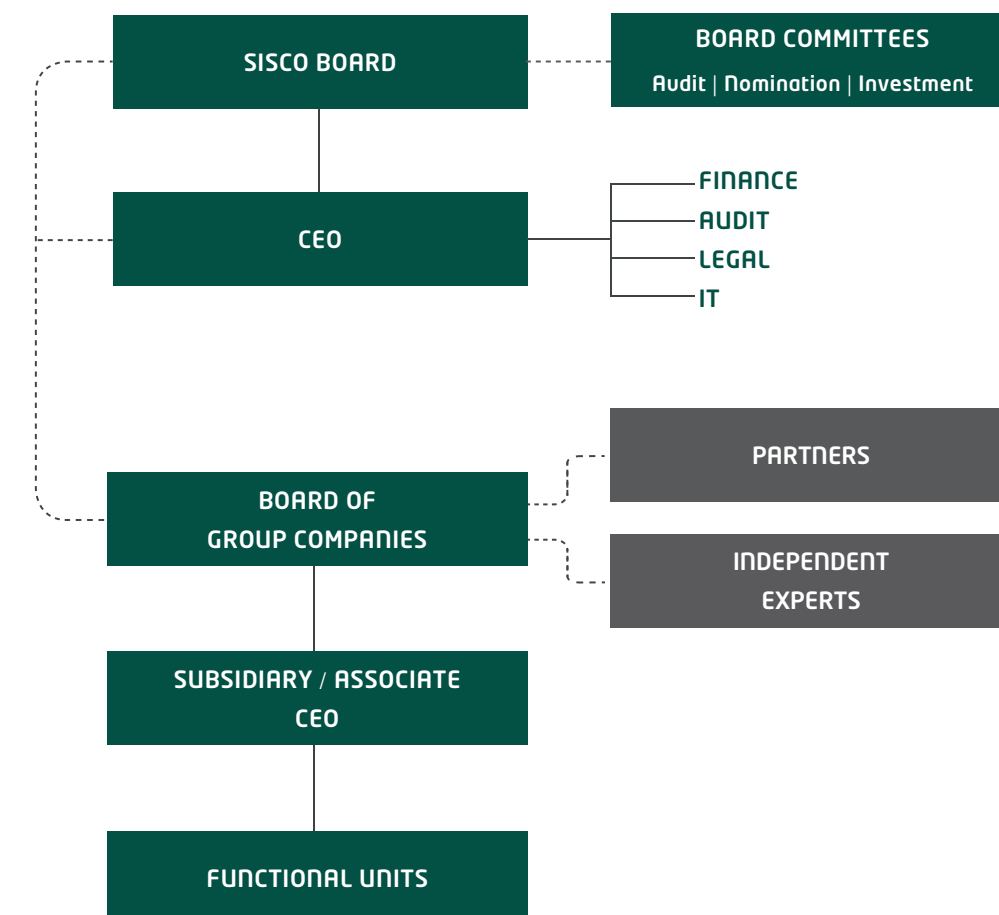
The Group Board is assisted by a number of Board Committees in making decisions related to Nomination and Executive Compensation, Oversight and Risk Management, and Investments.

Each SISCO business (both consolidated and associated) is governed by an independent board, which appoints a CEO, who is responsible for implementing the direction set by the Board into tangible results.

The company has put in place a number of monitoring and reporting mechanisms at every level of the organization, to provide a vigorous process of planning and measuring results. These mechanisms provide a bottom-up and top-down approach to review and measure the achievement of objectives and to identify, decide and implement future actions.

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

The Board has recently appointed an international management consultant to assess the management philosophy and strategy with a view to determining effectiveness, and provide recommendations as to how this model may be further strengthened to position SISCO as one of the leading conglomerates in the country.



BOARD OF DIRECTORS



MR. MOHAMED AHMED ZAINAL ALIREZA

Chairman of the Board
Masters in Science (Civil Engineering)
Bachelors in Civil Engineering

Mr. Mohamed assumed the Chairmanship of Xenel Industries upon its formation in 1973 with executive responsibility for the Construction and Marketing Divisions and, later, the Healthcare, Operation & Maintenance, and Infrastructure Development Divisions. He is the Chairman and Director of several companies within the Xenel Group and some publicly listed companies in Saudi Arabia. He has served on the Board of the Jeddah Chamber of Commerce and Industry and was appointed member to the Majlis Al Shoura (Consultative Council) for two terms. He is currently a board member of The Saudi Fund for Development.

MEMBERSHIP IN OTHER JOINT STOCK COMPANIES:

Red Sea Port Development Co. (Closed JSC)
Tamleek



MR. ADNAN ABDULLAH MAIMANI

Board Member
Masters in Aviation Law
Bachelors in Law

Mr. Adnan 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.

MEMBERSHIP IN OTHER JOINT STOCK COMPANIES:

Saudi Cable Company
National Petrochemical Industrial Co.



MR. SALEH AHMED HEFNI

Board Member
M.Phil
Bachelor of Science in Civil Engineering

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

MEMBERSHIP IN OTHER JOINT STOCK COMPANIES:

Halwani Brothers Co.
Al-Ahli Takaful



MR. WALEED ABDUL AZIZ KAYAL

Board Member
Bachelor in Economics

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.

MEMBERSHIP IN OTHER JOINT STOCK COMPANIES:

Kinan International Company



DR. ABDULAZIZ ABDULLATEEF JAZZAR

Board Member
Doctorate in Computer Science
Masters in System Engineering

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

MEMBERSHIP IN OTHER JOINT STOCK COMPANIES:

Malaz Capital (Closed JSC)
Salam Cooperative Insurance Company



MR. ALAWI MOHAMMED KAMIL

Board Member
Masters in Int'l Relations
Bachelors in Political Sciences

Mr. Alawi has a long standing association with Dallah group, where he has worked in various positions. Currently he is the President of Dallah Group.

MEMBERSHIP IN OTHER JOINT STOCK COMPANIES:



MR. AAMER ABDULLAH ZAINAL

Board Member
BA in Economics and Political Science

Mr. Aamer is the CEO of the Red Sea Gateway Terminal and Saudi Trade & Export Development Company. Before starting his career in the Kingdom, he worked on various international assignments with Chevron.

MEMBERSHIP IN OTHER JOINT STOCK COMPANIES:

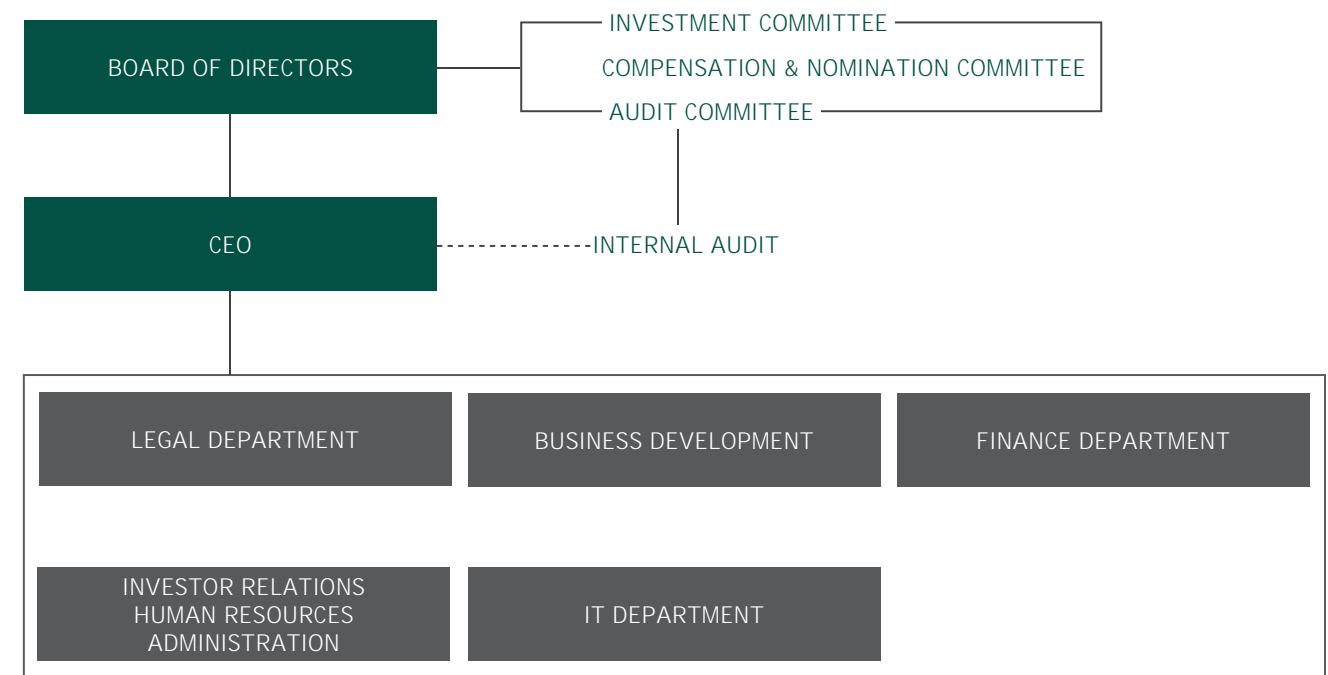
BUPA Arabia for Co-operative Insurance
Red Sea Ports Development (Closed JSC)



THE CORPORATE CENTRE ENABLES A 'PORTFOLIO-ORIENTED' MANAGEMENT OF INDEPENDENT BUSINESSES, AS WELL AS INTEGRATING THE MANAGEMENT OF BUSINESSES, WHERE MOST SKILLS CAN BE SHARED ACROSS SIMILAR BUSINESS MODELS AND PLATFORMS.

Corporate functions mainly focus in areas of corporate finance, legal, and new business venture development. Additionally, a shared Information technology works for the benefit of all group companies. The core responsibility of the Corporate Center is to establish a shared value 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.

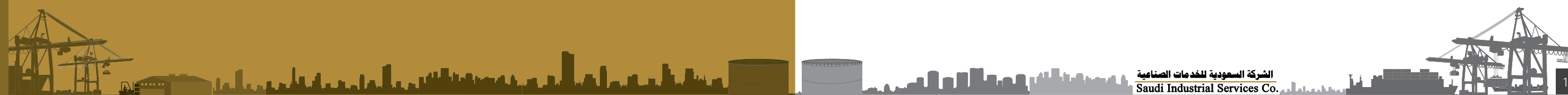
ORGANIZATION CHART





SISCO SUBSIDIARIES AND ASSOCIATED COMPANIES ARE GROUPED INTO THREE SECTORS. THIS ARRANGEMENT ENCOMPASSES THE DIVERSITY WITHOUT COMPROMISING ON THE SYNERGIES, WHICH IS EVIDENT THROUGH THE GROWTH IN OUR FINANCIAL PERFORMANCE FOR 2014. THIS DIVERSITY ALSO SIGNIFIES THAT WE ARE WELL-POSITIONED TO TAKE ADVANTAGE OF NEW BUSINESS OPPORTUNITIES.

COMPANY	DIRECT OWNERSHIP
<i>(Ports & Re-export Zones)</i>	
RSPD	53%
RSGT	21.2%
TUSDEER	76%
<i>(Water Management)</i>	
KINDASA	60%
TAWZEA	50%
<i>(Logistics & Support Services)</i>	
ISNAD	97%
S.A.TALKE	33.3%
STS SAUDI ARABIA	45%



SUBSIDIARY COMPANIES

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

Details of subsidiary companies are as follows:

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

ASSOCIATED COMPANIES

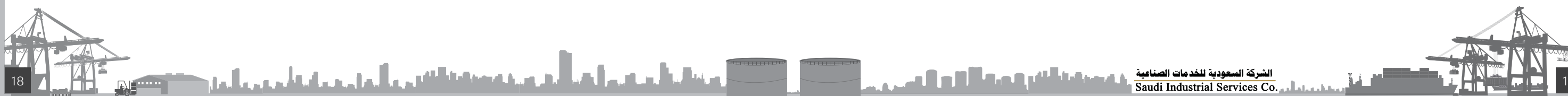
Associated companies are those where SISCO has substantial long-term interest and where SISCO is in a position to exercise a significant influence over the associated company by participating in the financial and operating policy decisions of that company.

Details of the associated companies are as follows:

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

OTHER INVESTMENTS

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



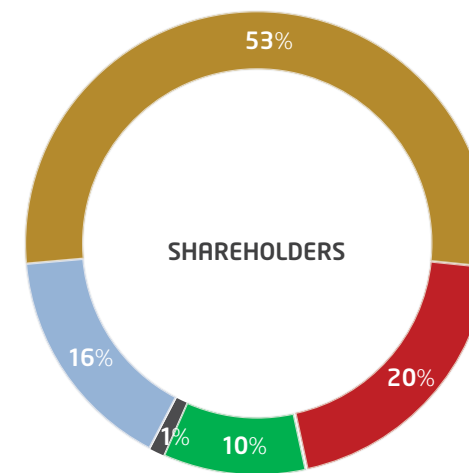
SUBSIDIARIES & ASSOCIATED COMPANIES

RED SEA PORTS DEVELOPMENT CO. (RSPD)

Established	2009
Company Type	Closed Joint Stock Company
Head Office	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 SISCO owns 17,655,625 shares

Impact on SISCO Financials

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



- SISCO
- CITY ISLAND HOLDING
- TUSDEER
- XENEL INDUSTRIES
- XENEL MAINTENANCE

Established	2007
Company Type	Limited Liability Co.
Head Office	Jeddah, Saudi Arabia
Main Business	Development, Management and Operation of Container Terminals
Share Capital	SAR 555.207 million
No. of Shares	555,207 of SAR 1,000 each
Impact on SISCO Financials	
Revenues	63.4 %
Assets	68.1 %



BUSINESS ANALYSIS

The Kingdom's container terminals on the Red Sea coast recovered from the decline of 2013 and posted an overall increase of +2 % (2013: -3%) in 2014, handling 4.63 million Twenty-foot Equivalent Units (TEUs). Import / export cargoes marginally declined by -2% (2013: +5%) whereas trans-shipment volumes increased by +8 % (2013: -13.5%).

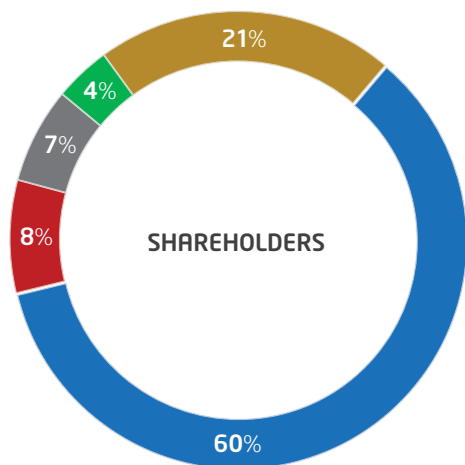
Red Sea Gateway Terminal Co. Ltd (RSGT) completed its first 5-years of operations in 2014. During this period, RSGT has been spearheading major developments at the port. In 2014 RSGT was recognized by its global customers for its extraordinary improvements in productivity and reaching the highest global standards.

Despite a slow start to 2014, the terminal was able to maintain high productivity and achieve a high level of performance in the throughput (total number of containers loaded and discharged). In July 2014, RSGT reached over 5.0 million TEUs mark since the start of its operation in December 2009. Overall, RSGT handled a total of 1.39 million TEUs (2013: 1.37 million TEUs) during the year, with gateway (import and export) cargo accounting for 61% (2013: 56%) of the total volume.

2014 also saw RSGT becoming the terminal of choice for leading importers in the country in recognition of its customer-centric process, and ability to resolve bottle-necks in their

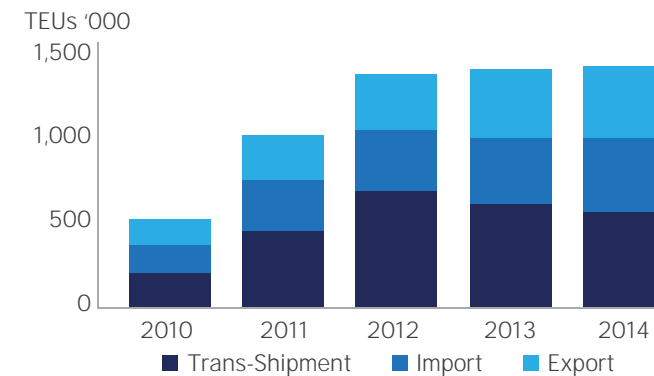
supply chain. These processes are being driven through 6-sigma guidelines using 5S (Sort, Set-in-Order, Shine, Standardize, Systemize) methodology. As a result, some of the leading importers in Jeddah have appointed RSGT to manage their imports as it assists them towards reducing their import storage days and costs. RSGT's achievement was further validated when the Container Logistics Division obtained the ISO (International Standards Organization) 9001:2008 and 10002:2004 certification during 2014.

