سيسكو
SISCO
الشركة السعودية للخدمات الصناعية
Saudi Industrial Services Company

Annual Report 2021

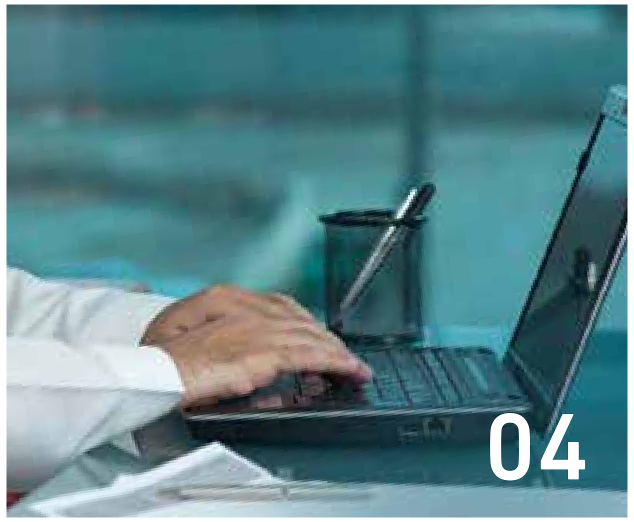
POSITIONED FOR **ACCELERATING INVESTMENT** AND **GROWTH**

Table of Contents

OVERVIEW

STRATEGIC REVIEW

GOVERNANCE



FINANCIAL REVIEW

CONSOLIDATED FINANCIAL STATEMENTS

This year, SISCO demonstrated its agility and ambition by building on the robust foundation of strategic momentum and strong financial performance. We launched our updated strategy that is focused on accelerating growth through disciplined capital allocation on value-accretive sustainable investments.

This new strategic direction, which is fully aligned with the Kingdom's Vision 2030, will continue to shape the SISCO of the future, as a truly integrated and strategic investment company focused on Ports, Logistics and Water that creates strong and lasting value for our Shareholders.

01

OVERVIEW

Our Business at a Glance

Positioned for accelerating investment and growth

SISCO is one of the leading strategic investment companies in Saudi Arabia undertaking large-scale capital investment in ports and terminals, logistics and water with a track record of delivering consistent growth and sustainable shareholder returns.

As a market leader in our segments , we aim to build a portfolio of successful companies that are leaders in their fields. We capitalise on the extensive domain knowledge we hold within our current markets, to minimise risk as we continue to evolve our portfolio through organic investment and thoughtful acquisitions. Through this approach, we aim to build a portfolio of successful companies that are leaders in their fields.

Ports and Terminals

#1 container terminal in the Kingdom

RED SEA GATEWAY TERMINAL

Largest market share of container volume in the Western Region

Red Sea Gateway is the largest container terminal capacity in the Kingdom and ranks among the top container terminals internationally

Logistics Parks and Services

LogiPoint

S.A. TALKE

ISNAD Support Services Operation Company

Leading logistics and real estate operator and developer

The logistics segment provides a diverse range of logistic services from development and operation of logistics real estate to petrochemical logistics services

Water Solutions

Kindasa WATER SERVICES

TAWZEA International Water Distribution Co. Ltd

Leading water distribution and wastewater treatment company

SISCO water companies lead the way as a private supplier to the industrial sector and beyond in Saudi Arabia. SISCO is ideally positioned as an active player in the privatisation initiatives of Vision 2030.

Vision

To be the leading infrastructure investor and preferred solution providers in ports, logistics and water solutions in the Kingdom of Saudi Arabia.

Mission

To become the partner of choice for leading public and private organisations by acting as a long-term anchor shareholder, investing and incubating key infrastructure projects in Ports and Terminals, Logistics Parks and Services and Water Solutions.

Our Purpose

To invest responsibility in infrastructure, delivering long-term sustainable returns to shareholders.

Our strategic priorities

- Balanced portfolio
- Sustainable long-term cash flow
- Consistent and strong value creation
- Sustainable shareholder returns

Strategy

For information on our Strategy see **page 17**

Our Business Model

Invest → Incubate & develop partnerships → Manage and grow → Create & realise long term value

Business Model

For information on our Business Model see **page 23**

Investment Case

- Resilient Business Model
- Proven track record of delivering growth and shareholder value
- Access to infrastructure assets at the core of Vision 2030
- Ability to attract and build long term strategic relationships

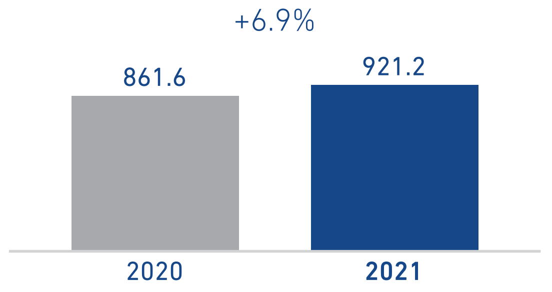
Investment Case

For information on our Investment Case see **page 10**

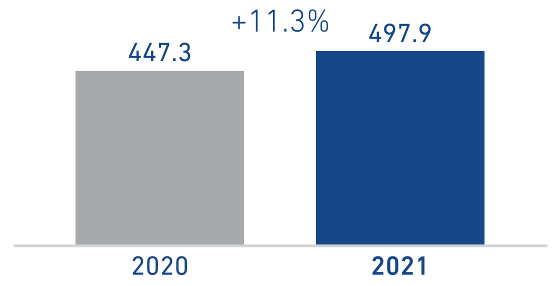
SISCO in 2021

Financial Highlights

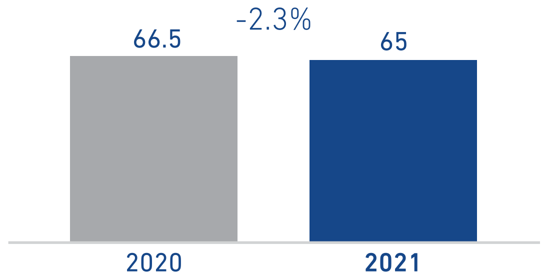
*Adjusted Revenue **921.2**



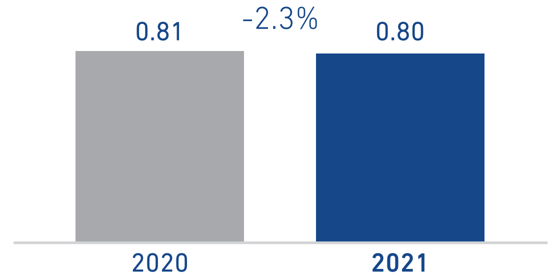
Adjusted EBITDA **497.9



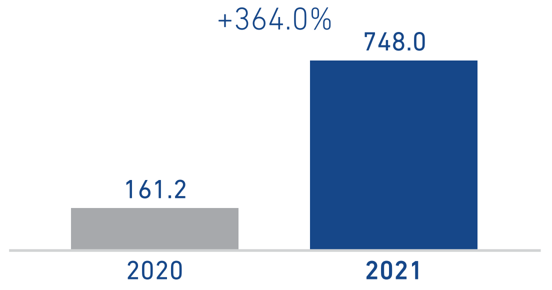
Adjusted Net Income **65.0



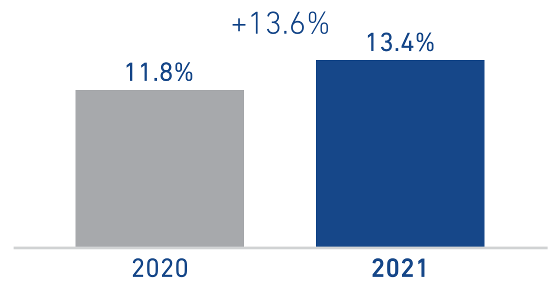
Adjusted EPS **0.80**



Free Cashflow **748.0**



Adjusted ROIC **13.4%**



*Adjusted revenue excludes accounting construction revenue
**Adjusted EBITDA, net income and EPD exclude impact of one-off item in 2020 and 2021