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.



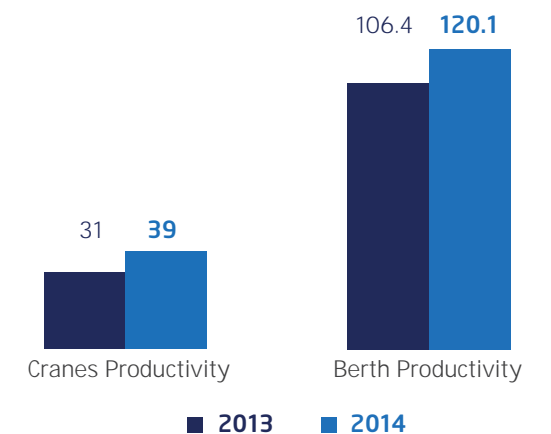
- SISCO
- RSPD
- CITY ISLAND HOLDING
- XENEL INDUSTRIES
- TUSDEER

Throughput



As the terminal is reaching close to its optimal operational capacity, emphasis has been placed on Process Improvement to streamline, standardize, and improve operational processes to maximize the utilization of the terminal, and improve the operational productivity. This has assisted in turning the vessels around faster, and increasing the berth availability for more vessels.

Moves Per Hour

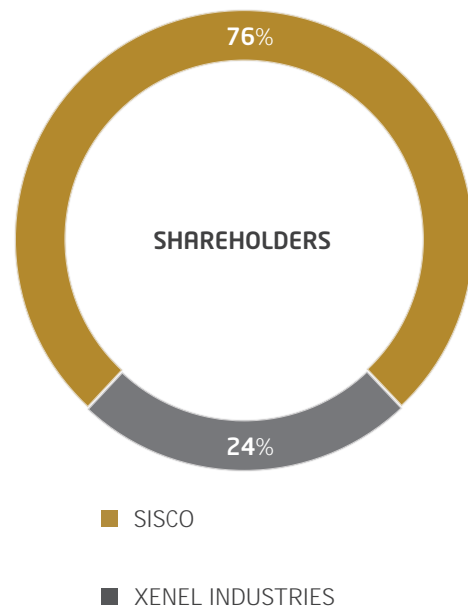


As a result, RSGT has become home of the mega - vessels (> 13,000 TEU capacity) in Jeddah and handled a total 110 (2013: 151) calls of mega - vessels during the year.

During 2013 and 2014, essential yard equipment was delivered, and more cranes and yard equipment is on order. Additional investments are being made in the infrastructure and business processes, setting a very strong foundation for long-term future competitiveness of the terminal.

Established	1999
Company Type	Limited Liability Co.
Head Office	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	17.6 %
Assets	11.0 %

* In 2014, share capital was reduced from SAR 190 million to SAR 140 million without affecting the respective shareholding percentage of the partners.



BUSINESS ANALYSIS

The integrated logistics hub is a mark of TUSDEER's commitment towards staying at the forefront of technology and active business development.

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

Demand for open yard lease remained very high, which was reflected in near 100% occupancy rate (2013: 96%), whereas a decline was seen in the occupancy of warehouses because additional capacity was brought in operation with the start of warehouse Village IV. Current warehousing capacity stands at approximately 72,000 square meters and the average occupancy rate for year 2014 was 74% (2013: 87%).

With construction of Village III and IV under world-class standards during the last two years, TUSDEER has brought in advancement to the warehousing industry in the country. Similarly, open-yard facilities have been upgraded to international standards, including perimeter fencing and 24-hours Closed

Circuit TV (CCTV) coverage. The state-of-the-art Information Technology system enables free flow of information and paperless transaction facility.

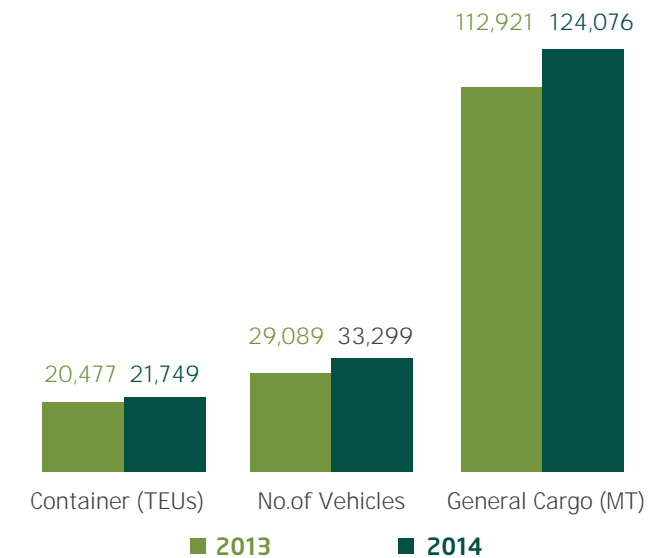
Company registered stellar performance in all areas of its business operations and posted exceptional growth.

TUSDEER continues to challenge itself and consideration is being given to replicating the Integrated Logistics Hub success story outside of Jeddah Islamic Port area.

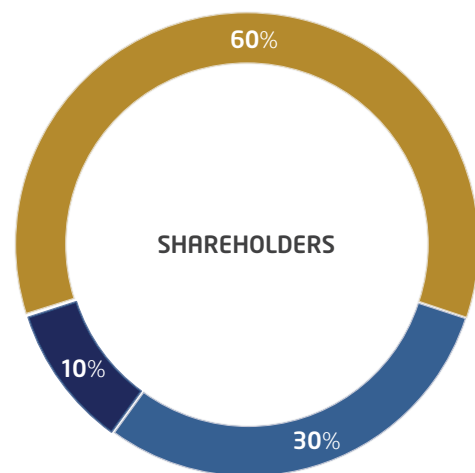
Xenmet Vaduz S.A.

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

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



Established	2000
Company Type	Limited Liability Co.
Head Office	Jeddah, Saudi Arabia
Main Business	Construction & Operation of Water Desalination Plants and Water Distribution.
Share Capital	SAR 77.3 million
No. of Shares	77,300 of SAR 1,000 each
Impact on SISCO Financials	
Revenues	15.8 %
Assets	10.7 %



- SISCO
- ABDUL LATIF JAMEEL CO.
- BUSHNAK BROTHERS

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 Estate and residential complexes in the city. It remains the leading water supplier in its sector despite the emergence of many new entrants. Kindasa retains approximately 50% market share of all water supplied to industrial customers in Jeddah.

2014 saw Kindasa increasing its desalination capacity from 48,000 m³ per day to 65,000 m³ per day. For distribution of additional quantities, manually operated water transfer pipeline was converted to automatic pressurized pipeline. In addition, a new 800 mm diameter, 2 kilo meters long above-ground pipeline was established to improve the supply and minimize transmission losses.

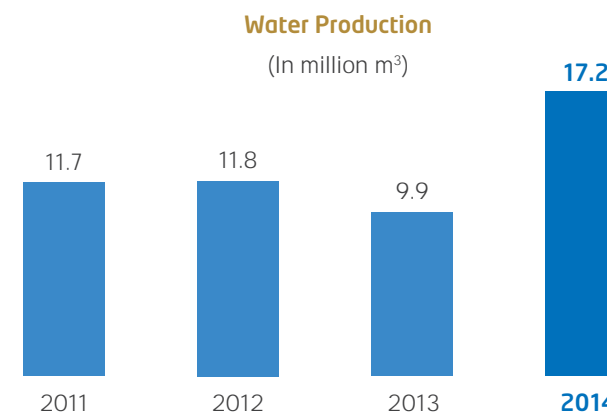
In order to facilitate customers in Al-Khomra area of the city, a new filling station with a capacity of 4,000 m³ per day was built, and it became operational during third quarter of 2014.

Kindasa uses cost-effective Reverse Osmosis (RO) desalination technology, which requires lower energy input and 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 the seasonal changes in sea water quality.

The desalination plant operated at normal capacity compared to the year 2013 when the plant was forced to shut-down due to sea water pollution caused by a fire in the neighboring sugar factory.

Total quantities sold during 2014 were 17.2 million m³; a 73% increase over 2013 and 45% increase over quantities sold in 2012.



A testament to Kindasa's quality program is that the quality of water produced exceeds the standards set by World Health Organization (WHO) and Saudi Arabian Standards Organization (SASO).

INVESTMENTS

Kindasa owns a small desalination plant with a production capacity of 1,000 m³ per day in Hodeida, Yemen. However, due to the political situation in Yemen, the plant has been operating at about 30% of its capacity.

During the year, the company managed to dispose-off the assets of Bahar Kindasa, as it did not remain viable to continue with its operations.

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

Established	2006
Company Type	Limited Liability Co.
Head Office	Jeddah, Saudi Arabia
Main Business	Potable Water Distribution and Wastewater Treatment and use of re-cycled water for irrigation
Share Capital	SAR 146 million*
No. of Shares	146,000 of SAR 1,000 each

Impact on SISCO Financials

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

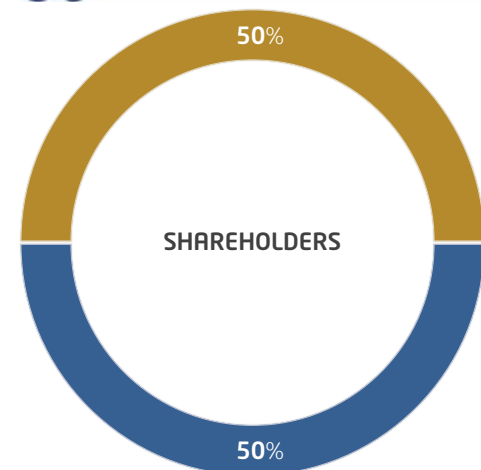
Revenues	SAR 179.9 million
Assets	SAR 261.7 million



BUSINESS ANALYSIS

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

The year saw TAWZEA completing the network lay-down in Jeddah and Riyadh, whereas progress in Qassim reached 90%. Both the distribution networks in Jeddah and Riyadh span a total length of more than 200 kilo meters and reach about 2,000 customers. Water distributed by TAWZEA reaches a population of approximately 250,000 people daily.



■ SISCO
■ AMIWATER (AMIANTIT)

Established	2004
Company Type	Limited Liability Co.
Head Office	Jeddah, Saudi Arabia
Main Business	Industrial Support services including logistics, transportation, material and container handling and management / operations of fuel stations.
Share Capital	SAR 15 million
No. of Shares	15,000 of SAR 1,000 each

Impact on SISCO Financials

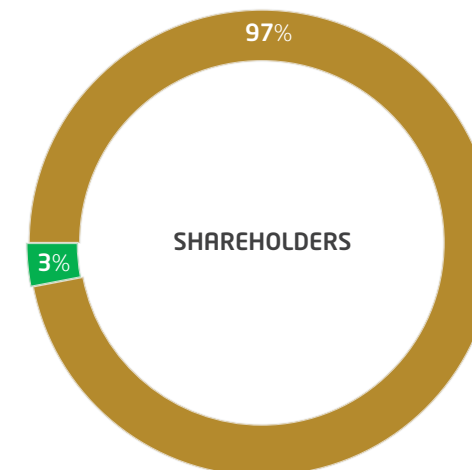
Revenues	3.2%
Assets	0.9%



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 and distribution service provider in the country.

As the lease of Riyadh fuel station is expected to expire in the last quarter of 2015, ISNAD's management has increased its activities in port-logistics and transportation services, including city logistics. In addition, the company has been increasing its presence in short and long-term rental of container handling and transportation equipment.



■ SISCO
■ TUSDEER

Established	2004
Company Type	Limited Liability Co.
Head Office	Jubail, Saudi Arabia
Main Business	Packaging, Material Handling, Distribution of Petro-chemical products and Hazardous materials
Share Capital	SAR 21 million
No. of Shares	21,000 of SAR 1,000 each

Impact on SISCO Financials

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

Revenues	SAR 133.4 million
Assets	SAR 87.6 million

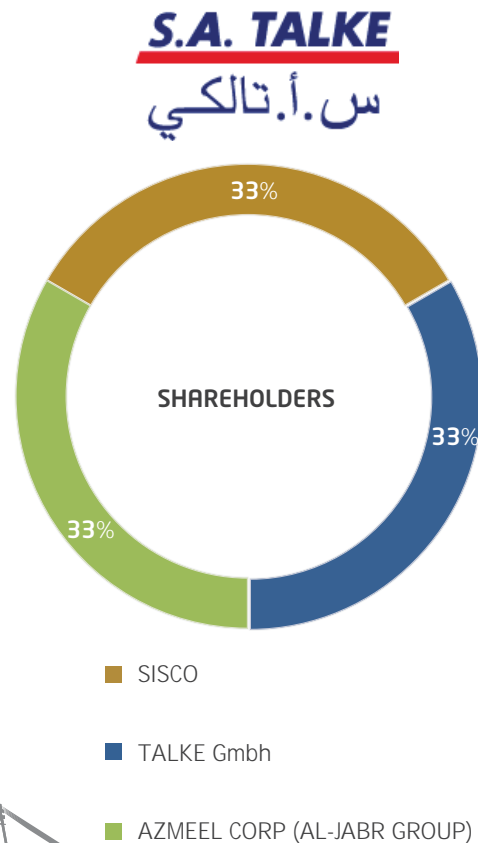


BUSINESS ANALYSIS

SA Talke continues to position itself as a premium enterprise managing supply chain of petro-chemical products. In recognition of its quality business and services, SA Talke was awarded the port logistics facility management contract by Saudi Basic Industries (SABIC) in 2013, and the project became successfully operational during 2014.

SA Talke handled a total of 5.4 million metric tons (2013: 5.2) during the year, which is approximately 2.5 times more than the volume handled by the company just three years ago. The company has been expanding its portfolio, and was recently awarded a container storage contract by Sadara Chemical Company.

In order to increase its foot-print in liquid handling, SA Talke is in process of setting up a Joint Venture in the Kingdom of Saudi Arabia with NewPort Tank, a leading global ISO Tank provider in the industry.



Established	2014
Company Type	Limited Liability Co.
Head Office	Jubail, Saudi Arabia
Main Business	Maintenance & Operations of Industrial Plants including petro-chemical, water desalination, & power generation plants & providing related electro-mechanical services
Share Capital	SAR 5 million
No. of Shares	5,000 of SAR 1,000 each

Impact on SISCO Financials

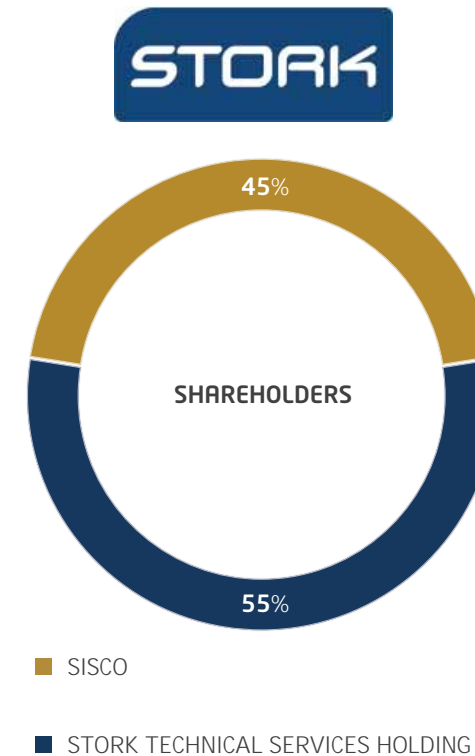
STS SAUDI is not a consolidated subsidiary of SISCO group therefore there is no direct contribution towards SISCO's Consolidated Assets or Revenues.

Revenues	SAR 1.3 million
Assets	SAR 12.7 million



BUSINESS ANALYSIS

After signing of Joint Venture in 2012, STS Saudi completed the registration formalities in January 2014 and spent the year on equipping the workshop with state-of-the-art machinery in Jubail. 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.