Year in Review

January

SISCO and other minority shareholders of RSGT signed the Sale and Purchase Agreement for the sale of equity stake in RSGT to Public Investment Fund (PIF) and COSCO SHIPPING Ports Limited (CSPL)

July

SISCO completed the sale of its 21.2% direct equity stake in RSGT for gross proceeds of SAR 556.5 million representing a total equity value of RSGT of SAR 2.6 billion

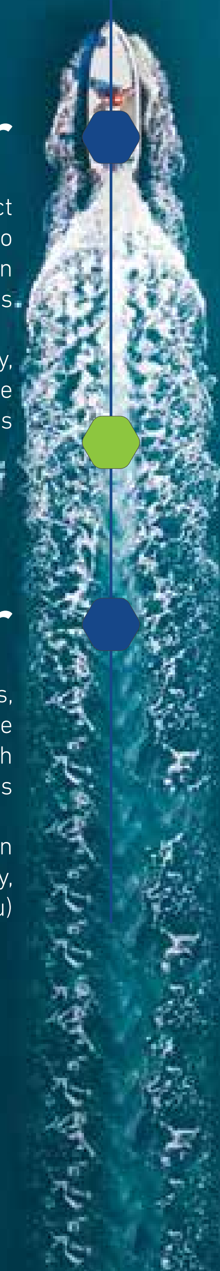
August

SISCO announced an **interim dividend** of SAR 0.4 per share

LogiPoint commenced expansion of warehousing capacity in the BRZ

September

Tawzea as part of a consortium, signed 3 ISTP contracts with the Saudi Water Partnerships Company



October

Kindasa, signed a new 5-year contract with the Saudi Ports Authority (Mawani) to continue operating the desalination plant in Jeddah Islamic Port under revised terms.

SISCO launched its new 5-year corporate strategy, aimed to accelerate growth and position the Company as a leader in its main segments

November

LogiPoint acquired Elite Group through its affiliate, Green Dome Investment LLC

December

As part of the Company's ESG initiatives, SISCO held a free medical check-up in the Saudi Business Center in association with Andalusia Medical Services

SISCO and Amiantit considered offering stake in the initial public offering (IPO) of their subsidiary, Tawzea, on the Saudi Parallel Market (Nomu)

Our Story

1988
SISCO was established with a capital of **SAR 59 million**

2000
The first private sector developed **bonded re-export zone** (BRZ) in the Kingdom (LogiPoint)

2001
Established **private desalination plant** in the Kingdom (Kindasa)

2006
Established **Tawzea**

2007
Established **RSGT** – the first privately built container terminal in the Kingdom

Investment in S.A. TALKE

2015
Development of **Terminal 2** by RSGT at Jeddah Islamic Port to increase capacity from 1.3 million to 1.6 million TEUs

2017
RSGT completed the main berth expansion to **increase capacity from 1.8 million to 2.5 million** TEUs

2019
RSGT signed new **30-year concession** for the entire **North Container Terminal** and became the largest container terminal in KSA

Tawzea signed a **25-year BOOT contract** for TAIF ISTP project

2020
RSGT completed **takeover** of **North Container Terminal** and increased the terminal capacity from 2.5 to 4.0 million TEUs

SISCO achieved the **highest net profit** in history of SAR 139.4 million

2021
RSGT gained **2 new strategic partnerships** with COSCO and PIF

Tawzea signed **new projects** throughout the Kingdom to serve a larger geographic area

LogiPoint **diversified its portfolio,** expanding its regional experience

SISCO achieved the **highest revenue** of SAR 921.2 million

A decade of strong performance

* Dividend and portfolio growth for the last 5 years

Revenue Growth	Dividend Growth*	Return on Equity
10% CAGR	22% CAGR	24% CAGR

Net Assets	Portfolio Growth	Concessions Signed
6% CAGR	Over SAR 1b	6

RSGT
Developed to become the #1 container terminal facility in the Kingdom

LogiPoint
First and Leading Bonded Zone developer and operator in Saudi Arabia

S.A. TALKE
Market leading petrochemical logistics services provider

Tawzea
Leading water distribution and waste water treatment company

Investment Case

Generating long-term, sustainable returns

SISCO provides access to a diversified portfolio of infrastructure investments that generate long-term, sustainable returns.

The Board follow a proven operating model of value-driven active portfolio management, prudent financial management and a selective acquisition strategy to preserve value and achieve portfolio growth.

Environmental, Social and Governance (ESG) considerations are embedded in our business strategy, operations and investment processes.

Strong Long-Term Growth Prospects

The Group is committed to growing its portfolio in its chosen markets both through value-accretive acquisitions and continued organic growth via portfolio companies whilst maintaining a disciplined approach to capital allocation and risk.

SISCO's portfolio is ideally poised to benefit from the newly announced government initiatives, such as the National Transportation Strategy, which are expected to drive investment and present significant growth opportunities for the Company.

VISION رؤية 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

Differentiated Low-Risk Business Model

Our portfolio businesses operate in core infrastructure assets that are high in demand are considered a key part of Vision 2030.

Our businesses work in markets with high barriers to entry which demand a highly skilled, experienced workforce and proven track record of managing long-term concessions.

Cash Generation

We maintain a disciplined financial framework. Our focus on strong operating margins and return on capital creates strong cash generation for reinvestment and returns to Shareholders.

We achieve a strong operating cash flow by focusing on underlying cash conversion and a disciplined approach to each business unit's return on capital employed.

Progressive Dividend

We operate a sustainable and progressive dividend policy and remained committed to this policy during the pandemic by increasing our annual dividend by 33%.

We were also able to pay an interim dividend in November 2021 and have declared a final dividend for the year of SAR 0.4 per share to give a total dividend for the year 2021 of SAR 0.8 per share.

Successful Track Record of Effective Capital Allocation and Shareholder Value Creation

SISCO has a long and successful track record of shareholder value creation through consistent execution of our strategy of investing, incubating and building long term partnerships to deliver value.

We have a track record of organic growth in strategic markets, coupled with strong cash generation across our portfolio companies.

Market Leading Position, Expertise and Capabilities

Most of our portfolio companies have market-leading positions, either being a clear number 1 or 2 in their respective sectors.

This is achieved through a consistent focus on increasing market share organically and via value-enhancing acquisitions. We have a long and successful track record of continued investment, which has strengthened the market positions of our portfolio companies and generated attractive returns on capital invested.

We continue to develop our range of specialist skills enabling us to use this as a base to expand our portfolio and presence in our core sectors.

Strong ESG Approach

By aligning our value-driven active portfolio management approach to relevant UN Sustainable Development Goals (SDGs), ESG principles are integrated into the Company's investment cycle to strengthen the non-financial returns the portfolio generates for all stakeholders. This enables the Company to deliver, monitor and report social impact effectively, and incentivises strong ESG performance by directly linking results to executive compensation.

Effective corporate governance is fundamental to the way SISCO, and its portfolio companies, conduct business. SISCO is proud to have a robust and leading corporate governance framework that is applied across the Group for effective management of the portfolio.

Strategic Local and International Partners

سيسكو
SISCO
الشركة السعودية للخدمات الصناعية
Saudi Industrial Services Company

محطة بوابة البحر الأحمر
RED SEA GATEWAY TERMINAL

Public Investment Fund

COSCO SHIPPING

MMC

acciona

أميانتيت
AMIANTIT

تماسك
Tamasuk

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

S.A. TALKE
س.أ.تالكي

ALFRED TALKE
Logistic Services

Abdul Latif Jameel

Kindasa
WATER SERVICES
كنداسة
لخدمات المياه

02
STRATEGIC REVIEW

Chairman's Message

Positioned for accelerating investment and growth

> As a Group we are reporting the highest revenue in our history and have a healthy balance sheet that provides a strong base to achieve our strategic objectives.

Aamer A. Alireza
Chairman of the Board

This year, SISCO demonstrated resilience in overcoming a very challenging operating environment and delivered strong financial results.

We fulfilled our promise as a strategic investment holding company and solidified our reputation as the partner of choice for large-scale projects across our 3 core sectors.

Year in Review

2021 was a pivotal year for SISCO, as we decided to strengthen our key assets, free up liquidity, and position the Group to accelerate growth. Building on our strong strategic, financial, and organisational foundation, we demonstrated agility and ambition – two characteristics that will stand us in good stead – as we announced our new growth strategy that is designed to ensure sustainable success through accelerating investment and diversification.

Despite the ongoing impact of the COVID-19 pandemic and a subdued macroeconomic outlook, our businesses showed incredible resilience. As a Group we are reporting the highest revenue in our history and have a healthy balance sheet that provides a strong base to achieve our strategic objectives.

During the year, we also took a significant step towards our long-term strategy of maximising the build-out and monetisation of our existing assets by completing the strategic divestment of RSGT during the year. This milestone transaction further strengthens the prospects of one of our key assets by bringing together strong strategic partners and provides liquidity that positions the Group to fund future growth.

Growing Market Potential

As a strategic investment holding company, SISCO has identified significant potential to build on our proven track record as a partner of choice with the ability to acquire, incubate, and monetise investments aimed at developing key infrastructure projects that enables the economic transformation and prosperity of the Kingdom which is aligned with Vision 2030.

The growth potential and limited maturity of SISCO's core sectors creates tremendous opportunities. The acceleration of e-commerce, the ongoing privatisation initiatives of port and water assets and key government programmes such as the National Transport and Logistics Strategy, will continue to present compelling opportunities for growth.

The Board of Directors, Executive Management, and all employees are actively working to implement the new strategy and bolster our leadership position in our core business sectors.

A Strategy for 2022 and Beyond

As Saudi Arabia's leading strategic investor across 3 strategic sectors – ports and terminals, logistics parks and services, and water solutions – SISCO has an updated strategy that capitalises on our current portfolio as a base to achieve further growth and diversification.

We will maintain our focus on our three core sectors with particular emphasis on expanding our presence in the growing logistics sector, specifically cold chain and third-party logistics with the objective of developing an integrated logistics platform across the value chain.

We will seek to maximise the potential and synergies of our current holdings, build our positions through inorganic growth and brownfield organic opportunities, and create increasing value for our portfolio through our participation as a leading strategic investment holding company, to ultimately improve and accelerate returns.

Our strategy aims to more than double Group revenue during the next 5 years, rebalance our portfolio to increase revenue and margins, and deliver long-term shareholder value.

We have identified a strong pipeline of opportunities including planned equity investments in the next 18 to 24 months of more than SAR 600 million.

This new strategic direction will shape the SISCO of the future as a truly integrated and diversified strategic investment holding company that will fulfil our growth ambitions and contribute significantly to the goals of Vision 2030.

Embedding Robust Governance and Risk Management

Building on our market-leading governance framework, we will continue to build governance capabilities to provide support for our accelerated strategic growth. SISCO's governance oversight includes the presence of Independent Board members, Subject Matter Experts on the Board, and a new Board Sub-Committee for Risk and Sustainability, to provide valuable guidance to Executive Management.

Governance and risk management remain fundamental components of our analysis and decision-making of all potential investments, to generate long-term and sustainable returns. Meanwhile, companies in the Group continue to implement best practices to ensure compliance with the highest standards of governance and risk management.

Our ESG Journey

We are fully committed to the standards of a strong Environmental, Social, and Governance (ESG) policy. ESG is a key focus of all of SISCO's operating companies. Our sustainability framework is built on responsible environmental practices, empowering people supporting communities, and good corporate governance.

We have been integrating our ESG strategy into our corporate strategy, and in 2021 we published our first ESG Report. Our policy aligns with international standards including those of the Ministry of Commerce and Industry's National Standards of Sustainability. We also modified employee performance appraisals this year to include ESG factors, further aligning accountability and incentives around the importance of ESG throughout the Group.

Dividends

In respect of our 2021 year-end results we are pleased to propose a final cash dividend of SAR 0.8 per share for a total distribution for the year of SAR.65.28 million, representing a payout ratio of 100% of 2021 adjusted net income.

We appreciate the importance of a consistent dividend policy for our Shareholders, and we are proud of our record as a consistent dividend payer. We think it is important to have a policy that allows for an appropriate balance of reinvestment in our business and dividends to Shareholders, as well as one that minimises the need to raise external capital. We have an opportunity to reinvest our capital at high rates of return and create long-term shareholder value.

During this period of high growth mode, we will adopt a progressive cash dividend policy with a payout ratio not exceeding 65% of our net income. This policy will allow us the flexibility to carefully balance the allocation of our capital between reinvesting in profitable opportunities and in providing an attractive and sustainable dividend to our Shareholders.

Looking Ahead

SISCO's new strategic direction will shape our future as an integrated and diversified strategic investment company that will contribute to the Kingdom's Vision 2030, as well as continue to deliver strong and lasting value to our Shareholders.

I feel very positive about the medium to long-term prospects of our Group. Our strategy outlines the key building blocks which will underpin the future growth of the business. I am confident that our focus on continued organic growth, focused M&A, and margin enhancement will serve SISCO well.

Our financial position is strong, we have highly experienced and energised management teams across our businesses, and I believe that the infrastructure markets we serve will continue to see significant investment.

Acknowledgements

On behalf of our Board of Directors, I wish to thank the leadership and Government of Saudi Arabia for their wisdom and vision.

I would also like to thank our Shareholders for their trust and loyalty, and to recognise the great efforts of our Executive Management and all the employees across our Group for their contributions during this critical period for our Group.

We could not have accomplished what we have – nor can we undertake what we plan – without the dedication and commitment of all of our Stakeholders.

By investing in SISCO, you are investing in a future full of potential. Thank you for being part of our journey.

Chief Executive Officer's Message

Positioned for Strategic Growth

SISCO has prevailed this year, despite a challenging operating environment, to secure profitable growth and maintain a positive outlook for the future.

Mohammed M. Kamal Al-Mudarres
Chief Executive Officer

> "Looking closely at the performance of SISCO's portfolio across our 3 core sectors – Ports and Terminals, Logistics, Parks and Services, and Water Solutions – it has been a year of solid progress and accomplishments, which contributed to the Group's strategic progress."

Supported by our past record of achievement, our unique market proposition, and the launch of a new era of strategic investment and growth, we have solidified our leadership position in our three core sectors, thereby building a strong and resilient foundation for our future initiatives and achievements.

Building on several years of positive momentum and strong financial performance, SISCO is well positioned to execute our new growth strategy, based on accelerating investment and diversification to support our forward-facing identity as the leading strategic investment holding company in our sectors.

This year we continued to develop and diversify our portfolio, supporting the success of our portfolio companies by ensuring that they are performing strategically, safely and sustainably across their operations.

Our activities continued to play a key role in supporting and contributing to the ambitions and objectives of the Kingdom's Vision 2030. Equally important in SISCO's outcomes is our commitment to providing substantial value to our Shareholders and to all our Stakeholders.

Delivering Results

On the financial front, SISCO delivered strong revenue growth of 6.9% in 2021 to reach SAR 921.2 million for the year (excluding accounting construction revenue), primarily driven by the solid performance of our Ports and Logistics segments, despite continued pressure on gateway volumes across the Kingdom.

Group net income (adjusted to one-off items) decreased by 2.3% year-on-year to reach SAR 65 million, in line with a year-on-year rise in gross profits of 5.4% to SAR 446.4 million.

Other SISCO financial results were just as commendable: adjusted EBITDA increased 11.3% to 497.9 million for 2021 compared to 447.3 million for 2020, adjusted earnings per share was SAR 0.80 in 2021, broadly in line with EPS of SAR 0.81 in 2020; and the Company's balance sheet and liquidity also strengthened in 2021, putting our business on a solid financial footing to invest in the delivery of our strategic growth.