HUMAN CAPITAL DEVELOPMENT

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

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

HR PERFORMANCE

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



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



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

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

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

Composition of Total employees by company

COMPANY	2014	2013
Saudi Industrial Services Company (SISCO)	33	30
Red Sea Gateway Terminal (RSGT)	1,031	1,025
Saudi Trade and Export Development (TUSDEER)	96	68
Kindasa Water Services (KINDASA)	126	126
Support Services Operation Co (ISNAD)	92	86
International Water Distribution Co (TAWZEA)	142	138
Al-Jabr Talke Co. (SA TALKE)	877	654
Stork Technical Services Saudi Company Ltd (STS SAUDI)	4	-
TOTAL	2,401	2,127

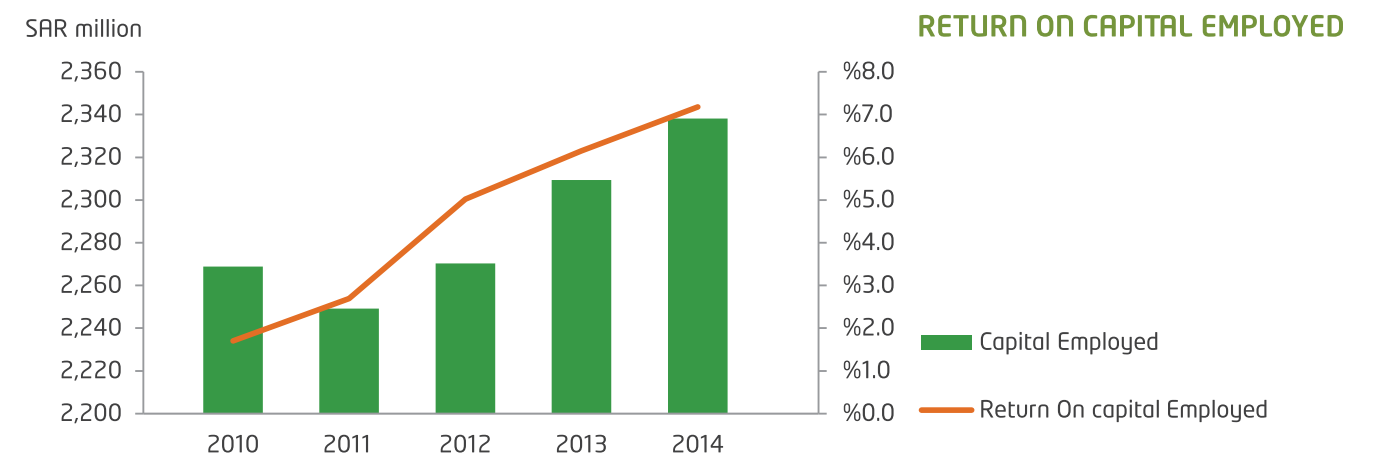
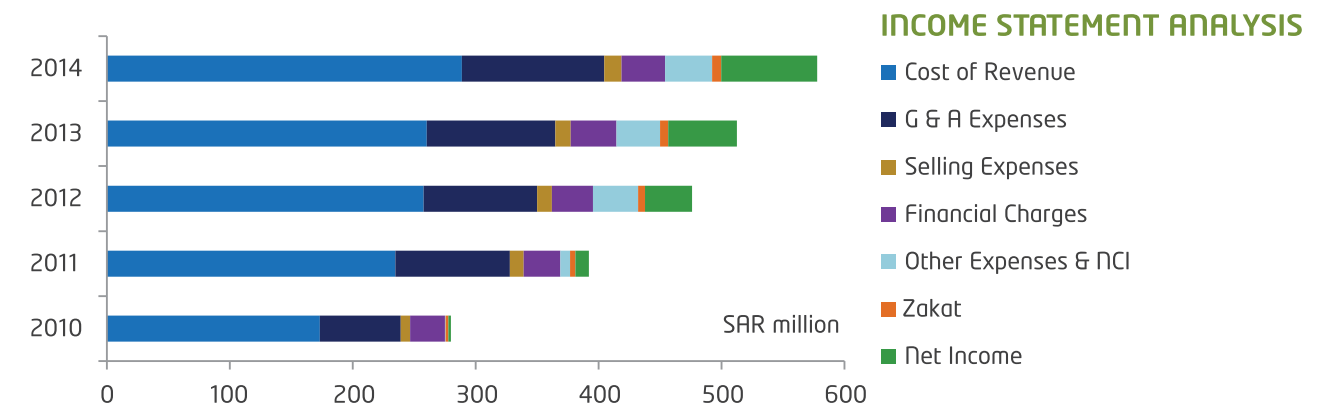
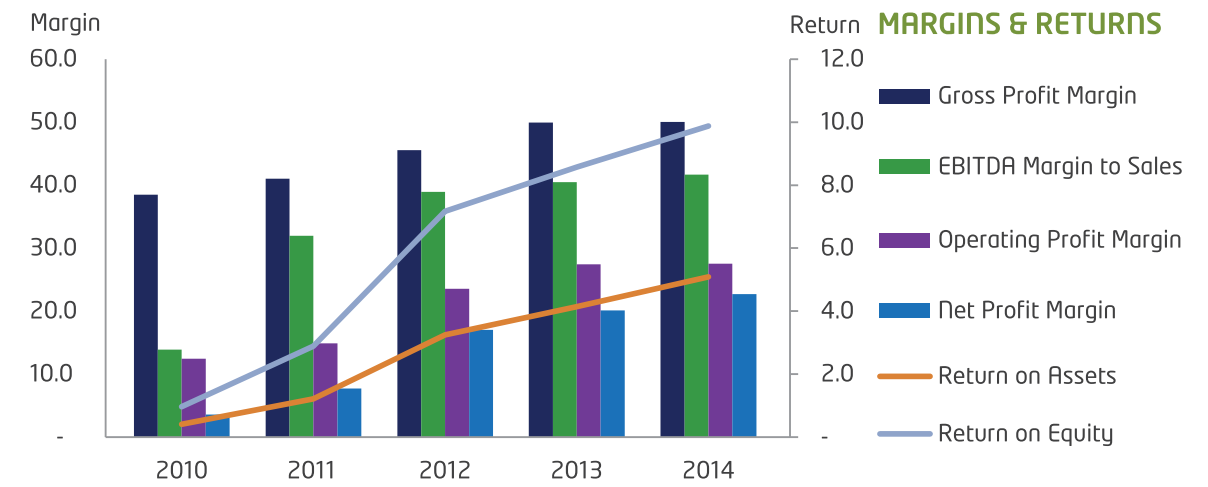


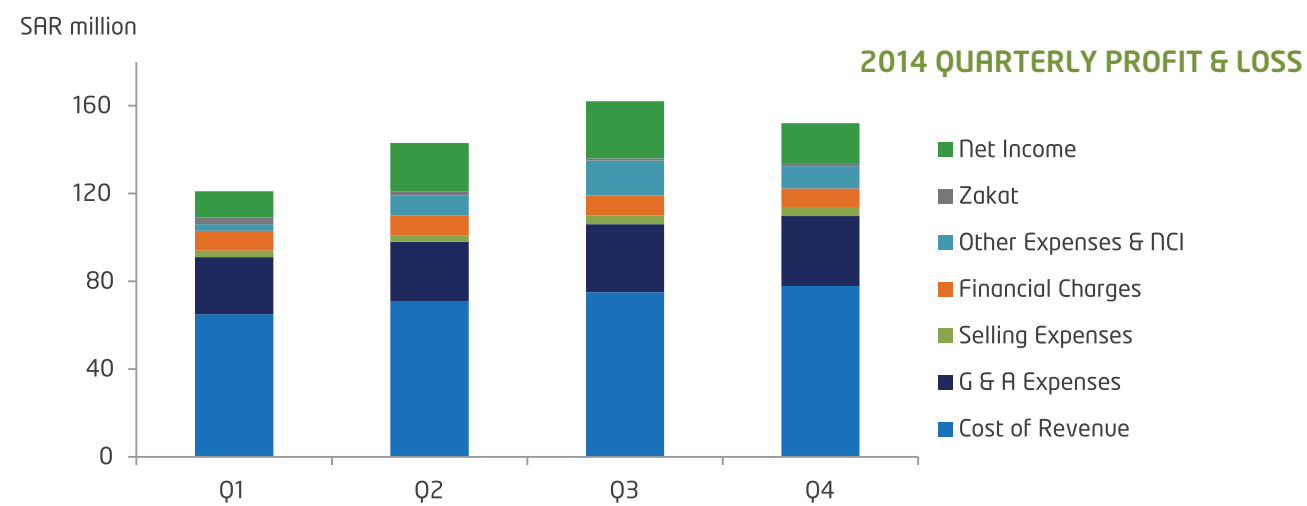
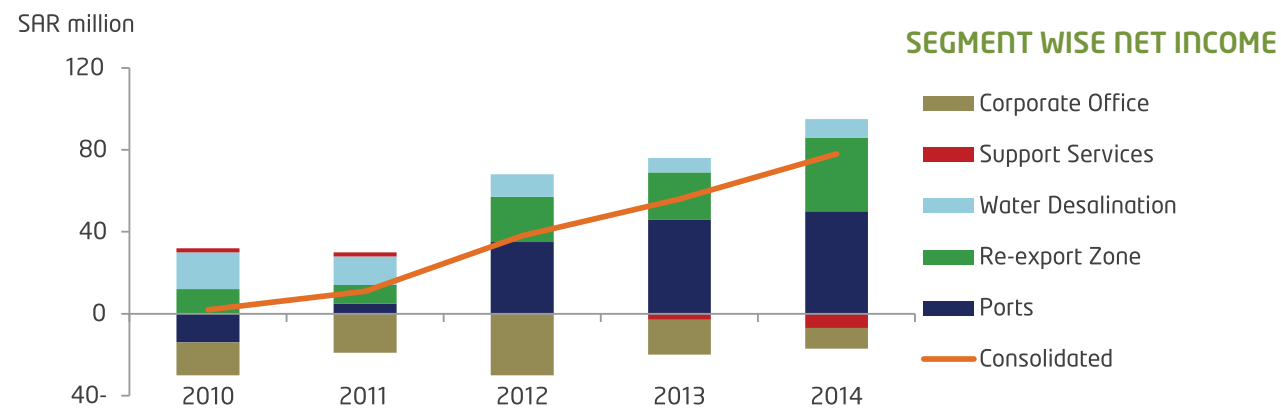
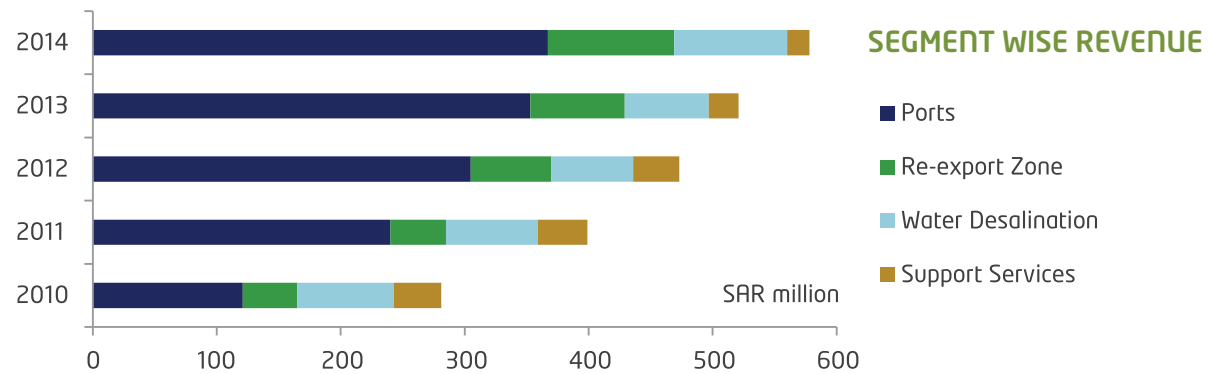
The Nitaqat status of all group companies is as follows :

PLATINUM	GREEN
Red Sea Gateway Terminal Company Saudi Trade and Export Development Company Kindasa Water Services Company International Water Distribution Company	Saudi Industrial Services Company Support Services Operation Company Al-Jabr Talke Company Stork Technical Services Saudi Company Limited

FINANCIAL REVIEW

KEY FINANCIAL INDICATORS





(SAR '000)	2014	14 vs. 13 % Change	2013	2012	2011	2010
ASSETS						
CURRENT ASSETS						
Bank balances and cash	273,438	31 %	209,418	163,051	219,905	225,296
Receivables	101,304	-1 %	102,640	84,821	65,832	66,012
Inventories	27,496	45 %	18,959	14,912	11,075	10,182
	402,239	22 %	331,017	262,784	296,812	301,490
NON-CURRENT ASSETS						
Investments	107,766	22 %	87,984	82,850	84,794	73,036
Property, plant and equipment	633,922	4 %	606,756	562,397	503,815	483,349
Other Non-Current Assets	1,437,526	-4 %	1,501,114	1,573,447	1,646,940	1,638,177
	2,179,214	-1 %	2,195,854	2,218,694	2,235,549	2,194,562
TOTAL ASSETS	2,581,452	2 %	2,526,871	2,481,478	2,532,361	2,496,052
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Payables	133,527	16 %	114,973	121,252	127,834	95,419
Short-term Loans	109,795	7 %	102,567	89,871	155,305	131,811
	243,321	12 %	217,540	211,123	283,139	227,230
NON-CURRENT LIABILITIES						
Long term bank loans	946,160	-9 %	1,038,557	1,096,520	1,167,458	1,215,684
Other Non-current liabilities	44,167	18 %	37,315	39,743	7,733	0,000
Employees' end of service benefits	17,936	30 %	13,756	11,204	8,632	7,184
	1,008,263	-7 %	1,089,628	1,147,468	1,183,823	1,222,868
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	32,238	57 %	20,527	12,121	6,387	4,867
Other non-distributable reserves	9,344	1,180 %	(730)	(3,450)	4,653	4,653
Retained earnings /(loss)	155,106	75 %	88,740	41,106	8,614	(907)
Non-Controlling Interest	416,770	6 %	393,299	356,701	329,336	320,932
	1,329,868	9 %	1,219,703	1,122,887	1,065,399	1,045,954
TOTAL LIABILITIES AND EQUITY	2,581,452	2 %	2,526,871	2,481,478	2,532,361	2,496,052

BALANCE SHEET

HORIZONTAL ANALYSIS

Horizontal analysis is done using 2010 as the base year, and shows the development in key elements of the balance sheet over last 5 years as compared to 2010.