Portfolio Review

Looking closely at the performance of SISCO's portfolio across our 3 core sectors – Ports and Terminals, Logistics, Parks and Services, and Water Solutions – it has been a year of solid progress and accomplishments, which contributed to the Group's strategic progress.

In **Ports and Terminals**, our asset demonstrated considerable resilience in overcoming challenging market conditions and overall headwinds to the gateway market across the Kingdom to deliver strong top line growth while maintaining healthy margins.

We also completed the strategic divestment of 21.2% of our equity stake in the Red Sea Gateway Terminal (RSGT), which will provide the foundation for accelerating our future growth. The partnership with the Public Investment Fund (PIF) and COSCO Shipping Ports Limited (CSPL) will add long-term strategic value and will enhance RSGT's position as a major regional and international port operator.

The **Logistics, Parks and Services** component experienced continued revenue growth, with an increase in demand for warehouses driven by the growing E-Commerce sector. Additional investment is being made to increase warehouse capacity, which is expected to drive future revenue growth and margins.

Another notable development in the logistics segment was the acquisition of Elite Group through our subsidiary, LogiPoint. This acquisition is in line with our strategic objective of expanding our presence in logistics services. It gives SISCO and LogiPoint access to a highly specialised overland freight and courier services business with operations and assets across Oman, Bahrain, Qatar and the UAE, with its regional hub in Dubai.

The **Water Solutions** business has added new customers during the year and is undertaking new projects in its sector. New independent sewage treatment plant (ISTP) contracts provide a strong base for increasing growth in this area.

Overall, Tawzea was awarded 3 ISTP projects, which will contribute to revenue growth over the coming years and enable Tawzea to expand and enhance its business by increasing the level of services to all industrial cities in the Kingdom.

Kindasa's performance remained relatively stable in challenging conditions, with revenue in line with prior years. Kindasa is committed to growing its presence and is actively participating in selective high yield O&M business and PPP programmes.

In addition to the achievements in our 3 core sectors and businesses, SISCO continued to provide governance, strategic, legal, financial and technological support for our subsidiaries, leveraging its scale, position and relationships to power their success, in keeping with our role as an integrated strategic investment holding company.

We are well positioned to pursue acquisitions that align with our strategic direction and focus, with the right resources and capabilities to identify, evaluate and capture opportunities to strengthen and diversify our Group moving forward.

Investing for Growth

Our outlook for the future is built on our updated newly announced strategy that will begin a new growth era, by capitalising on our existing portfolio and by providing a blueprint to achieve a leadership position across our sectors.

The strategy will allow us to build a vital organisation and establish a strong and resilient Company that is poised for increased and continued growth. We will continue to leverage our strategic assets and capabilities to support our operating companies. We will also pursue new inorganic investments, brownfield opportunities and asset light businesses to drive increasing returns and strengthen our Group.

This strategy will position SISCO to capitalise on and contribute to Saudi's 2030 Vision initiative – a vision with which SISCO's strategy is fully aligned and dedicated. Vision 2030 relates favourably to SISCO's sectors and presents undeniable prospects for the Company's portfolio growth and enhanced shareholder value.

With Gratitude

The challenging year of 2021 could not have been successful for SISCO without the hard work of many people who deserve our gratitude for their fortitude and dedication. Therefore, I wish to express the greatest appreciation for the Chairman and our colleagues on the Board of Directors; members of the committees and the Executive Management team; our partners and employees; our Shareholders and all our valued Stakeholders. It is through their efforts and support that the stability and growth of SISCO will be ensured.

Our Business Model

We create value by investing in key infrastructure assets with strong growth and long-term value creation potential

WHAT WE OFFER

Expertise	Our Management and Board both bring a strong domain of expertise and international best practices.
Successful Track Record	We have an unmatched operational track record with demonstrated credentials of successfully incubating and scaling key large-scale infrastructure projects with high levels of safety.
Strong Long Term Partnerships	We have successfully developed partnerships with reputable local and international strategic business partners. We have access to decisionmakers and work actively with them to improve the Kingdom's competitiveness as a business destination.
Access to Capital	We maintain disciplined capital allocation with focus on creating long-term value for our Shareholders.
Responsible Approach	We are committed to managing our business in line with world-class ESG standards.

OUR BUSINESSES

INFRASTRUCTURE ASSETS

PORTS AND TERMINALS

WATER SOLUTIONS

LOGISTICS PARKS AND SERVICES

OUR STRATEGY

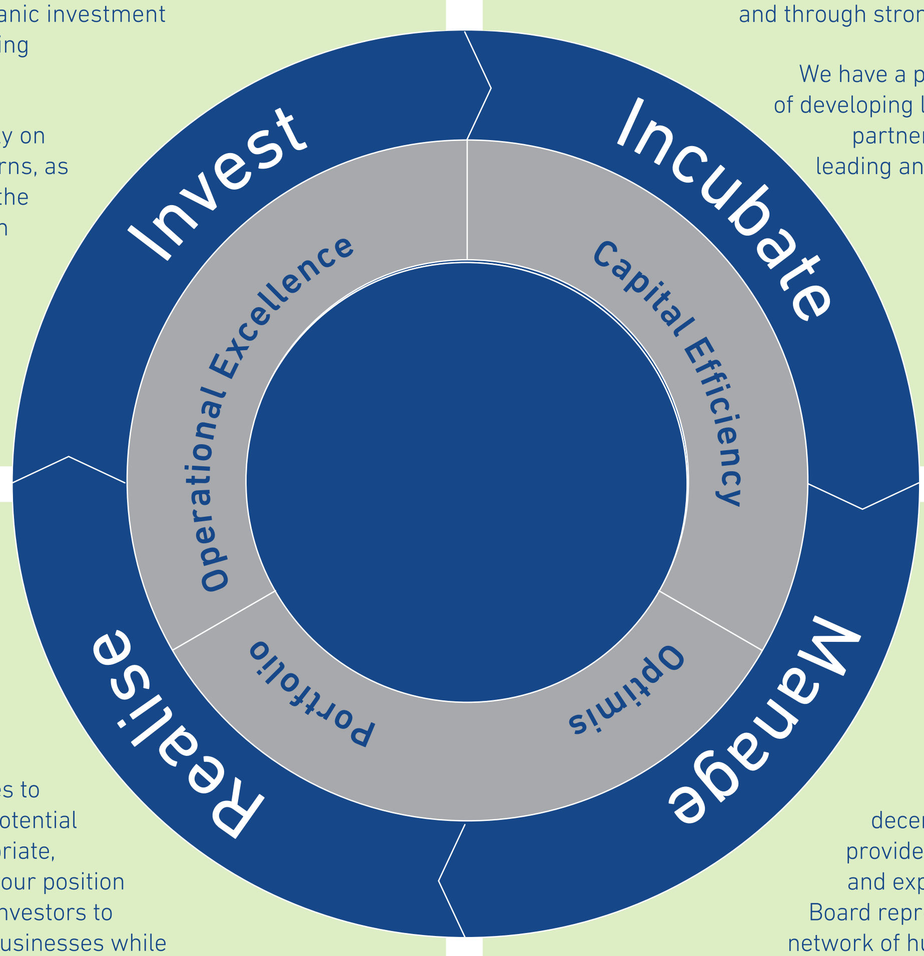
HOW WE CREATE VALUE

We invest our capital with the aim of creating long-term Shareholder value through organic investment and value-enhancing acquisitions.

We invest primarily on risk-adjusted returns, as we believe this is the long-term driver in value creation.

We create value from the portfolio through organic and acquisition growth, and through strong cash generation.

We have a proven track record of developing long term strategic partnerships with market leading and established local and international organisations.



We work with our portfolio companies to achieve their full potential and, where appropriate, partially monetise our position to bring strategic investors to further grow our businesses while generating value and returns for our Shareholders.

We manage our investments on a decentralised basis and provide strategic direction and expertise through our Board representation, diverse network of human capital and a strong corporate governance framework.

WHO WE CREATE VALUE FOR

We have a diverse base of retail and institutional investors. We aim to create sustainable and long-term value for our Shareholders.	**Shareholders**
We work in close partnership with our portfolio companies to provide expertise and support, enabling them to grow and achieve their full potential.	**Portfolio Companies**
Our people are our most precious resource. We foster the professional development and wellbeing of our employees.	**Our People**
We value our community. Our portfolio companies continue to give back by engaging with local communities and donating to various charities.	**Communities**
We work with a wide range of partners. We aim to achieve a mutually-beneficial relationship to create long-term value.	**Partners**

Our Strategy

Our strategy is focused on growing our portfolio through investing and acquiring growing businesses in our chosen areas of ports, logistics and water.

To deliver on our strategic objectives we have defined where we will play and how we will deliver. Our objectives are to more than double group revenue during the next five years, rebalance the portfolio to increase revenue contribution from logistics and water segment whilst improving margins and delivering sustainable long term shareholder value.

Strategic Focus

- Maintain focus on KSA, except selectively for port sector
- Continue to realise full potential of existing portfolio
- Enter new into multi-modal logistics services
- Prioritise asset light, brownfield Assets and value accretive M&A

How We Will Deliver

- Disciplined capital allocation and efficiency
- Acquisitions and partnerships in existing and new categories
- Focus on a simplified and agile structure
- Leverage strategic partnerships
- Integrate new investments within the SISCO network to achieve scale
- Focus on reinvesting for growth

Goals

- More than double group revenue over the next five years
- Balanced portfolio with logistics and water segment accounting for 50% of Net Income
- Sustainable annual dividend

Creating value for all our key stakeholder groups

Strategic Direction for SISCO

	Ports	Logistics	Water
Current	• Single port operator in JIP • Largest Port Terminal	• Focus on logistics real estate • Assets heavy	• Standalone • Opportunity to consolidate
Future	• Multiport operator • Diversified cargo Type • New concessions • Fortify Leadership	• Create new vertical in logistic services • Expand logistics real estate offering • Cater to the growing e-commerce	• Integrated water solutions • Scale up the businesses and achieve market leading position

As Saudi Arabia's leading strategic investor across three strategic sectors, SISCO has an updated strategy that capitalises on our current portfolio as a base to achieve further growth and diversification.

Strategy in Action

Organic Growth
RSGT Expansion

محطة بوابة البحر الأحمر
RED SEA GATEWAY TERMINAL

RSGT signed a new 30-year concession with the Saudi Ports Authority (Mawani) to take over the adjacent North Container Terminal, which covers both RSGT's existing and new terminal. The number of operators in Jeddah Islamic Port (JIP) has therefore been reduced from 3 to 2. Under the terms of the concession, RSGT will invest an initial SAR 1 billion to consolidate both terminals and develop the infrastructure.

In 2021, despite negative headwinds, RSGT has made progress on consolidating the northern section of Jeddah Islamic Port (JIP). Following the Company's takeover of the new terminal, RSGT is now the largest port operator in the Kingdom with an expected capacity of 5.2 million TEUs by the end of 2022.

The expanded facility will be the largest logistics gateway and the busiest container terminal in the Kingdom. This strategic expansion supports RSGT's strategy to become the leading port operator in Saudi Arabia and is aligned with the goals of Vision 2030.

Benefits

The concession was a key milestone that enables RSGT to become the largest container terminal in the Kingdom of Saudi Arabia and positions to be a key contributor to the Vision 2030.

5.2 million TEUs

Increase in capacity from 2.5m TEU

Shareholder Value Creation
RSGT Divestment

محطة بوابة البحر الأحمر
RED SEA GATEWAY TERMINAL

SISCO completed the divestment of a 21.2% direct equity stake (the Transaction) in Red Sea Gateway Terminal Limited (RSGT) to Saudi Arabia's Public Investment Fund (PIF) and COSCO Shipping Ports Limited (CSPL) for an equity value of SAR 2.6 billion of which SISCO received gross proceeds of SAR 556.5 million.

Rationale

RSGT's incoming shareholders, PIF and COSCO, both stand to add significant value to the business and, indirectly, to SISCO's wider ports and infrastructure portfolio. The shareholders will also gain a long-term partnership with the fastest growing shipping line and alliance for Jeddah Islamic Port.

Strategic partnership with PIF, one of the largest sovereign wealth funds in the world and an economic engine of Vision 2030, with a clear strategy to drive the diversification of the Kingdom's economy and become a global investment partner of choice.

The transaction also provides RSGT the ability to develop into both a regional and global logistics hub, which in turn supports PIF's mission of unlocking new economic opportunities across the Kingdom, deploying patient capital to support emerging sectors with significant long-term growth potential.

Significant cash flow for SISCO to redeploy to increase portfolio and shareholder value

250%

Green Dome Acquisition
Expansion of logistics services

GreenDome Investments

In November 2021, SISCO's subsidiary LogiPoint acquired Elite Group ("Elite") through its 31.7% owned affiliate Green Dome Investments for a total value of AED 157 million.

Elite was established in 2000 as a logistics solution provider and has expanded its footprint and network in MENA and is now a leading fully integrated land freight and courier solutions provider. It has over 1,000 staff, 600 trucks and 9,290 square meters (100,000 square feet) of warehouse capacity.

This acquisition gives SISCO and LogiPoint access to a highly specialized overland freight and courier services business with state-of-the-art operations and assets across Oman, Bahrain, Qatar and the United Arab Emirates, with its regional hub in Dubai.

The transaction is in line with SISCO's new 5-year strategy which aims to expand its presence in logistics services with an emphasis on an asset light model to provide an end-to-end solution for the rapidly growing regional e-commerce sector.

Key Highlights of the transaction

- Established logistics business with strong profitability
- Strong growth potential
- Potential synergies with SISCO's portfolio

31.7%

LogiPoint acquired Elite Group through its 31.7% owned affiliate Green Dome Investments

Acquisitions continue to be a significant part of our investment strategy and a key way to build expand our portfolio and accelerate returns.

Chief Financial Officer's Review

SISCO delivered a robust financial performance with strong cash flows during 2021, while further strengthening our balance sheet and increasing investment activity, in line with our strategic mandate for accelerating growth and diversification.

Mahmood Hussain
Chief Financial Officer

Throughout 2021, SISCO maintained its strategic focus and successfully navigated ongoing market disruptions and the impact of the COVID-19 pandemic to post solid results. We responded rapidly to the challenges and new opportunities, which arose to deliver strong profitability, while increasing our investment capability for future growth opportunities and further strengthening our balance sheet.

Performance Highlights

The Group reported record top line and strong net income performance despite facing headwinds, in particular during the second half of 2021, testament to the resilience of our assets and the agility of our portfolio companies in responding to fast changing market conditions.

Group revenue for the year totalled SAR 921.2 million, increasing by 6.9% from 2020, which is the highest reported revenue in SISCO's history. The top line growth was primarily driven by the Ports and Terminals business which increased revenue by 5.8%.

Gross profit increased to SAR 446.5 million, a rise of 5.4%, whilst gross margins decreased marginally by 0.7%, impacted primarily by a decline in margins during the second half of 2021 following a decline in the gateway volumes in the ports sector during the second half of 2021 and an increase in direct costs. Through careful operating cost management, we were able to report an increase in adjusted operating profit of 11.8% to reach SAR 286.6 million for the full year.

Finance costs increased from SAR 165 million in 2020 to SAR 203.5 million in 2021 mainly due to the full year impact of financing costs associated with capitalising the fixed and variable fee.

Other income declined by 83% as 2020 included the reversal of provisions amounting to SAR 86 million.

Investment income increased during the year driven by improved performance by our equity accounted associate companies.

Reported net income decreased by 58.5% impacted by the decline in margins, one-off costs amounting to SAR 7.1 million and the impact of the RSGT divestment on SISCO's share of RSGT Net Income during the second half of 2021.