(2010 as base year)	2014	2013	2012	2011	2010
ASSETS					
CURRENT ASSETS					
Bank balances and cash	121	93	72	98	100
Receivables	153	155	128	100	100
Inventories	270	186	146	109	100
	133	110	87	98	100
NON-CURRENT ASSETS					
Investments	148	120	113	116	100
Property, plant and equipment	131	126	116	104	100
Other Non-Current Assets	88	92	96	101	100
	99	100	101	102	100
TOTAL ASSETS	103	101	99	101	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Payables	140	120	127	134	100
Short-term Loans	83	78	68	118	100
	107	96	93	125	100
NON-CURRENT LIABILITIES					
Long term bank loans	78	85	90	96	100
Other Non-current liabilities	571	483	514	100	-
Employees' end of service benefits	250	191	156	120	100
	82	89	94	97	100
SHAREHOLDERS' EQUITY					
Share capital	100	100	100	100	100
Share premium	100	100	100	100	100
Reserves	661	422	249	131	100
Other non-distributable reserves	201	16	(74)	100	100
Retained earnings /(loss)	1,801	1,030	477	100	-
Non-Controlling Interest	130	123	111	103	100
	127	117	107	102	100
TOTAL LIABILITIES AND EQUITY	103	101	99	101	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	2014	2013	2012	2011	2010
ASSETS					
CURRENT ASSETS					
Bank balances and cash	10.6	8.3	6.6	8.7	9.0
Receivables	3.9	4.1	3.4	2.6	2.6
Inventories	1.1	0.8	0.6	0.4	0.4
	15.6	13.1	10.6	11.7	12.1
NON-CURRENT ASSETS					
Investments	4.2	3.5	3.3	3.3	2.9
Property, plant and equipment	24.6	24.0	22.7	19.9	19.4
Other Non-Current Assets	55.7	59.4	63.4	65.0	65.6
	84.4	56.9	89.4	88.3	87.9
TOTAL ASSETS	100.0	100.0	100.0	100.0	100.0
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Payables	5.2	4.6	4.9	5.0	3.8
Short-term Loans	4.3	4.1	3.6	6.1	5.3
	9.4	8.6	8.5	11.2	9.1
NON-CURRENT LIABILITIES					
Long term bank loans	36.7	41.1	44.2	46.1	48.7
Other Non-current liabilities	1.7	1.5	1.6	0.3	-
Employees' end of service benefits	0.7	0.5	0.5	0.3	0.3
	39.1	43.1	46.2	46.7	49.0
SHAREHOLDERS' EQUITY					
Share capital	26.3	26.9	27.4	26.9	27.2
Share premium	1.4	1.4	1.5	1.4	1.5
Reserves	1.2	0.8	0.5	0.3	0.2
Other non-distributable reserves	0.4	0.0	(0.1)	0.2	0.2
Retained earnings /(loss)	6.0	3.5	1.7	0.3	-
Non-Controlling Interest	16.1	15.6	14.4	13.0	12.9
	51.5	48.3	45.3	42.1	41.9
TOTAL LIABILITIES AND EQUITY	100.0	100.0	100.0	100.0	100.0

STATEMENT OF INCOME

(SAR '000)	2014	14 vs. 13 % Change	2013	2012	2011	2010
Revenue	578,054	11 %	520,024	473,441	398,252	281,843
Cost of Revenue	(291,336)	12 %	(260,400)	(257,661)	(234,917)	(173,346)
GROSS PROFIT	286,718	10 %	259,624	215,781	163,335	108,497
Selling & Distribution expenses	(14,305)	15 %	(12,443)	(11,887)	(11,075)	(7,638)
General & Administration expenses	(112,154)	7 %	(104,478)	(92,499)	(93,078)	(65,741)
OPERATING PROFIT	160,259	12 %	142,703	111,394	59,182	35,118
Financial Charges	(36,532)	-2 %	(37,464)	(33,399)	(29,812)	(28,489)
Share of results from associates	(305)	-76 %	(1,255)	(8,072)	(616)	(1,508)
Other Income / (Loss)	7,945	1,238 %	594	10,598	1,991	5,022
INCOME FROM CONTINUING OPERATIONS	131,367	26 %	104,578	80,521	30,746	10,143
Net Result of discontinued operations	(169)	-89 %	(1,486)	(173)	-	-
NET INCOME BEFORE ZAKAT AND NON-CONTROLLING INTEREST	131,198	27 %	103,093	80,348	30,746	10,143
Zakat	(7,566)	17%	(6,465)	(5,595)	(4,410)	(2,099)
NET INCOME BEFORE NON-CONTROLLING INTEREST	123,632	28 %	96,627	74,753	26,335	8,044
Share of Non-Controlling Interest	(45,555)	12 %	(40,588)	(36,527)	(15,294)	(5,917)
NET INCOME	78,077	39 %	56,040	38,226	11,041	2,127

Notes:

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

STATEMENT OF INCOME

HORIZONTAL ANALYSIS

Horizontal analysis is done using 2010 as the base year, and it shows the development in key elements of income statement over last 5 years as compared to 2010.

(2010 as base year)	2014	2013	2012	2011	2010
Revenue	205	185	168	141	100
Cost of Revenue	168	150	149	136	100
GROSS PROFIT	264	239	199	151	100
Selling & Distribution expenses	187	163	156	145	100
General & Administration expenses	171	159	141	142	100
OPERATING PROFIT	456	406	317	169	100
Financial Charges	128	132	117	105	100
Share of results from associates	20	83	535	41	100
Other Income / (Loss)	158	12	211	40	100
INCOME FROM CONTINUING OPERATIONS	1,295	1,031	794	303	100
Net Result of discontinued operations	98	859	100	-	-
NET INCOME BEFORE ZAKAT AND NON-CONTROLLING INTEREST	1,293	1,016	792	303	100
Zakat	360	308	267	210	100
NET INCOME BEFORE NON-CONTROLLING INTEREST	1,537	1,201	929	327	100
Share of Non-Controlling Interest	770	686	617	258	100
NET INCOME	3,671	2,635	1,797	519	100

STATEMENT OF INCOME

VERTICAL ANALYSIS

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

(Revenue as the base)	2014	2013	2012	2011	2010
Revenue	100.0	100.0	100.0	100.0	100.0
Cost of Revenue	(50.4)	(50.1)	(54.4)	(59.0)	(61.5)
GROSS PROFIT	49.6	49.9	45.6	41.0	38.5
Selling & Distribution expenses	(2.5)	(2.4)	(2.5)	(2.8)	(2.7)
General & Administration expenses	(19.4)	(20.1)	(19.5)	(23.4)	(23.3)
OPERATING PROFIT	27.5	27.4	23.5	14.9	12.5
Financial Charges	(6.3)	(7.2)	(7.1)	(7.5)	(10.1)
Share of results from associates	(0.1)	(0.2)	(1.7)	(0.2)	(0.5)
Other Income / (Loss)	1.4	0.1	2.2	0.5	1.8
INCOME FROM CONTINUING OPERATIONS	22.7	20.1	17.0	7.7	3.6
Net Result of discontinued operations	(0.0)	(0.3)	(0.0)	-	-
NET INCOME BEFORE ZAKAT AND NON-CONTROLLING INTEREST	22.7	19.8	17.0	7.7	3.6
Zakat	(1.3)	(1.2)	(1.2)	(1.1)	(0.7)
NET INCOME BEFORE NON-CONTROLLING INTEREST	21.4	18.6	15.8	6.6	2.9
Share of Non-Controlling Interest	(7.9)	(7.8)	(7.7)	(3.8)	(2.1)
NET INCOME	13.5	10.8	8.1	2.8	0.8

KEY RATIOS

	2014	2013	2012	2011	2010
LIQUIDITY RATIOS					
Current Ratio	1.65	1.52	1.24	1.05	1.33
Quick Ratio	1.54	1.43	1.17	1.01	1.28
Cash to Current Liabilities	1.12	0.96	0.77	0.78	0.99
Cash Flow from Operations to Sales	0.46	0.41	0.37	0.42	0.30
CAPITAL STRUCTURE RATIOS					
Debt-Equity Ratio	1.32	1.12	0.98	0.90	0.86
Financial Leverage Ratio	1.06	0.93	0.83	0.73	0.72
Interest Cover Ratio	4.70	3.79	3.41	2.03	1.40
ACTIVITY RATIOS					
Average Collection Period	45.6	70.6	71.3	68.1	84.2
Fixed Assets Turnover	0.3	0.2	0.2	0.2	0.1
Total Assets Turnover	0.2	0.2	0.2	0.2	0.1
Accounts Receivables Turnover	5.7	5.1	5.6	6.0	4.3
PROFITABILITY RATIOS					
Gross Profit Margin (%)	49.6	49.9	45.6	41.0	38.5
Operating Profit Margin (%)	27.5	27.4	23.5	14.9	12.5
Net Profit Margin (%)	13.5	10.8	8.1	2.8	0.8
Return on Assets (%)	6.5	5.6	4.6	2.4	1.5
Return on Equity (%)	9.9	8.6	7.2	2.9	1.0
EBITDA Margin to Sales (%)	41.7	40.5	38.9	32.0	13.9
INVESTMENT / MARKET RATIO					
Price Earnings Ratio	15.2	20.4	24.3	81.6	481.2
Market Price per Share (SAR)					
At the end of the year	17.5	16.9	13.7	13.3	15.1
Highest during the year	20.7	16.8	20.2	15.6	16.9
Lowest during the year	15.2	13.2	13.0	10.4	12.2
Book Value per Share (SAR)	13.4	12.2	11.3	10.8	10.7
EBITDA multiple	4.9	5.4	5.0	7.1	26.2
EV / EBITDA	9.3	11.1	11.8	17.2	59.7

SUMMARY

(SAR '000)	2014	2013	2012	2011	2010
BALANCE SHEET					
Share Capital	680,000	680,000	680,000	680,000	680,000
Reserves	32,238	20,527	12,121	6,387	4,867
Shareholders' Equity	913,098	826,406	766,186	736,063	725,022
Long-term Borrowing	946,160	1,038,557	1,096,520	1,167,458	1,215,684
Capital Employed	2,338,130	2,309,332	2,270,355	2,249,221	2,268,822
Property, Plant, & Equipment	633,922	606,756	562,397	503,815	483,349
Other Non-Current Assets	1,437,526	1,501,114	1,573,447	1,646,940	1,638,177
Net Current Assets / Working Capital	158,917	113,478	51,661	13,671	74,260
PROFIT & LOSS					
Sales	578,054	520,024	473,441	398,252	281,843
Gross Profit	291,336	259,624	215,781	163,335	108,497
Operating Profit	160,259	142,703	111,394	59,182	35,118
Profit before Zakat and NCI	131,367	104,578	80,521	30,746	10,143
Net Profit	78,077	56,040	38,226	11,041	2,127
EBITDA	240,981	210,372	184,234	127,392	39,079
Earnings per Share	1.15	0.82	0.56	0.16	0.03
CASH FLOW					
Cash Flows from Operating Activities	263,941	214,029	173,194	167,733	84,320
Cash Flows from Investing Activities	(89,322)	(111,017)	(89,782)	(141,502)	(423,339)
Cash Flows from Financing Activities	(110,598)	(56,646)	(140,266)	(31,622)	123,288
Change in Cash and Cash Equivalents	64,020	46,367	(56,853)	(5,392)	(215,732)
Closing Cash and Cash Equivalents	273,438	209,418	163,051	219,905	225,296
CAPITALIZATION					
Closing Price (SAR per Share)	17.45	16.85	13.65	13.25	15.05
Market Capitalization (SAR million)	1,187	1,146	928	901	1,023
Enterprise Value (SAR million)	2,229	2,330	2,170	2,190	2,334
Numbers of Shares Issued (SAR '000)	68,000	68,000	68,000	68,000	68,000
OPERATIONAL STATISTICS					
Containers ('000 TEUs)	1,411	1,396	1,367	1,013	530
No. of Vehicles	33,299	29,089	14,825	15,178	35,504
General Cargo (metric tons)	124,076	112,921	98,643	82,112	77,377
Water production (million m ³)	17.2	9.8	11.8	11.7	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.

(SAR '000)

COMPANY	2014			2013		
	Western	Central	Eastern	Western	Central	Eastern
RSGT	366,519	-	-	352,522	-	-
TUSDEER	101,814	-	-	75,654	-	-
KINDASA	91,474	-	-	67,708	-	-
ISNAD	2,122	16,123	-	8,019	16,121	-
TOTAL	561,929	16,123	-	503,903	16,121	-
		578,052			520,024	

SISCO's associated entities, whose revenues are not consolidated in SISCO's financial statements, mainly operate in central and eastern provinces and their revenue break-down is as follows:

(SAR '000)

COMPANY	2014			2013		
	Western	Central	Eastern	Western	Central	Eastern
TAWZEA	81,769	98,138	-	50,106	59,950	-
SA TALKE	-	-	133,397	-	-	84,063
STS SAUDI ARABIA	-	-	1,324	-	-	-
TOTAL	81,769	98,138	134,721	50,106	59,950	84,063
		314,628			194,119	



BANK LOANS AND DEBT INSTRUMENTS

(SAR '000)

No.	COMPANY	LENDER	START YEAR	ORIGINAL PRINCIPAL	BALANCE 1/1/2014	DRAW-DOWNS	RE-PAYMENTS	BALANCE 31/12/2014
1	RSGT	Al Rajhi/BSF	2008	1,271,091	1,106,307	-	(80,072)	1,026,235
2	TUSDEER	NCB	2013	35,000	35,000	-	(4,375)	30,625
3	KINDASA	SIDF	2010	61,209	24,680	8,920	(6,800)	26,800
4		NCB	2009-11*	23,556	10,667	-	(4,945)	5,722
5		SABB	2012	6,000	5,500	-	(2,000)	3,500
TOTAL					1,092,882	8,920	(98,192)	1,092,882

* Five different tranches were borrowed from 2009 till 2011.

REPAYMENT PROFILE

	COMPANY				
	RSGT	TUSDEER	KINDASA		
Lender	Al Rajhi/BSF	NCB	SIDF	NCB	SABB
Less than one year	85,677	8,750	8,800	4,568	2,000
From 1 - to - 2 years	91,674	8,750	9,000	1,154	1,500
From 2 - to - 5 years	315,354	13,125	9,000	-	-
More than five years	533,531	-	-	-	-
Closing Balance of the Period	1,026,235	30,625	26,800	5,722	3,500

PAYMENTS TO GOVERNMENT AUTHORITIES

INSTITUTION	2014	2013
Department of Zakat and Income Tax	9,908	7,889
General Organization of Social Insurance	6,454	5,863
Ministry of Interior for Passport / Visa services	3,774	3,312
Department of Customs	2,128	723
Saudi Ports Authority	41,856	41,834
TOTAL	64,120	59,621

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

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

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

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

It is our pleasure to announce that the Board has recommended SISCO's first ever dividend to its shareholders. The dividend will be paid after the approval at the Annual General Assembly Meeting; announcement and distribution of which will be made in accordance with Ministry of Commerce and Industry guidelines.

The appropriations recommended by the Board are as follows:

	SAR '000
Un-appropriated Earnings from prior years	88,739
Net Profit after Zakat for the year	78,077
Transfer to Reserves	(11,711)
Un-appropriated Earnings	155,105
Subsequent Proposed Events	
Proposed Dividend on 68 million share of SAR 0.50 per share	(34,000)
Remuneration to members of Board of Directors ¹	(1,400)
Balance Un-appropriated Profits	119,704

1. Proposed remuneration is calculated in accordance with Ministerial Resolution No. 1071 of 1412 AH, specifying a ceiling of SAR 200,000 as remuneration for each Board member.

Corporate governance is concerned with setting the objectives, strategy, vision and mission of a company, including an effective management structure to implement corporate decisions. Sound corporate governance ensures 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 promulgated by Capital Markets Authority of Saudi Arabia.

THE BOARD

The Group is managed by a board of directors which is responsible to the shareholders for the direction of the Group. The board has the ultimate and overall responsibility for corporate governance and the Group's strategic direction and objectives, its acquisition and divestment policies, major capital expenditures and the consideration of significant financial matters. It monitors the Group's key business risks and reviews the direction of individual business units, their annual budgets, and their progress against those budgets.

Article (15) of SISCO's Articles of Association states that the Board of Directors is to comprise of 7 members, which complies with paragraph (a), Article (12) of the Corporate Governance Regulation issued by the Capital Markets Authority. Group's Board members were elected by the shareholders present in the Annual General Assembly Meeting held on 19 May 2014. The shareholders elected all the seven board members who completed their term on 30 June, 2014. The new term is of three (3) years starting from 1 July 2014.

A total of six (6) meetings of the board of directors were held during the financial year 2014, and the attendance record of the directors was as follows:

NAME OF THE BOARD MEMBER	DATE AND ATTENDANCE OF THE BOARD MEETINGS					
	20/1/14	18/2/14	5/3/14	16/4/14	17/7/14	28/10/14
Mohamed Ahmed Zainal	⊘		⊘	⊘	⊘	⊘
Alawi Mohammed Kamil		⊘	⊘	⊘	⊘	⊘
Waleed Abdul Aziz Kayal	⊘	⊘	⊘	⊘	⊘	⊘
Abdulaziz Abdullateef Jazzar	⊘		⊘		⊘	⊘
Ramer Abdullah Zainal		⊘	⊘	⊘		⊘
Adnan Abdullah Maimani	⊘	⊘	⊘	⊘	⊘	⊘
Saleh Ahmed Hefni		⊘	⊘	⊘	⊘	⊘



BOARD BALANCE

There is optimum board balance and compliance with the independent directors criteria set out under the requirements of Capital Markets Authority. At least one third of the board comprises of independent directors with expertise and skills from various fields.