Adjusted net income, excluding the accounting the impact of one-off items, decreased to SAR 65 million – a decline of 2.30%. This is equivalent to earnings per share of 0.80, compared to 0.81 in 2020.

(SAR million)	2021	2020	Variance %
Revenue*	921	862	6.9
Cost of Revenue*	(475)	(438)	8.4
Gross Profit	446	424	5.2
Indirect expenses	(168)	(168)	–
Operating Profit	278	256	8.6
Net Finance Cost	(204)	(133)	53.4
Share of Result of Associates	24	22	9.1
Other Income	15	88	(83.0)
Zakat & Income Tax	(18)	(16)	12.5
Group Net Profit	95	217	(56.2)
Non-Controlling Interest	(37)	(78)	(52.6)
Net Profit	58	139	(58.3)

** Revenue and cost of revenue excludes construction revenue*

> "We are focused on achieving an appropriate balance of risk and return, remaining patient while aggressively pursuing opportunities that will enhance the portfolio and improve total shareholder value."

(SAR million)	2021	2020
Reported Net Income of Parent Company	57.9	139.4
One Off Adjustments:		
IFRS-9 Loan Modification	–	(31.9)
Reversal of Provision for Asset Replacement Costs	–	(75.2)
Reversal of Zakat Provision	(4.6)	(8.0)
One-off Costs	11.7	
Total Adjustments	7.1	(115.1)
Impact of adjustments on SISCO Net Income	7.1	(72.9)
Adjusted Net Income of Parent Company	65.0	66.5

Financial Position

Consolidated net assets as at 31st December 2021 stood at SAR 2,296 million, an increase of SAR 586.8 million from the previous year, mainly due to the underlying profit and the positive impact of the strategic divestment of the RSGT equity stake.

Free cash flow was very healthy, increasing by 364% to reach SAR 748 million at year-end, compared to SAR 161.2 million in 2020, boosted by strong operating performance across all operating segments and an increase in liquidity at the Group level.

Net debt excluding IFRS 16 lease commitments improved substantially to a net cash of 119.6 million (31 December 2020: net debt of SAR 456.9 million), reflecting the proceeds from the RSGT transaction and improved cash flows in our operating companies.

Management believes the Group has both the financial strength and capital resources to support and execute its strategic plans. The Board and executive leadership remain focused on growing and developing our core segments through disciplined capital allocation.

Investment Activity

In July 2021, SISCO completed the strategic divestment of its 21.2% equity stake in RSGT for gross proceeds of SAR 556.5 million. The net cash impact for SISCO after transaction costs was SAR 545.5 million. The impact of the transaction was reflected in the Group's equity with no impact in the income statement. SISCO generated a return on investment from the divestment of SAR 302.5 million. The Board is continually reviewing the utilisation of the proceeds from the transaction with the overriding objective being to enhance shareholder value.

In November, we completed the acquisition of a 100% stake Elite Group through a LogiPoint affiliate, Green Dome Investments, demonstrating our commitment to expanding our logistics portfolio, in particular within the Third-Party Logistics (3PL) space.

Throughout the year, we saw an active investment pipeline that included a broad range of potential new investment opportunities. We are focused on achieving an appropriate balance of risk and return, remaining patient while aggressively pursuing opportunities that will enhance the portfolio and improve total shareholder value.

Dividend

We have a progressive dividend policy such that, with consideration to both profitability and cash generation, the dividend is at a level that is sustainable across the cycle. The capacity of the Group to make dividend payments is derived from distributable reserves of the parent company, primarily arising from dividends received from subsidiary companies.

For 2021, the Board recommended a dividend of SAR 0.8 per share, maintaining the level declared in 2020 despite a decline in net income. This represents a pay-out ratio in 2021 of 100% of adjusted net income.

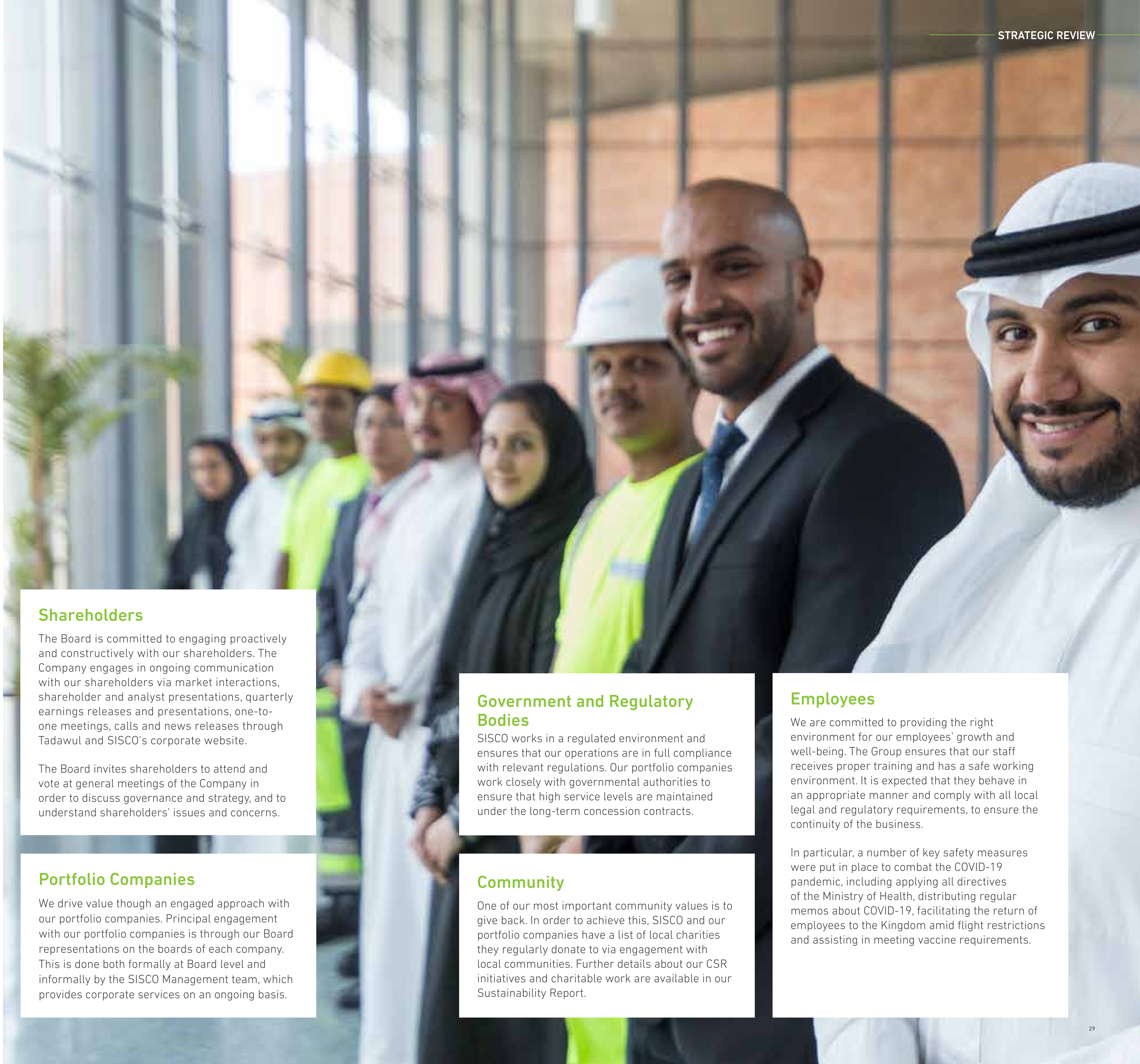
2022 Outlook

SISCO is well positioned to continue to perform with a resilient, well-diversified portfolio. We have strong liquidity to continue to invest, both through organic growth and value-accretive acquisitions that enhance the portfolio. We remain committed to implementing our updated strategy, with the aim of delivering long-term sustainable returns to our Shareholders.

Stakeholder Engagement

As a strategic investment company whose purpose is to generate attractive investment returns, SISCO's stakeholders are different from those of many operational organisations. Our key stakeholder groups are described below, along with why they are important to us, and how we engage and foster business relationships with them.