Currently three out of the seven board members are independent directors who are able to bring impartial 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 Ahmed Zainal	Chairman			✓
Alawi Mohammed Kamil	Member	✓		✓
Waleed Abdul Aziz Kayal	Member	✓		✓
Abdulaziz Abdullateef Jazzar	Member	✓		✓
Ramer Abdullah Zainal	Member		✓	
Adnan Abdullah Maimani	Member			✓
Saleh Ahmed Hefni	Member			✓

Overall, the board comprises a good mix of members with 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 of our business. Most of them also have had long association with the Group, which helps them in understanding Group's businesses thoroughly.

The following table provides the name of the Joint Stock Companies in which the members of the Group's Board are directors:

NAME OF THE BOARD MEMBER	ON SISCO BOARD SINCE	BOARD MEMBERSHIP OF OTHER JOINT STOCK COMPANIES
Mohamed Ahmed Zainal	21 / 05 / 2003	Red Sea Ports Development Company (Closed JSC) Tamleek
Alawi Mohammed Kamil	29 / 10 / 1994	-
Waleed Abdul Aziz Kayal	30 / 06 / 2002	Kinan International Company
Abdulaziz Abdullateef Jazzar	20 / 01 / 2014	Malaz Capital (Closed JSC) Salam Cooperative Insurance Company
Ramer Abdullah Zainal	21 / 09 / 2003	BUPA Arabia for Co-operative Insurance Red Sea Ports Development (Closed JSC)
Adnan Abdullah Maimani	19 / 06 / 1999	Saudi Cable Company National Petrochemical Industrial Company
Saleh Ahmed Hefni	02 / 06 / 1998	Halwani Brothers Company Al-Ahli Takaful

BOARD COMMITTEES

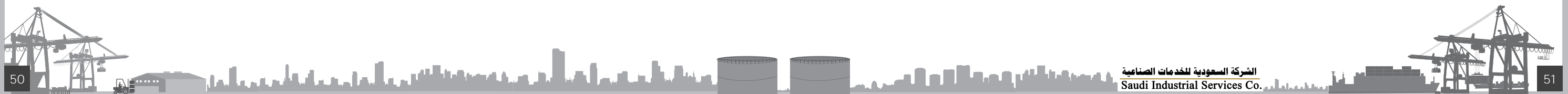
The Board has established three committees, membership of which comprises of board members, external independent experts, and the Chief Executive Officer. These committees have specific charters approved by the Group Board. These committees are:

NAME OF THE COMMITTEE	MEMBERS NAME	NO. OF MEETINGS	KEY RESPONSIBILITIES
Investment Committee	Mohamed Ahmed Zainal (Chair)	1	The committee assists the Board in reviewing Group's investment transactions and performances, oversee the Group's financial resources and advises on future strategy. The Committee meets on as needed basis.
	Saleh Ahmed Hefni		
	Waleed Abdul Aziz Kayal Mohammed Kamal Al-Mudarres		
Compensation & Nomination Committee	Mohamed Ahmed Zainal (Chair)	1	The committee meets when needed, to review and recommend all elements of the Compensation, Organization and Employee Development policies. The committee also reviews the board composition on periodic basis.
	Saleh Ahmed Hefni Aamer Abdullah Zainal		
Audit Committee	Waleed Abdul Aziz Kayal (Chair)	6	The committee meets at least once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to its shareholders, systems of internal controls, risk management, and the audit process.
	Adnan Abdullah Maimani		
	Alawi Mohammed Kamil Abu Baker Bajabir (external independent member)		

INTERNAL CONTROL FRAMEWORK

The Board is ultimately 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 detailed design and operation of the system of internal controls to the Chief Executive Officer of SISCO.

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

SISCO has an 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 Audit Committee.

GOVERNANCE PERFORMANCE AND INTERNAL AUDIT RESULTS

SISCO's approach towards corporate governance is comprehensive to ensure maximum transparency. It begins with a system of internal audits and reporting that is designed to detect internal control lapses in a timely manner. This system is reinforced through the nurturing of a culture of voluntary reporting that enables early identification of irregularities.

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.

During 2014, the internal audit function worked towards establishing uniform rating system across group companies and rolling it out with larger subsidiaries first, based on the risk profile. This has assisted in setting out the starting point and a benchmark to gauge performance in the future.

On an aggregate basis, 16 out of 261 audit findings across the Group were rated as 'Management Attention Required' (MARs).

NAME OF THE COMPANY	SATISFACTORY	MANAGEMENT ACTION REQUIRED (MAR)	TOTAL	MAR %
SISCO	15	-	15	0.0 %
RSGT	166	14	180	7.8 %
TUSDEER	18	-	18	0.0 %
KINDASA	46	2	48	4.2 %
TOTAL	245	16	261	6.1%

Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

Each division within the Group is responsible for managing risks facing its organization. The Board of Directors reviews the risks facing the organization at consolidated level and monitors the mitigation plans and controls established to manage risks and realize opportunities.

During 2014, the Group set itself the overarching objective to implement Enterprise-wide Risk Management (ERM) system across its two major subsidiaries i.e. RSGT and TUSDEER. The risk register is updated by the process owners in GRC (Governance, Risk, and Compliance) software. The software helps the process owners in assessing and updating strategic and operational risks faced by the organization. Mitigation plans are developed and listed in the software with clear responsibility, timelines for implementation, and pre-defined escalation mechanism.

The GRC software will increase efficiency by identifying the risks early and risk mitigation through timely risk assessment, identification of gaps and prioritization of action plans to reduce any adverse impact of the identified risks. The risk appetite criteria are set by the Board and software is managed by the internal audit department.

SISCO operates in an economic sector with potential risks like any other company in the same sector. Some generic risks are faced by all the group companies whereas operational and some strategic risks are peculiar to individual companies within the Group.

Some of the key risks faced by the Group are listed below:

NO.	POTENTIAL RISK	MITIGATING ACTIONS
Strategic Risks - Risk of high level objectives not being met		
1.	Delay in raising additional capital	Management engages with capital and financial market participants on regular basis to ensure that it secures the required additional capital at minimal cost.
2.	Lower Oil Prices may affect demand for products or services	Lower oil prices could have an impact on the overall economy, which in turn may have an indirect impact on the demand for the products and services offered by the Group. The Group's investment in water business provides automatic diversification to reduce the Group's exposure to this risk. Management monitors the demand forecast for its products and services through regular engagement with its customers and scales its activities accordingly.
3.	Increased Competition	Management monitors the competitive environment and makes necessary investment to enhance its capability and capacity to meet the competition.
4.	Subsidiaries are exposed to similar risks	Group is continuously reviewing its portfolio of investments to diversify in sectors that could provide a hedge against drop in performance of its existing business units.

NO.	POTENTIAL RISK	MITIGATING ACTIONS
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	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. 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 are used to manage exposure to interest rate risk and currency risk. Derivatives are not used for trading gains or profit generation purposes.

SISCO's policy is to ensure that adequate short term funding and committed bank facilities are available to meet the forecasted borrowing requirements. Liquidity risk is mitigated by careful monitoring of cash flow needs, regular communication with our credit providers, and careful selection of financially strong banks to participate in our operating lines.

During the year 2014, SISCO did not have any material direct related party transactions except for some expenses incurred on behalf of related parties, which are charged back to them.

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

NO.	RELATED PARTY	RELATIONSHIP	TYPE OF TRANSACTION	2014	2013
(SAR '000)					
1.	International Water Distribution Co Ltd	Associate	Sale of goods and services by Kindasa	52,262	31,714
2.	Stork Technical Services Saudi Company Ltd.	Associate	Payments made by SISCO on behalf of the STS Saudi	2,815	7,496
3.	Al Jabr Talke Company Limited	Associate	Re-payment of Shareholder's Loan to SISCO	(1,340)	-
4.	Saudi Water and Environmental Services Company Limited	Associate	Sale of goods and services by Kindasa	6,276	3,095
5.	Xenel Industries Limited	Shareholder	Expenses incurred on behalf of the RSGT and TUSDEER	2,080	1,869
6.	Karam Fedics	Associate of a shareholder	Purchase of goods and services by RSGT	10,646	9,807
7.	Aecom Arabia Limited	Associate of a shareholder	Expenses incurred on behalf of the RSGT	97	28
8.	Water and Environmental Services Company Limited	Subsidiary of a partner in Kindasa	Purchase of goods and services by Kindasa	16,223	-
9.	Alireza Travel and Tourism Company	Affiliate of a shareholder	Purchase of Air-tickets by RSGT	2,128	2,221

BOARD AND MANAGEMENT REMUNERATION

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

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

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

DESCRIPTION	NON-EXECUTIVE BOARD MEMBERS	EXECUTIVE BOARD MEMBERS	SENIOR MANAGEMENT ¹
Salaries and Benefits	-	-	3,079,596
Meetings Attendance Fee	123,000	14,000	9,000
Annual Remuneration / Bonus	-	-	774,469
Annual Remuneration of Committee Members ²	600,000	75,000	-

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

2) As approved in the Annual General Assembly Meeting No. 22 held on 19 May, 2014.

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 1/1/2014		NO. OF SHARE AS OF 31/12/2014		CHANGE	
	% OF CAPITAL	% OF CAPITAL	% OF CAPITAL	% OF CAPITAL	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 SHARES AS OF 1/1/2014		NO. OF SHARES AS OF 31/12/2014		CHANGE	
	% OF CAPITAL	% OF CAPITAL	% OF CAPITAL	% OF CAPITAL	SHARES	%
Mohamed Ahmed Zainal	227,410	0.334 %	400,910	0.590 %	173,500	0.255 %
Alawi Mohammed Kamil	1,000	0.001 %	1,000	0.001 %	-	-
Waleed Abdul Aziz Kayal	2,000	0.002 %	2,000	0.002 %	-	-
Abdulaziz Abdullateef Jazzar*	-	-	17,000	0.025 %	17,000	0.025 %
Aamer Abdullah Zainal	26,398	0.038 %	26,398	0.038 %	-	-
Adnan Abdullah Maimani	239,700	0.352 %	239,700	0.352 %	-	-
Saleh Ahmed Hefni	1,000	0.001 %	1,000	0.001 %	-	-

* Abdulaziz Abdullateef Jazzar was appointed to the Board on 20th January 2014.

BOARD DECLARATION / CONFIRMATION

In accordance with the requirements of Article (43) of the Registration and Listing Rules and Article (9) and other Articles 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:

Declaration pertaining to Listing Rules:

NO.	DECLARATION / CONFIRMATION REQUIREMENTS	DECLARATION / CONFIRMATION
1.	A description of any interest in a class of voting shares held by persons (other than the Company's directors, senior executives, and their relatives) that have notified the company of their holding pursuant to Article 45 of these Rules, together with any changes to such interest during the last financial year.	Included in Shareholding Interests section of this report
2.	A description of any interest, contractually based securities, and subscription rights of the Group's directors, senior executives and their relatives in the shares or debt instruments of the Group or any of its subsidiaries, together with any change to such interest or rights during the last financial year.	Included in Shareholding Interests section of this report
3.	A description of the classes and numbers of any convertible debt instruments, any contract based securities, warrants, or similar rights issued or granted by the Company during the financial year, together with the consideration received by the Company.	Not Applicable
4.	A description of any conversion or subscription rights under any convertible debt instruments, contract based securities, warrants, or similar rights issued or granted by the Company.	Not Applicable
5.	A description of any redemption or purchase or cancellation by the Company of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the Company and those purchased by its subsidiaries.	Not Applicable
6.	Information relating to any business or contract to which the Company is a party and in which a director of the Company, the CEO, the CFO or any person related to any of them is or was interested, or if there are no such businesses or contracts, the Company must submit an appropriate statement.	Included in Related Party Transactions of this report
7.	A description of waiving any salary and compensation by an arrangement or agreement with a director or a senior executive of the Company.	Not Applicable
8.	A description of any arrangement or agreement under which a shareholder of the issuer has waived any rights to dividends.	Not Applicable
9.	A statement as to the value of any investments made or any reserves set up for the benefit of employees of the issuer.	Not Applicable
10.	The particulars of the issued shares and debt instruments of every subsidiary.	Included in Loans section of this report
11.	The Board hereby confirms that: a. The Group's accounting records were properly prepared. b. Group's internal control systems and procedures are properly developed and effectively executed. c. There are no doubts about the Group's ability to continue its business activities.	Confirmed

Declaration Pertaining to Corporate Governance Guidelines:

NO.	DECLARATION / CONFIRMATION
1.	The Board of Directors confirm that the Group's books and records comply with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and that external auditor's report for the year 2014 did not contain reservations on the relevant annual consolidated audited financial statements. The Board is committed to provide the CMA with any additional information as may be required in case of auditors expressing any reservations on the Annual Consolidated Audited Financial Statements.
2.	The Board of Directors did not recommend changing the external auditors before the elapse of the term it is appointed for. KPMG had been appointed as SISCO's external auditor for the fiscal year 2014 and has completed its services up to the end of the year.
3.	The external auditor did not provide any other consultancy services to the Company during 2014 and did not receive any additional fees in this regard.
4.	SISCO's board did not receive any request from the external auditor to convene a General Assembly meeting.
5.	Company has not granted any cash loans to any of its board members or rendered any guarantees with any loan entered into by a board member with third parties.
6.	There are no punishments, penalties or preventive restrictions imposed on SISCO by CMA or any other supervisory, regulatory, or judicial body.
7.	The Company has not avoided any action which might hamper the use of the shareholders voting rights.
8.	Company did not receive any request to convene a General Assembly meeting or a request to add one or more items to the agenda upon its preparation from a shareholder holding at least 5% of the equity share capital.

The Board acknowledges that the Company during the year 2014 complied with Corporate Governance regulations issued by CMA, except for following guiding (non-mandatory) item:

ARTICLE NO.	DESCRIPTION	REASON FOR NON-COMPLIANCE
Article 6 Clause (b)	In voting in the General Assembly for nomination to the Board Members, the cumulative voting method shall be applied.	Company's Article of Association does not specify the use of cumulative voting, while electing the directors for the Board.

Shareholding Pattern as of 31 December 2014:

NO.	OWNERSHIP OF SHARES	SHAREHOLDERS		SHARES	
		NO.	%	NO.	%
1.	Less than 20 shares	1,334	10.10 %	5,638	0.01 %
2.	From 20 to 99 shares	1,442	10.92 %	74,349	0.11 %
3.	From 100 to 499 shares	3,951	29.92 %	922,855	1.36 %
4.	From 500 to 999 shares	1,779	13.47 %	1,166,371	1.72 %
5.	From 1,000 to 19,999 shares	4,313	32.66 %	15,386,806	22.63 %
6.	From 20,000 to 99,999 shares	304	2.30 %	12,031,511	17.69 %
7.	From 100,000 to 999,999 shares	74	0.56 %	17,698,601	26.03 %
8.	From 1,000,000 to 4,999,999 shares	6	0.05 %	10,719,765	15.76 %
9.	More than 5,000,000 shares	1	0.01 %	9,994,104	14.70 %
Total		13,204	100.00 %	68,000,000	100.00 %

Shareholder Categories as of 31 December, 2014:

NO.	CATEGORY OF SHAREHOLDER	NO. OF INVESTORS	TOTAL SHARES OWNED	%
1.	Individuals	13,167	49,588,693	72.92 %
2.	Corporations	21	13,965,940	20.54 %
3.	Investment Funds	16	4,445,367	6.54 %
Total		13,204	68,000,000	100.00%

SISCO group companies have completed the expansion projects that were undertaken over the past many years, and now the focus has shifted to enhance operational performance and strengthening internal processes to improve productivity.

SISCO has recommended its first ever dividend for the General Assembly to approve, and now the emphasis is on making this a part of our annual program, and sustain the dividend payment balancing it with requirements of future growth.

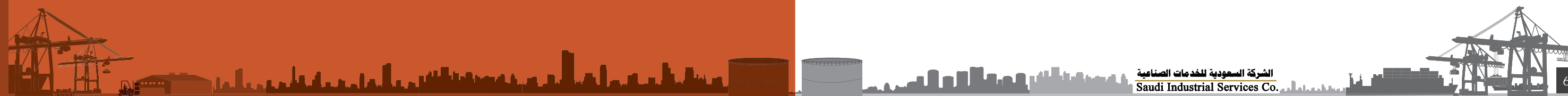
Heeding the need to grow continuously and relentlessly to remain competitive, various group companies have charted out following plans:

1. TUSDEER is looking at opportunities to replicate its model of managing and operating the re-export zone by establishing a logistics park out of the port area.
2. RSGT has engaged with the authorities to enhance the capabilities of Jeddah Islamic Port and increasing its capabilities of handling more mega vessels.
3. The lease of Riyadh fuel station, which is managed by ISNAD, will expire during Q4 of 2015. ISNAD has already started working on diversifying its products and service mix.
4. Kindasa has been increasing its sales volume from the 15,000 m³ expansion undertaken last year. It is expected that the plant will reach its operational capacity by third quarter of this year.