Our Board of Directors and portfolio companies engage regularly with our stakeholders and welcome their feedback. This engagement informs the Board's thinking and decision-making in relation to Group strategy and the oversight of our portfolio companies.



Shareholders

The Board is committed to engaging proactively and constructively with our shareholders. The Company engages in ongoing communication with our shareholders via market interactions, shareholder and analyst presentations, quarterly earnings releases and presentations, one-to-one meetings, calls and news releases through Tadawul and SISCO's corporate website.

The Board invites shareholders to attend and vote at general meetings of the Company in order to discuss governance and strategy, and to understand shareholders' issues and concerns.

Portfolio Companies

We drive value though an engaged approach with our portfolio companies. Principal engagement with our portfolio companies is through our Board representations on the boards of each company. This is done both formally at Board level and informally by the SISCO Management team, which provides corporate services on an ongoing basis.

Government and Regulatory Bodies

SISCO works in a regulated environment and ensures that our operations are in full compliance with relevant regulations. Our portfolio companies work closely with governmental authorities to ensure that high service levels are maintained under the long-term concession contracts.

Community

One of our most important community values is to give back. In order to achieve this, SISCO and our portfolio companies have a list of local charities they regularly donate to via engagement with local communities. Further details about our CSR initiatives and charitable work are available in our Sustainability Report.

Employees

We are committed to providing the right environment for our employees' growth and well-being. The Group ensures that our staff receives proper training and has a safe working environment. It is expected that they behave in an appropriate manner and comply with all local legal and regulatory requirements, to ensure the continuity of the business.

In particular, a number of key safety measures were put in place to combat the COVID-19 pandemic, including applying all directives of the Ministry of Health, distributing regular memos about COVID-19, facilitating the return of employees to the Kingdom amid flight restrictions and assisting in meeting vaccine requirements.

Portfolio Review

Ports and **Terminals**

Overview

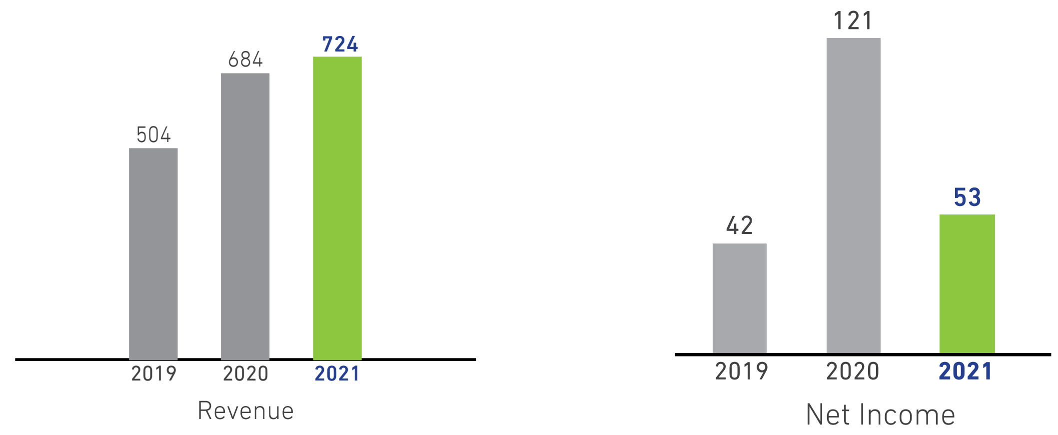
Red Sea Gateway Terminal Company (RSGT) is at the forefront of our success in this segment, from inception and construction to currently being the largest container terminal in Saudi Arabia and ranking among the top container terminals in operational productivity internationally. Our ports sector is a prime player in supporting Vision 2030.

In 2021, RSGT took key steps to expand its service offering and improve its position in the Kingdom and the wider region. RSGT's strength has enabled SISCO's Ports and Terminals segment to navigate a challenging global climate.

The ports and terminals industry has been experiencing a variety of disruptions in recent years due to the COVID-19 pandemic and its impacts on supply chains, container demands and shipping lines. Despite these challenges, RSGT continued to increase its market share and continued the planned consolidation of the northern section of Jeddah Islamic Port (JIP), with the addition of 700 employees, merging the organisation and improving efficiency.

Moreover, RSGT demonstrated considerable resilience in the face of challenging market conditions, delivering strong top-line growth while maintaining healthy margins.

Financial highlights 2021 (SAR millions)



Strategy for 2022 and Beyond

Our strategy for Ports and Terminals is to replicate local success in regional and international markets and leverage RSGT's strong shareholder base. SISCO aims to expand its market presence within its core market while pursuing opportunities to diversify its offerings throughout the Kingdom. Through selected organic and inorganic investments with a strong focus on emerging markets in Africa and Asia, SISCO further aims to expand its footprint globally by transforming from a single port operator to a multi-port operator, differentiated by SISCO's intrinsic ability to deliver additional capabilities in key strategic markets.

محطة بوابة البحر الأحمر
RED SEA GATEWAY TERMINAL

RSGT is the market leader and the largest container terminal operator in the Kingdom.

Services

RSGT is a Port Developer and Operator, and the first privately funded BOT development project in KSA. The Company is a modern terminal featuring best-in-class facilities and equipment. RSGT has the largest capacity in the Kingdom, with around 30% market share of throughput in Saudi Arabia in 2021.

RSGT in 2021

This year was pivotal for RSGT with several positive developments.

In July 2021, SISCO, as the largest founding shareholder of RSGT, together with other minority shareholders of RSGT, officially completed the equity sale to the Public Investment Fund (PIF) and COSCO SHIPPING Ports Limited (COSCO).

The divestment was a significant milestone for RSGT and allowed the Company to onboard two new investors to accelerate investment plans in Saudi and niche emerging markets.

Despite challenges throughout the year, RSGT has made strong progress on consolidating the northern section of Jeddah Islamic Port (JIP). The Company aims to increase short-term capacity at its JIP terminals through the ongoing expansion of operations and upgrades.

RSGT introduced several new offerings in 2021:

1. Integrated best-in-class automation, improving control room operations and upgrading to automated cranes and gates, as well as autonomous vehicles.
2. Launched cruise ship services in partnership with Cruise Saudi at its cruise facility in Jeddah.

Performance

RSGT recorded another year of positive performance despite revenue and profitability being significantly impacted during the second half of 2021 due to the decline in gateway volumes. This pressure was felt across the Kingdom as the result of global supply chain issues, restrictions in tourism and lower levels of consumer spending. Despite these headwinds, RSGT continued to increase its market share in Jeddah Islamic Port and the Western Region.

Due to the ongoing COVID-19 pandemic, 2021 was volatile and saw a double-digit drop in the import market. Nonetheless, in a market with ~5% growth, RSGT grew total volumes by ~10%, outpacing the market.

Moreover, the West Coast Saudi import market dropped 20% due to a combination of COVID-19 and logistics challenges outside the Kingdom. This slowdown caused a significant drop in RSGT's expected revenue, thereby impacting gross margins and net income. In response, RSGT introduced a cost optimisation exercise to be more efficient and competitive in preparation for the rebound of the local economy.

Adjusted net income on a like-for-like basis (adjusted to exclude impact of one-off items in 2020) decreased by 5.3%, primarily due to the decline in gross margins, as operating costs remained relatively stable.

Alignment with SISCO's Strategy

A compelling opportunity exists for RSGT to expand its footprint globally by transforming from a single port operator to a multi-port operator differentiated by the ability to deliver additional capabilities in key strategic markets. RSGT will predominantly target brownfield assets due to their potential to accelerate cash returns compared to greenfield assets. The Company is currently looking at the Red Sea region, Asia and Africa, to create a niche international terminal operations group, aligned with SISCO's strategy.

RSGT will focus on fortifying its leadership position in its core Saudi Arabia market, where significant growth opportunities exist, by actively bidding for new concessions to service the steady demand for increased throughput capacity in the Kingdom. The Company is also trying to create synergies with other SISCO companies, to drive a common agenda in the local market.