Results are expected to improve; but the initial expenses required to undertake expansion projects will off-set the gains; and management expects 2015 results to be in line with 2014.

SISCO has engaged a leading management consultant to review and assess the strategic direction of the company and its subsidiaries / associates, in order to develop the portfolio and enhance the way it is managed to optimize return to its shareholders.

OUTLOOK & CALENDAR



Financial Year ending 31 December

2014¹

20	April 2015	Annual General Assembly Meeting
20	April 2015	Entitlement to Dividend
20	May 2015	Payment of Dividend

- These dates are tentative and subject to approval by the Ministry of Commerce and Industry.

Financial Year ending 31 December

2015²

21	April 2015	1 st Quarter
26	July 2015	2 nd Quarter
21	October 2015	3 rd Quarter
2016		
21	January 2016	4 th Quarter

- These dates are tentative and subject to change without notice.

As part of this Annual Directors Report, the following table shows the proposed agenda of Shareholders' General Assembly Meeting for 2014, which will be held on a date approved by the Ministry of Commerce and Industry, and the date and place will be communicated to all shareholders through Tadawul and other communication means in accordance with standard practice.

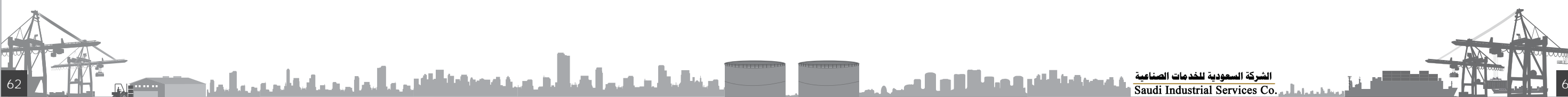
1. Approval of the Consolidated Financial Statements and the External Auditor's Report for the fiscal year ended 31 December 2014.
2. Approval of the Board of Directors Annual Report for the fiscal year ended 31 December 2014.
3. Approval of the Board of Directors recommendation to distribute the final cash dividend for the year 2014 amounting to SAR 34 million (i.e. SAR 0.50 per share), which represents 5% of the company's nominal share value. The maturity date for dividends will be for all shareholders registered in the company books by the end of the trading on the date of Annual General Assembly Meeting, which will be announced later. The date of distribution will be announced after securing the approvals of shareholders at the AGM.
4. Absolve the Board of Directors from any liability pertaining to management of the Company for the year ended 31 December 2014.
5. Approve to pay the Board of Directors remuneration for the fiscal year 2014 an amount of SAR 1.4 million (i.e. SAR 200,000 per Director).¹
6. Approve to pay the members of various Board committees remuneration for the fiscal year 2014 an amount of SAR 750,000 (i.e. SAR 75,000 per member not including CEO of the Company)
7. Approve the recommendation of the Audit Committee to appoint the Company's external auditor, and specifying their fees, for auditing Company's quarterly and final accounts for the year 2015.
8. Approval of the transactions with related parties conducted during 2014 and their renewal for the coming year. The details are as follows:

(A) Approval of the transactions made during the year 2014 and renew them for the year 2015 between SISCO subsidiaries Red Sea Gateway Terminal Co. and the Saudi Trade and Export Development Company with Xenel Industries Limited, which owns a 14.69 % shares in SISCO (note that Mr. Mohamed Ahmed Zainal Alireza is one of the owners of Xenel Industries Limited and is Chairman of the Board of Directors of SISCO, RSGT, and TUSDEER). The value of transaction was SR 2.1 million and it mainly pertained to charging of actual expenses which are shared by the companies.

(B) Approval of the transactions made during the year 2014 and renew them for the year 2015 between SISCO subsidiary Red Sea Gateway Terminal Co. with Karam Fedics Company, a subsidiary of Xenel Industries Limited which owns 14.69 % shares in SISCO (note that Mr. Mohamed Ahmed Zainal Alireza is one of the owners of Xenel Industries Limited and is Chairman of the Board of Directors of RSGT and SISCO). The value of transaction was SR 10.6 million and it mainly pertained to provision of meals and management of employees' housing camps.

(C) Approval of the transactions made during the year 2014 and renew them for the year 2015 between SISCO subsidiary Red Sea Gateway Terminal Co. with AECOM Arabia Company, a subsidiary of Xenel Industries Limited which owns 14.69 % shares in SISCO (note that Mr. Mohamed Ahmed Zainal Alireza is one of the owners of Xenel Industries Limited and is Chairman of the Board of Directors of RSGT and SISCO). The value of transaction was SR 97 thousands and it mainly pertained to charging of actual expenses which are shared by the companies.

* The proposed remuneration is calculated in accordance with Ministerial Resolution No. 1071 of 1412 AH, specifying a ceiling of SAR 200,000 for each Board member.





SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014
with
INDEPENDENT AUDITOR'S REPORT



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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries (collectively referred as "the Group") which comprise the consolidated balance sheet as at December 31, 2014 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 34 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

KPMG Al Fozan & Al Sadhan, a partnership registered in Saudi Arabia and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

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

- 1) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014 and the consolidated results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
- 2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
License No.382



Jeddah on Rabi Al Thani 29, 1436H
Corresponding to February 18, 2015

CONSOLIDATED BALANCE SHEET

As at 31 December 2014 (Expressed in Saudi Arabian Riyals)

	Notes	2014	2013
ASSETS			
Current assets:			
Cash and cash equivalents	4	273,438,500	209,418,166
Accounts and other receivables	5	101,303,911	102,640,328
Inventories	6	27,495,716	18,959,084
Total current assets		402,238,127	331,017,578
Non-current assets:			
Investments	7	107,765,862	87,984,296
Property, plant and equipment, net	8	633,921,633	606,755,716
Intangible assets - quay project	9	1,428,749,367	1,491,716,746
Goodwill	10	8,776,760	8,776,760
		2,179,213,622	2,195,233,518
Assets classified as held for disposal	11	-	620,426
Total Non-current Sssets		2,179,213,622	2,195,853,944
Total Assets		2,581,451,749	2,526,871,522
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and other current liabilities	12	133,526,600	114,972,713
Current portion of long-term loans and bank facilities	13	109,794,842	102,566,597
Total Current Liabilities		243,321,442	217,539,310
Non-current liabilities:			
Non-current portion of long-term loans and bank facilities	13	946,159,881	1,038,556,684
Other long-term liabilities	14	37,379,103	30,786,188
Employees' end of service benefits	15	17,936,255	13,755,940
Derivative financial instruments	16	6,787,990	6,407,680
		1,008,263,229	1,089,506,492
Liabilities classified as held for disposal	11	-	120,980
Total Non-current Liabilities		1,008,263,229	1,089,627,472
Total Liabilities		1,251,584,671	1,307,166,782
Equity attributable to the shareholders of Parent Company			
Share capital	17	680,000,000	680,000,000
Share premium		36,409,063	36,409,063
Statutory reserve	18	21,498,599	13,690,853
Special reserve	19	10,739,756	6,835,883
Other reserves		9,344,571	730,062
Retained earnings		155,105,577	88,739,737
Equity attributable to the shareholders of Parent Company		913,097,566	826,405,598
Non-controlling interests		416,769,512	393,299,142
Total Equity		1,329,867,078	1,219,704,740
Total Liabilities and Equity		2,581,451,749	2,526,871,522

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

CONSOLIDATED STATEMENT OF INCOME

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

	Notes	2014	2013
Continuing Operations:			
Revenue	22	578,054,107	520,023,921
Costs of revenue	23	(291,335,649)	(260,400,232)
Gross profit		286,718,458	259,623,689
Selling and distribution expenses	24	(14,304,723)	(12,443,006)
General and administrative expenses	25	(112,154,216)	(103,791,071)
Operating profit		160,259,519	143,389,612
Share of results from equity accounted associates, net	7.2	(304,502)	(1,254,882)
Other income / (expenses), net	26	7,944,697	(93,083)
Financial charges		(36,532,063)	(37,463,516)
Net income before Zakat and non-controlling interests from Continuing Operations		131,367,651	104,578,131
Discontinued Operations:			
Net loss for the year from Discontinued Operations	11	(169,173)	(1,485,520)
Net income before Zakat and non-controlling interests		131,198,478	103,092,611
Zakat	27	(7,566,373)	(6,465,227)
Net income before non-controlling interests		123,632,105	96,627,384
Income attributable to non-controlling interests		(45,554,646)	(40,587,560)
Net income		78,077,459	56,039,824
Earnings per share on operating profit	28 (a)	2.36	2.10
Earnings per share on net income	28 (b)	1.15	0.82

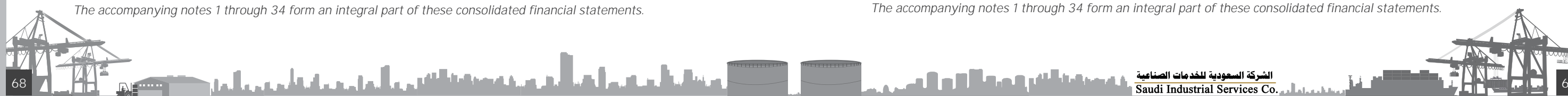
The accompanying notes 1 through 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	2014	2013
Operating activities:			
Net income before Zakat and non-controlling interests from continuing operations		131,367,651	104,578,131
Adjustments for:			
Depreciation and amortization	8.4 & 9 (c)	109,613,668	105,793,988
Provision for employees' end of service benefits	15	5,251,167	3,932,087
Loss on disposal of property, plant and equipment	26	98,005	1,417,088
Share of results from equity accounted associates, net	7.2	304,502	1,254,882
Provision for impairment loss		5,755,619	9,359,646
Provision for asset replacement cost		10,097,289	9,019,321
Provision for doubtful debts		887,011	963,866
Impairment loss on assets classified as held for sale		-	793,280
Loss from discontinued operations		(169,173)	(1,485,520)
Financial charges		36,532,063	37,463,516
		299,737,802	273,090,285
Changes in operating assets and liabilities:			
Accounts and other receivables		449,406	(3,546,235)
Inventories		(8,536,632)	(4,047,051)
Accounts payable and other current liabilities		18,553,887	(8,176,058)
Cash generated from operating activities		310,204,463	257,320,941
Employees' end of service benefits paid		(1,070,852)	(1,370,480)
Financial charges paid	15	(30,975,204)	(37,463,516)
Zakat and tax paid		(14,217,197)	(4,457,627)
Net cash generated from operating activities		263,941,210	214,029,318
Investing activities:			
Investments in associates	7.2	(11,250,000)	(21,647,311)
Net movement in assets and liabilities held for sale	11	499,446	-
Additions to property, plant and equipment	8	(79,266,198)	(91,510,551)
Proceeds from disposal of property, plant and equipment		694,333	2,141,307
Net cash used in investing activities		(89,322,419)	(111,016,555)
Financing activities:			
Net change in loans and bank facilities		(85,168,558)	(45,267,555)
Net change in other long-term liabilities		(3,504,374)	(4,605,230)
Net movement in non-controlling interests		(21,925,525)	(6,773,177)
Net cash used in financing activities		(110,598,457)	(56,645,962)
Net change in cash and cash equivalents		64,020,334	46,366,801
Cash and cash equivalents at the beginning of the year		209,418,166	163,051,365
Cash and cash equivalents at the end of the year	4	273,438,500	209,418,166
Non-cash supplementary information:			
Change in fair value of derivative financial instruments	16	(380,310)	7,224,021
Change in fair value of available for sale investments	7	8,836,068	-

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Equity attributable to the				shareholders' of the Parent Company			Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Special reserve	Other reserves						
					Effect of reducing the ownership percentage in a subsidiary (Note 20)	Cash flow hedging reserve	Unrealized gain on available for sale investment				
Balance at January 1, 2014	680,000,000	36,409,063	13,690,853	6,835,883	4,653,218	(3,923,156)	-	88,739,737	826,405,598	393,299,142	1,219,704,740
Net income	-	-	-	-	-	-	-	78,077,459	78,077,459	45,554,646	123,632,105
Transfer to reserves	-	-	7,807,746	3,903,873	-	-	-	(11,711,619)	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(21,925,525)	(21,925,525)
Change in fair value of available for sale investment	-	-	-	-	-	-	8,836,068	-	8,836,068	-	8,836,068
Change in fair value of derivative financial instrument (note 16)	-	-	-	-	-	(221,559)	-	-	(221,559)	(158,751)	(380,310)
Balance at December 31, 2014	680,000,000	36,409,063	21,498,599	10,739,756	4,653,218	(4,144,715)	8,836,068	155,105,577	913,097,566	416,769,512	1,329,867,078
Balance at January 1, 2013	680,000,000	36,409,063	8,086,871	4,033,892	4,653,218	(8,103,003)	-	41,105,886	766,185,927	356,700,993	1,122,886,920
Net income	-	-	-	-	-	-	-	56,039,824	56,039,824	40,587,560	96,627,384
Transfer to reserves	-	-	5,603,982	2,801,991	-	-	-	(8,405,973)	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(6,773,177)	(6,773,177)
Change in fair value of derivative financial instrument (note 16)	-	-	-	-	-	4,179,847	-	-	4,179,847	2,783,766	6,963,613
Balance at December 31, 2013	680,000,000	36,409,063	13,690,853	6,835,883	4,653,218	(3,923,156)	-	88,739,737	826,405,598	393,299,142	1,219,704,740

The accompanying notes 1 through 34 form an

integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

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

Company	Country of incorporation	Effective shareholding		Principal activities
		2014	2013	
Saudi Trade and Export Development Company Limited (TUSDEER)	Saudi Arabia	76%	76%	Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Co. Ltd	Saudi Arabia	60%	60%	Water desalination and treatment plant and sale of water.
Support Services Operation Company Limited (ISNAD)	Saudi Arabia	99.28%	99.28%	Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease.
Red Sea Gateway Terminal Company Limited (RSGT)	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.
Red Sea Port Development Company – Closed Joint Stock Company (RSPD)	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

2. BASIS OF PREPARATION

Statement of compliance

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

Functional and presentation currency

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

Comparative figures

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

Accounting convention

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

Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The key areas requiring significant management judgements and estimates are as follows:

Impairment of accounts receivable

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

Provision for slow moving inventory items

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

Useful lives of property, plant and equipment

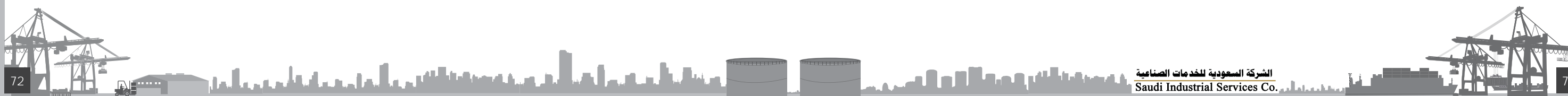
The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation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

Impairment of property, plant and equipment

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

Impairment of available for sale investments

The Group exercises judgement to consider the impairment of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value below its cost is considered as objective evidence for the impairment.



The determination of what is 'significant' and 'prolonged' requires judgement. The Group also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Impairment losses once recognized are not reversible.

Impairment of intangible assets

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

Impairment of non-financial assets

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

Provision for equipment replacement cost

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

Going concern

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

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied by the Group for the preparation of these consolidated financial statements:

Basis of consolidation

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

Subsidiaries

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

the Parent Company using consistent accounting policies, are included in the consolidated financial statements from the date that control commences until the date control ceases.

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

Non-controlling interests

The Group applies a policy of treating transactions with non-controlling interest transactions with parties external to the Group. Disposals to non-controlling interests, if any, result in gains and losses for the Group that are recorded in the consolidated statement of income if control is lost. Purchase of non-controlling interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Cash and cash equivalents

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

Accounts receivable

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

Inventories

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

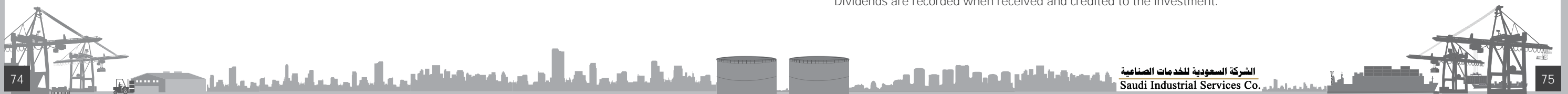
Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Provision is made where necessary for obsolete and slow moving inventories.

Investment in associates

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

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

Dividends are recorded when received and credited to the investment.



Available for sale investments

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

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

Property, plant and equipment

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

Expenditure for repair and maintenance are charged to the consolidated statement of income. Cost of improvements that increase

The estimated economic useful lives of assets are as follows:

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

the value or materially extend the life of the related assets are capitalized.

Capital work-in-progress

Capital work-in-progress is measured at cost less impairment losses, if any, and not depreciated until such time the assets are ready for intended use and transferred to the respective category under property, plant and equipment.

Intangible asset - quay project

Port concession rights

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

Group as part of the service concession arrangement.

The Group has adopted the guidance in International Financial Reporting Standards which is included in IFRIC 12 - Service concession arrangements ("IFRIC 12") issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board to account for the costs incurred for the construction of container terminal (port concession rights) as there is no related guidance available under accounting standards issued by SOCPA. Pursuant to IFRIC 12, costs incurred under service concession arrangements are recognized as an intangible asset.

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

Right to use land

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

Goodwill

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

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

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

Deferred charges

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

Accounts payable and accruals

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

Employees' end of service benefits

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

Provisions

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

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

Derivative financial instruments

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documents include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed in an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Revenue recognition

Sale is recognized when the goods are delivered and when risk and rewards are transferred. Lease revenue from leased spaces and warehouses is recognised over respective lease periods. Lease revenue relating to subsequent years is deferred and recognised in appropriate years.

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

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

Expenses

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

Finance costs

Finance costs except for those, that are directly attributable to the construction of an asset are capitalised using capitalised rate

up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed, are charged to the consolidated statement of income.

Operating leases

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

Zakat

The Company and its subsidiaries are subject to the requirements of the Kingdom of Saudi Arabia Zakat and Income Tax Department (DZIT). Zakat provision is charged to the consolidated statement of income. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

Foreign currencies

Foreign currency transactions and balances

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

Foreign operations

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

Assets and liabilities classified as held for disposal and discontinued operations

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

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

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

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

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

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

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

Offsetting

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

Segmental reporting

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

4. CASH AND CASH EQUIVALENTS	2014	2013
Cash on hand	306,524	217,470
Cash at banks	223,131,976	134,165,071
Murabaha term deposits	50,000,000	75,035,625
	273,438,500	209,418,166

5. ACCOUNTS AND OTHER RECEIVABLES	2014	2013
Trade receivables, net (note 'a' below)	43,935,420	43,362,843
Advances to suppliers	574,000	7,023,155
Margin deposits (note 26)	24,490,836	14,000,000
Amounts due from related parties (note 21)	10,498,251	25,311,721
Prepayments and other receivables	21,805,404	12,942,609
	101,303,911	102,640,328

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

	2014	2013
Due from related parties (note 21)	8,873,937	7,636,155
Third party customers	37,615,806	37,929,522
	46,489,743	45,565,677
Less: provision for doubtful debts	(2,554,323)	(2,202,834)
	43,935,420	43,362,843

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

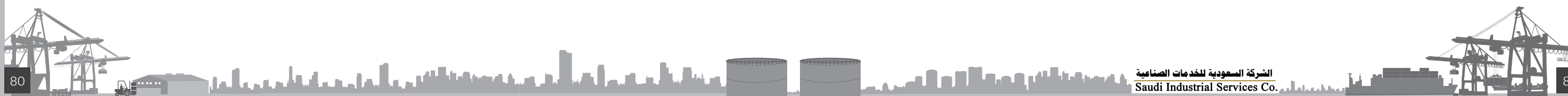
b) Movement in provision for doubtful debts is as follows:

	2014	2013
At the beginning of the year	2,202,834	1,469,280
Provision for the year	887,011	963,866
Written off during the year	(535,522)	(230,312)
	2,554,323	2,202,834

Unimpaired trade receivables are expected, on the basis of past experience to be fully recoverable.

c) The ageing of trade receivables is as follows:

	Up to three months	Above three and Up to six months	Above six months	Total
December 31, 2014	42,815,491	1,342,244	2,332,008	46,489,743
December 31, 2013	40,290,630	2,868,885	2,406,162	45,565,677



6. INVENTORIES

	2014	2013
Spare parts	27,331,155	18,740,006
Raw materials and chemicals	48,830	205,657
Fuel, oil and desalinated water	115,731	13,421
	27,495,716	18,959,084

7. INVESTMENTS

	2014	2013
Available for sale investment - unquoted (note 7.3 below)	18,406,218	9,570,150
Investment in associates (note 7.1 below)	89,359,644	78,414,146
	107,765,862	87,984,296

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

Associates	Principal activity	Country of incorporation	Effective Shareholding percentage	2014	2013
International Water Distribution Company Limited	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	50%	44,503,751	44,340,722
Saudi Water and Environmental Services Company (note 'i' below)	Electrical, water and mechanical works and related operation and maintenance	Kingdom of Saudi Arabia	29.4%	16,925,767	14,189,490
Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	33.33%	16,514,221	11,398,692
Stork Technical Services Saudi Company Ltd. (note 'ii' below)	Maintenance and operations of power, oil, gas, desalination and petrochemical plants and calibration of machinery and electrical equipment	Kingdom of Saudi Arabia	45%	7,724,250	-
Xenmet SA, Vaduz (note 'iii' below)	Trading, storage and brokerage of commodities	Kingdom of Saudi Arabia	19%	3,691,655	8,485,242
				89,359,644	78,414,146

i. Saudi Water and Environment Services Company is 49% (31 December 2013: 49%) owned by Kindasa Water Service Company (a subsidiary), which is 60% (31 December 2013: 60%) owned by the Parent Company.

ii. During the year ended 31 December 2014, the Company invested SR 11.25 million which represents 45% of the share capital of Stork Technical Services Saudi Company Ltd.

iii. Xenmet SA, Vaduz is 25% (31 December 2013: 25%) owned by Saudi Trade and Export Development Company Limited (a subsidiary), which is 76% (31 December 2013: 76%) owned by the Parent Company.

7.2 Movements in investments in associates are as follows:

	2014	2013
At the beginning of the year	78,414,146	58,021,717
Investments during the year (note 7.1 (ii))	11,250,000	21,647,311
Share of results of associates, net	(304,502)	(1,254,882)
At the end of the year	89,359,644	78,414,146

Summarised financial information of equity accounted investees are as follows:

	INVESTEE NAME				
	International Water Distribution Company Limited	Saudi Water and Environmental Services Company	Al Jabr Talke Company Limited	Stork Technical Services Saudi Co. Ltd	Xenmet SA, Vaduz
	2014				
Assets	261,719,179	36,718,848	87,663,127	12,724,509	17,319,908
Liabilities	(172,712,043)	(2,176,466)	(50,571,437)	(15,560,292)	(2,553,289)
Revenues	179,907,390	20,206,517	133,397,318	1,323,629	1,305,120
Net income / (loss)	325,692	5,707,453	15,244,799	(7,835,783)	(525,860)
	2013				
Assets	268,966,714	41,489,920	78,934,630	-	17,688,199
Liabilities	(225,285,270)	(12,654,991)	(55,508,348)	-	(2,067,244)
Revenues	110,056,504	20,930,388	84,063,936	-	1,540,642
Net income / (loss)	(9,020,208)	5,899,525	1,668,854	-	(392,955)

7.3 Movement in available for sale investments is as follows:

	2014	2013
At the beginning of the year	9,570,150	9,570,150
Investments during the year	-	-
Change in fair value	8,836,068	-
At the end of the year	18,406,218	9,570,150

8. PROPERTY, PLANT AND EQUIPMENT, NET

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

	2014	2013
Property, plant and equipment (note 8.1)	276,940,711	293,916,873
Property and equipment of bonded and re-export project (note 8.2)	193,066,106	194,008,914
Property and equipment - quay project (note 8.3)	163,914,816	118,829,929
	633,921,633	606,755,716

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

	Land	Buildings	Leasehold improvements	Motor vehicles and tankers	Plant and equipment	Funitures and fixtures	Computers	Desalination plants	Capital work in-progress	Total
Cost								(note 8.1(a))	(note 8.1(c))	
At the beginning of the year	67,878,266	4,181,898	131,943	14,192,567	9,083,484	5,943,908	1,378,274	306,290,884	6,451,918	415,533,142
Additions	-	-	-	1,059,920	675,563	1,127,132	189,891	2,208,563	5,510,340	10,771,409
Provision for impairment	-	-	-	-	-	-	-	(5,000,000)	-	(5,000,000)
Disposals	-	-	-	(262,224)	(291,488)	(21,978)	-	(229,359)	(629,278)	(1,434,327)
Transfers	-	-	-	-	-	374,145	-	7,613,593	(7,987,738)	-
At the end of the year	67,878,266	4,181,898	131,943	14,990,263	9,467,559	7,423,207	1,568,165	310,883,681	3,345,242	419,870,224
Depreciation										
At the beginning of the year	-	2,729,011	131,943	9,242,269	5,777,631	4,172,185	1,268,375	98,294,855	-	121,616,269
Charge for the year	-	792,487	-	1,409,410	796,461	649,564	85,630	17,984,084	-	21,717,637
Disposals	-	--	-	(262,224)	(65,333)	(17,402)	-	(59,434)	-	(404,393)
At the end of the year	-	3,521,498	131,943	10,389,455	6,508,759	4,804,347	1,354,005	116,219,505	-	142,929,513
Net book value										
As at 31 December 2014	67,878,266	660,400	-	4,600,808	2,958,799	2,618,860	214,160	194,664,176	3,345,242	276,940,711
As at 31 December 2013	67,878,266	1,452,887	-	4,950,298	3,305,853	1,771,723	109,899	207,996,029	6,451,918	293,916,873

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

b) The property, plant and equipment of Kindasa Water Services Company Limited with a net book value of SR 201,395,010 (2013: SR 205,843,458) are mortgaged to Saudi Industrial Development Fund (note 13(a)).

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

8.2 Property and equipment of bonded and re-export project

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

	Leasehold improvements	Buildings	Equipment	Capital work in progress (note 8.2(a))	Total
Cost					
At the beginning of the year	115,347,663	134,277,720	3,483,142	4,492,994	257,601,519
Additions	3,013,320	1,604,394	-	3,141,988	7,759,702
At the end of the year	118,360,983	135,882,114	3,483,142	7,634,982	265,321,221
Depreciation					
At the beginning of the year	33,853,999	27,995,806	1,742,800	-	63,592,605
Additions	3,316,199	5,092,514	293,797	-	8,702,510
At the end of the year	37,170,198	33,088,320	2,036,597	-	72,295,115
Net book value					
At 31 December 2014	81,190,785	102,793,794	1,446,545	7,634,982	193,066,106
At 31 December 2013	81,493,664	106,281,914	1,740,342	4,492,994	194,008,914

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

8-3 Property and equipment - quay project

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

	Leasehold improvements	Motor vehicles	Furniture and fixtures	Computers and equipments	Machinery and equipments	Capital work in progress	Total
Cost							
At the beginning of the year	12,078,062	4,127,700	4,486,025	8,774,963	105,706,162	13,127,710	148,300,622
Additions	1,621,404	537,500	165,998	2,646,715	16,635,779	36,676,919	58,284,315
Disposals	-	(541,675)	(78,973)	(266,097)	(109,000)	-	(995,745)
Transfers	-	-	3,531,229	-	12,876,740	(16,407,969)	-
At the end of the year	13,699,466	4,123,525	8,104,279	11,155,581	135,109,681	33,396,660	205,589,192
Depreciation							
At the beginning of the year	1,127,367	2,549,976	3,275,270	6,209,800	16,308,280	-	29,470,693
Charge for the year	1,031,239	548,483	796,776	1,840,766	8,663,486	-	12,880,750
Disposals	-	(281,357)	(78,773)	(261,264)	(55,673)	-	(677,067)
At the end of the year	2,158,606	2,817,102	3,993,273	7,789,302	24,916,093	-	41,674,376
Net book value							
At 31 December 2014	11,540,860	1,306,423	4,111,006	3,366,279	110,193,588	33,396,660	163,914,816
At 31 December 2013	10,950,695	1,577,724	1,210,755	2,565,163	89,397,882	13,127,710	118,829,929

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

	2014	2013
Civil works	11,530,044	2,074,413
Equipments	21,866,616	11,053,297
	33,396,660	13,127,710

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

	2014	2013
Cost of revenue	24,374,616	20,019,842
Selling and distribution expenses (note 24)	6,425,719	5,978,980
General and administration expenses (note 25)	12,500,562	12,909,781
	43,300,897	38,908,603

9. INTANGIBLE ASSETS - QUAY PROJECT

Quay project's intangible assets consist of:

	2014	2013
Quay project's intangible assets (note 'a' below)	1,398,059,741	1,461,921,740
Right to use land (note 'b' below)	30,689,626	29,795,006
	1,428,749,367	1,491,716,746

a) Intangible assets - Quay project

	Container terminal	Computer equipment & software	Machinery & equipment	Total
Cost				
At the beginning of the year	1,327,128,745	12,543,902	375,895,580	1,715,568,227
Additions	-	-	2,450,772	2,450,772
At the end of the year	1,327,128,745	12,543,902	378,346,352	1,718,018,999
Amortisation				
At the beginning of the year	170,192,270	11,254,383	72,199,834	253,646,487
Additions	67,673,044	8,861	18,630,866	66,312,771
At the end of the year	217,865,314	11,263,244	90,830,700	319,959,258
Net book value				
At 31 December 2014	1,109,263,431	1,280,658	287,515,652	1,398,059,741
At 31 December 2013	1,156,936,475	1,289,519	303,695,746	1,461,921,740

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

c) The amortisation charge for the year ended December 31, 2014 in the amount of SR 66,312,771 (2013: SR 66,885,385) has been included under cost of revenue.

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

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

10. GOODWILL

Goodwill of SR 8,776,760 (2013: SR 8,776,760) was recognised on acquisition of Kindasa Water Services Company, a subsidiary.

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

11. ASSETS AND LIABILITIES HELD FOR DISPOSAL

During 2013, the Board of Directors' of a subsidiary of Kindasa Water Services Company Limited "Bahar Kindasa Water Services Company Limited", had decided to liquidate the entity and appointed a liquidator to perform the liquidation. Legal formalities in respect of liquidation are in progress.

Results of the discontinued operation were as follows:

	December 31, 2014	December 31, 2013
Expenses incurred and net loss for the period from Discontinued Operation	(169,173)	(1,485,520)
Assets classified as held for disposal		
Property, plant and equipment	-	600,000
Accounts and other receivables	-	20,426
Total assets	-	620,426
Liabilities classified as held for disposal		
Accounts and other payables	-	110,926
Employees' end of service benefits	-	10,054
Total liabilities	-	120,980

During the year ended 31 December 2014, property, plant and equipment amounting to SR 0.6 million (net of impairment loss of SR 0.79 million) were sold at a loss of SR 0.1 million.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2014	2013
Accounts payable	17,626,976	8,904,536
Accrued expenses	49,316,782	39,077,989
Unearned revenue	21,317,087	11,861,356
Zakat payable (note 27)	7,596,044	8,212,547
Payable to a contractor (see note 14 (b))	-	4,500,000
Amounts due to related parties (note 21)	1,251,790	4,815,026
Income tax payable	4,136,003	1,405,865
Retention payable	440,074	2,978,158
Provision for zakat contingency (note 27)	23,200,000	23,200,000
Other payables	8,641,844	10,017,236
	133,526,600	114,972,713

13. LONG TERM LOANS AND BANK FACILITIES

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

	2014	2013
Saudi Industrial Development Fund loans (note a)	26,800,000	24,680,000
Ijara facilities obtained from banks (note b)	989,307,944	1,065,276,646
Long-term loan (note c)	30,625,000	35,000,000
Long-term loan (note d)	5,721,779	10,666,635
Long-term loan (note e)	3,500,000	5,500,000
Total long-term loans	1,055,954,723	1,141,123,281
Less: current portion	(109,794,842)	(102,566,597)
Non-current portion	946,159,881	1,038,556,684

a) During 2003, Kindasa signed an agreement with Saudi Industrial Development Fund ("SIDF") for obtaining a loan of SR 64.5 million to finance the extension of the desalination plant. Out of this amount, Kindasa has drawn SR 52.3 million (2013: SR 52.3 million), the outstanding balance of which amounted to SR 26.80 million as at 31 December 2014 (2013: SR 24.68 million).

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

	2014	2013
Long-term loan	26,800,000	24,680,000
Less: current portion	(8,800,000)	(6,800,000)
Long-term portion	18,000,000	17,880,000

b) On 3 December 2007, RSGT, entered into an Ijara arrangement with two banks to obtain a loan of SR 1,271 million. The Ijara facility is secured by the intangible assets of RSGT (note 9(d)). The remaining amount of loan will be repaid in six monthly instalments, ending in December 2023. The loan bears commission rate of SIBOR plus an agreed margin.

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

	2014	2013
Long-term Ijara financing	1,026,235,289	1,106,307,030
Less: Unamortized portion of advance rentals paid	(36,927,345)	(41,030,384)
	989,307,944	1,065,276,646
Less: current portion	(85,676,761)	(80,071,741)
Non-current portion	903,631,183	985,204,905

c) During 2014, Tusdeer entered into an agreement for a long-term loan facility with a commercial bank up to a maximum aggregate amount of SR 35 million. As at 31 December 2014 amount of SR 35 million has been utilised. The loan carries commission at commercial rates and is repayable in eight equal half yearly instalments. The loan is secured by assigning rights of the rental income and through promissory notes.

	2014	2013
Long-term loan	30,625,000	35,000,000
Less: current portion of term loan	(8,750,000)	(8,750,000)
Non-current portion	21,875,000	26,250,000

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

	2014	2013
Long-term loans	5,721,779	10,666,635
Less: current portion	(4,568,081)	(4,944,856)
Non-current portion	1,153,698	5,721,779

e) During 2014, Kindasa entered into an agreement for a long-term loan facility with a commercial bank up to a maximum aggregate amount of SR 6 million. As at 31 December 2014 amount of SR 6 million has been utilised. The loan carries commission at commercial rates and is repayable in twelve equal quarterly instalments. The loans agreement include certain covenants such as restrictions on the use of funds for capital expenditure, dividend payments and routing of sales proceeds through bank account maintained with commercial bank.

	2014	2013
Long-term loans	3,500,000	5,500,000
Less: current portion	(2,000,000)	(2,000,000)
Non-current portion	1,500,000	3,500,000



14. OTHER LONG-TERM LIABILITIES

Other long term liabilities are as follows:

	2014	2013
Provision for asset replacement cost (note "a")	37,121,090	26,084,659
Payable to contractor (note "b")	-	4,500,000
Others	258,013	201,529
	37,379,103	30,786,188

a) Provision for equipment replacement cost

As per the BOT agreement with SEAPA, RSGT has an obligation to replace certain machinery and equipment (the "Equipment") during the tenure of the agreement. The management of RSGT has estimated that RSGT will be required to incur an amount of SR 304.9 million to replace the Equipment. As at 31 December 2014, an amount of SR 37.12 million (2013: SR 26.08 million) has been recorded as provision for equipment replacement cost.

During 2014, RSGT has used 3.31% (2013: 3.73%) as discount rate for determining the present value of obligation. The management believes that the discount rate of 3.31% is reflective of the term of obligation.

b) Payable to a contractor

An amount of SR Nil million (2013: SR 9 million) is payable to RSGT's civil contractor under an agreement. During the year, RSGT settled the entire liability.

The amount payable to contractor as at 31 December is as follows:

	2014	2013
Payable to contractor	-	9,000,000
Less: current portion appearing in accounts payables and other current liabilities	-	(4,500,000)
Long-term obligation	-	4,500,000

15. EMPLOYEES' END OF SERVICE BENEFITS

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

	2014	2013
Balance at January 1	13,755,940	11,204,387
Charge for the year	5,251,167	3,932,087
Payments made during the year	(1,070,852)	(1,370,480)
Classified as held for disposal (note 11)	-	(10,054)
Balance at December 31	17,936,255	13,755,940

16. DERIVATIVE FINANCIAL INSTRUMENT

During 2012, a subsidiary "Red Sea Gateway Terminal Company Limited" entered into a Profit Rate Swap contract with a commercial bank to hedge its exposure to the variability in cash flows arising from profit payments on Ijara facilities obtained from banks. The negative fair value of this instrument as at December 31, 2014 is SR 6.56 million (2013: SR 6.14 million). The maturity date of the instrument is September 30, 2017.

During 2013, a subsidiary "Saudi Export Development Company Limited" entered into a Profit Rate Swap contract to hedge its exposure to the variability in cash flows arising from profit payments on long-term loan facilities obtained from banks. The negative fair value of this instrument as at December 31, 2014 is SR 0.20 million (2013: SR 0.26 million). The maturity date of the instrument is December 31, 2017.

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

	2014		2013	
	Negative Fair Value	Notional Amount	Negative Fair Value	Notional Amount
Profit Rate Swap	6,787,990	650,741,174	6,407,680	698,748,218

Movement in derivative financial instruments is as follows:

	2014	2013
Balance at January 1	6,407,680	13,371,293
Additions during the year	-	260,408
Change in fair value	380,310	(7,224,021)
Balance at December 31	6,787,990	6,407,680

The Profit Rate Swap contract is assessed to be highly effective and as at December 31, 2014, a net un-realised loss of SR 4.14 million (2013: SR 3.9 million) has been included in equity as cash flow hedging reserve.

The amount shown as cash flow hedge reserve under equity as at December 31, 2014 is mainly expected to affect the profit and loss in the forthcoming one to three years.

During the year, ineffective portion of SR 0.38 million (2013: SR 7.2 million) was transferred from "cash flow hedging reserve" in the consolidated statement of Parent Company's equity to consolidated statement of income.

17. SHARE CAPITAL

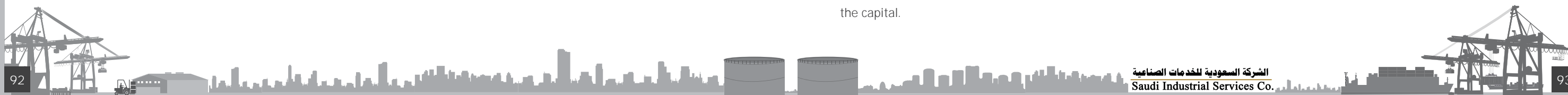
The authorised and paid up capital of the Company is divided into SR 68 million (2013: SR 68 million) shares of SR 10 each.

18. STATUTORY RESERVE

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

19. SPECIAL RESERVE

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



20. EFFECT OF REDUCING SHAREHOLDING PERCENTAGE IN A SUBSIDIARY

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

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

In September 2014, Saudi Trade and Export Development Company Limited ("Tusdeer") reduced its authorized and paid-up share capital from SR 190 million to SR 140 million without any impact on effective shareholding of the Parent Company.

21. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

Due from related parties – Under trade receivables:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2014	2013	2014	2013
International Water Distribution Company Limited	Associate	Sales of goods and services	51,662,025	31,091,729	8,873,937	7,636,155

Due from related parties – Under other receivables:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2014	2013	2014	2013
Stork Technical Services Saudi Company Ltd.	Associate	Payments made by Group	2,706,545	7,496,015	3,490,317	9,783,770
Al Jabr Talke Company Limited	Associate	Loan and sales of goods and services	(1,340,000)	1,867,323	5,009,866	8,312,726
Saudi Water and Environmental Services Company Limited	Associate	Advances and sales of goods and services	883,526	(579,958)	813,574	5,806,030
Xenel Industries Limited	Affiliate	Payments made by Group	-	42,169	-	-
International Water And Distribution Company Limited	Associate	Services rendered to associate	600,000	621,993	1,184,494	1,188,873
Resource Science Arabia Limited	Affiliate	Payments made by Group	(220,322)	220,322	-	220,322
					10,498,251	25,311,721

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

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2014	2013	2014	2013
Karam Fedics	Affiliate	Rendering of services	10,645,861	8,891,815	870,000	2,566,250
Aecom Arabia Limited	Affiliate	Expenses incurred on behalf of the Group	97,076	28,475	44,370	141,446
Ambro Limited	Affiliate	Payments made by the Group on behalf of the affiliate	-	174,991	-	174,991
Xenel Industries Limited	Affiliate	Expenses incurred on behalf of the Group	2,080,733	1,868,948	36,804	680,832
Stork Technical Services Saudi Co. Ltd	Associate	Expenses incurred on behalf of the Subsidiary	108,691	-	108,691	-
Water and Environmental Services Company Limited	Affiliate	Purchase of goods and services	16,223,440	-	1,853,384	-
Alireza Travel and Tourism Company	Affiliate	Rendering of services	2,128,497	2,221,001	191,925	1,251,507
					1,251,790	4,815,026

b) Remuneration to key management personnel

Remuneration, compensation and bonuses of the key management personnel / executive directors and attendance fee of Board Directors and members of Board Committees paid during the year ended December 31, 2014 was SR 14.1 million (2013: SR 14.8 million).

22. REVENUE

	2014	2013
Shipping and unloading services	366,519,038	352,521,824
Rentals and support services	101,813,877	75,654,477
Sale of potable water	91,473,962	67,707,274
Fuel, transport and support Services	18,247,230	24,140,346
	578,054,107	520,023,921

23. COST OF REVENUE

	2014	2013
Shipping and unloading services	191,555,544	181,009,867
Cost of sale of potable water	55,532,111	36,721,108
Fuel and transport and support services	19,361,105	22,865,554
Rentals and support services	24,886,889	19,803,703
	291,335,649	260,400,232

24. SELLING AND DISTRIBUTION EXPENSES

	2014	2013
Salaries, wages and benefits	4,094,597	3,925,583
Depreciation (note 8.4)	6,425,719	5,978,980
Utilities and telecommunication	92,373	117,739
Repairs and maintenance	46,455	69,541
Others	3,645,579	2,351,163
	14,304,723	12,443,006

25. GENERAL AND ADMINISTRATION EXPENSES

	2014	2013
Salaries, wages and benefits	63,606,333	55,019,263
Depreciation (note 8.4)	12,500,562	12,909,781
Provision for impairment for capital work-in-progress (note 8.2)	-	9,359,646
Government and professional fees	7,431,077	6,966,541
Office supplies	4,454,299	5,221,470
Advertising	2,048,663	1,657,210
Utilities and telecommunication	1,103,080	1,113,990
Impairment loss (note 8.1)	5,000,000	-
Rent	463,453	886,075
Others	15,546,749	10,657,095
	112,154,216	103,791,071

26. OTHER INCOME / EXPENSES, NET

	2014	2013
Loss on sale of property, plant and equipment	(98,005)	(1,417,088)
Other income (note 'a' below)	8,042,702	1,324,005
	7,944,697	(93,083)

a) As at December 31, 2014, other income includes an amount of SR 5.7 million pertaining to compensation received against claims made in prior years.

27. ZAKAT

Movement in zakat provision during the year was as follows:

	2014	2013
At the beginning of the year	8,212,547	6,204,947
Charge for the year	7,566,373	6,465,227
Amounts paid during the year	(8,182,876)	(4,457,627)
At the end of the year	7,596,044	8,212,547

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

Zakat Assessments Status

The Department of Zakat and Income Tax ("DZIT") has raised assessments for the years ended 31 December 2002 through 2008 with an additional liability of SR 25.8 million. The Company has filed an objection against the DZIT's assessment. The Preliminary Appeal Committee ("PAC") rendered its decision on the Company's objection reducing the assessed liability to SR 3.9 million. The Company has paid the additional liability of SR 3.9 million under protest and filed an appeal with the Higher Appeal Committee ("HAC") with respect to the additional amount. Moreover, DZIT raised initial assessments for the year ended 31 December 2009, 2010, 2011 and 2013 with an additional liability of SR 1.3 million. The Company has filed an objection against this additional liability.

28. EARNINGS PER SHARE

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

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

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



29. COMMITMENTS AND CONTINGENCIES

The Group's bankers have issued letters of guarantee amounting to SR 36.37 million on which there is a cash margin of SR 15 million (2013: SR 35.3 million on which there was a cash margin of SR 14 million).

As at December 31, 2014, the group's bankers have issued letters of credit amounting to SR 8.77 million on which there is a cash margin of SR 8.77 million (2013: SR 0.42 million, against which there was a cash margin of SR 0.42 million).

As at December 31, 2014, the Company has commitments for capital work in progress of SR 30.5 million (2013: SR 41 million) relating to expansion of berth at seaport and construction and expansion of office buildings and premises.

30. RISK MANAGEMENT

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

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

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

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

Commission rate risk

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

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

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

	2014	
	+10 bps	-10 bps
Loans and bank facilities	(410,494)	410,494
	2013	
	+10 bps	-10 bps
Loans and bank facilities	(442,523)	442,523

Credit risk

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

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

Liquidity risk

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

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

	Less than 3 months	3 to 12 Months	1 to 5 years	> 5 years	Total
Year ended					
31 December 2014					
Accounts payables and other liabilities	121,794,553	-	-	-	121,794,553
Loans and bank facilities	6,176,469	99,515,334	433,144,481	517,118,439	1,055,954,723
Total	127,971,022	99,515,334	433,144,481	517,118,439	1,177,749,276
Year ended					
31 December 2013					
Accounts payables and other liabilities	100,854,301	4,500,000	-	-	105,354,301
Loans and bank facilities	4,086,298	94,377,258	417,339,563	625,320,162	1,141,123,281
Total	104,940,599	98,877,258	417,339,563	625,320,162	1,246,477,582

Currency risk

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

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of bank balances and cash and receivables, and its financial liabilities consist of term loans and payables. The fair values of financial instruments are not materially different from their carrying values.

32. BUSINESS SEGMENTS

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

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

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

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

	Port develop- ment and quay projects	Storage and re-export	Sea water desalination	Fuel stations and maintenance	Corporate office	Total
(SAR '000)						
2014						
Assets	1,753,981	282,597	275,800	22,555	246,519	2,581,452
Liabilities	1,099,001	68,843	49,579	3,033	31,129	1,251,585
Revenue	366,519	101,814	91,474	18,247	-	578,054
Net income / (loss) before non-controlling interest	77,122	48,491	14,342	(6,634)	(9,689)	123,632
Net income / (loss) for the year	49,711	36,084	8,605	(6,634)	(9,689)	78,077
2013						
Assets	1,740,985	285,766	288,394	22,371	189,356	2,526,872
Liabilities	1,153,828	66,499	54,471	2,741	29,628	1,307,167
Revenue	352,522	75,654	67,708	24,140	-	520,024
Net income / (loss) before non-controlling interest	72,770	32,181	12,049	(3,205)	(17,168)	96,627
Net income / (loss) for the year	46,006	23,193	7,214	(3,205)	(17,168)	56,040

The Group mainly operates in the Kingdom of Saudi Arabia.

33. SUBSEQUENT EVENT

The Board of directors has proposed final dividend for year 2014 for approval, at the rate of SR 0.5 per share (2013: Nil) amounting to total of SAR 34 million (2013: Nil) to the shareholders of the Company to be decided in the next Annual General Assembly Meeting of the Company.

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised to issue by the Board of Directors Rabi Al Thani 29, 1436H, corresponding to February 18, 2015.

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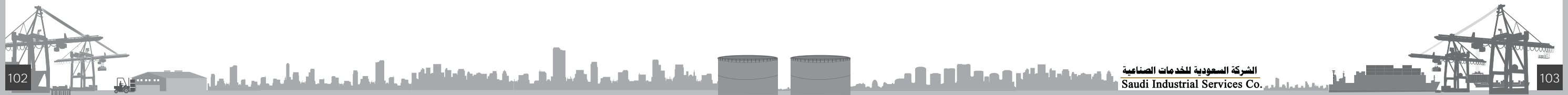
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