RSGT will also focus on diversification to other cargo types where favourable concession opportunities may exist for bulk and general cargo ports and terminals.

2022 Outlook and Objectives

RSGT is in a solid position to focus on the business fundamentals and ensure its future growth. In 2022, the Company hopes to see the gateway container volume to recover and is expecting its domestic and international growth strategy to yield positive results.

RSGT will also focus on attracting and retaining the best talents, gearing up for future challenges and increasing competitiveness. The Company will also increase its customer focus by further developing landside products while capitalising on opportunities to secure more services on the waterside and grow geographic reach by securing more shipping line services and expanding the transshipment coverage to East Africa.

RSGT will keep up with digitalisation in the industry by adapting processes and skills to capitalise on investments that are already fully secured. Finally, the Company would like to minimise its environmental impact by building a more sustainable, efficient and seamless operation that will reduce waiting times and decrease the impact on the environment.

Share of **SISCO** revenue
78.6%

16+ million TEU
accumulated throughput over the last 10 years

136 BMPH
average berth productivity

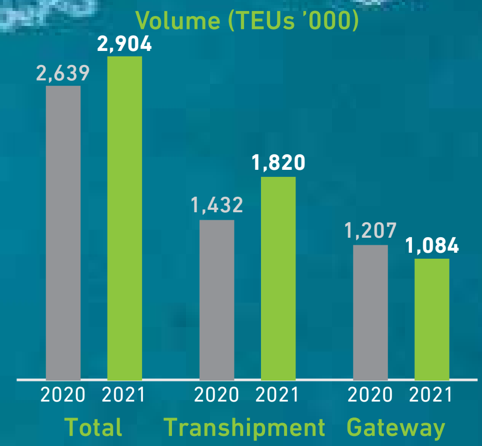
SISCO effective shareholding
36.36%

53 cruises
called since the new service began in July 2021

110 Mega Vessels
(13,000+ TEU) handled

2.9 million TEUs
(+12% increase in throughput from 2020)

4.8 million TEUs
(Current capacity)



RSGT is the largest container terminal in the Kingdom and one of the leading container terminals for operational capability globally. The company is in strong position to expand its footprint locally and internationally.

2021 TERMINAL OPERATOR OF THE YEAR
14th Annual ShipTek International Conference on Marine, Offshore and Oil & Gas Industry

2021 REGIONAL DEAL OF THE YEAR
Annual Seatrade Maritime Awards, Middle East, Indian Subcontinent & Africa

2020 SUSTAINABILITY AWARD
17th Annual Seatrade Maritime Awards, Middle East, Indian Subcontinent & Africa

Logistics Parks and Services

Overview

Logistics Parks and Services is a core element of SISCO's strategy of being an integrated logistics platform. SISCO's Logistics will seek to cover the full logistics value chain through an integrated and seamless logistics offering enabled by digital platforms. Through our strategic investments in LogiPoint and S.A. TALKE, the business has grown rapidly to include a diverse range of logistics services.

2021 proved to be a difficult year for the global and local logistics customer, with unprecedented shipping space shortages, astronomically high freight rates and macro-economic factors.

Despite these headwinds, our logistics segment reported a robust operating and financial performance with solid top and bottom-line growth.

Strategy for 2022 and Beyond

SISCO's Strategy in Logistics focuses on expanding logistics services with an emphasis on the asset light model. We are focused on increasing real estate footprint growth and diversifying into new services, including freight forwarding and rail terminal management. SISCO is also focused on continuing growth in logistics services across the Kingdom to become an end-to-end services provider. In parallel, we plan to continue expanding and balancing our existing portfolio.

In June, the Kingdom announced its National Transport and Logistics Strategy, which aims to transform Saudi Arabia as a logistics hub. This presents compelling opportunities in the sector.

SISCO Logistics Parks and Services

LogiPoint تمكين الخدمات اللوجستية

Shareholding – 76%

Provides a full range of logistic solutions covering warehousing, storage and transportation

S.A. TALKE س.أ.تالكي

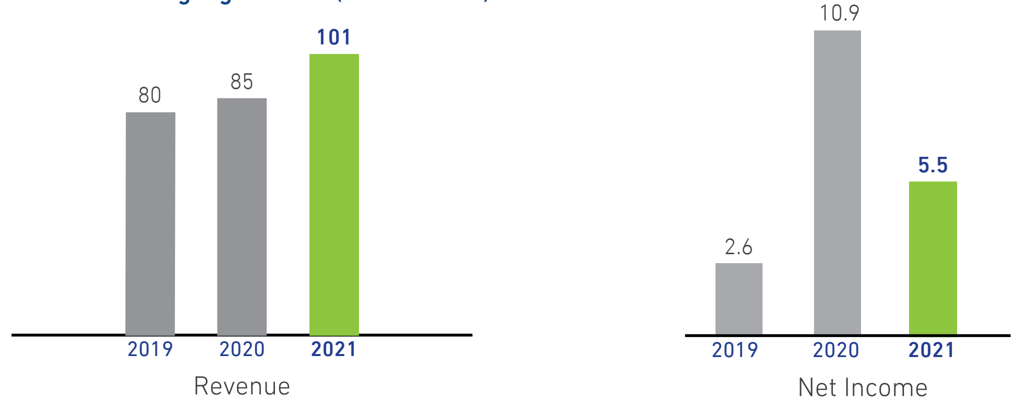
Shareholding – 33.3%

Provides full range of specialised logistics services to the chemical and petrochemical industries in the Kingdom

ISNAD إسناد شركة تشغيل الخدمات المساندة Support Services Operation Company

Shareholding – 97%

Financial highlights 2021 (SAR millions)



LogiPoint
تمكين الخدمات اللوجستية

LogiPoint is a Logistics Real Estate developer and operator and logistics services provider dedicated to enabling logistics and creating value for clients by becoming a leading supply chain and logistics hub in the region.

Services

LogiPoint provides state-of-the-art storage, distribution facilities and warehousing, and customised value-added services through two main entities: Saudi Trade & Export Development Company and Support Services Operation Company Limited, that collectively operate under the umbrella, LogiPoint..

LogiPoint has extensive logistics real estate already developed and being managed in JIP, with an additional 1 million m^2 of integrated logistics facilities under development in the Kingdom.

LogiPoint provides value-added logistics services through dedicated and trained operations personnel and the Company's own fleet of trucks and equipment.

LogiPoint in 2021

LogiPoint had a several achievements throughout 2021.

During the year, LogiPoint focused on its position as an industrial logistics real estate firm. The Company expanded its warehouse portfolio and signed new, strategic agreements to expand its geographical footprint in Jeddah, while looking at other major cities for 2022.

LogiPoint signed an agreement for the Built to Suit (BTS) Facility at Jeddah Logistics Hub (JLH) for United Warehouse Company. BRZ Warehousing was in high demand in 2021 with occupancy standing at 100%, with the addition of a multi-purpose facility that is expected to attract new international customers and grow LogiPoint's business with existing clients.

LogiPoint commissioned the construction of Warehouse Village 5, expected to be delivered in Q3 2022. The new facility will have dedicated zones for handling frozen, chilled, ambient, and dry cargoes, and introduce an additional zone equipped to handle pharmaceutical goods inside JIP.

LogiPoint completed the implementation of the RAMCO ERP system in 2021, providing a single integrated platform for seamless business operations. Further, LogiPoint implemented a solution at the BRZ through a collaboration with SFDA, making it possible for perishables and food items to be inspected remotely using virtual technology. When fully adopted, this solution will bring speed and agility to the clearance of time sensitive food shipments while ensuring regulatory compliance.

Performance

LogiPoint delivered a resilient performance for the year, with revenue growth of 19% compared to 2020, driven by increasing demand for warehousing services and growth in services revenue.

LogiPoint successfully onboarded new clients and commissioned strategic projects. Warehousing occupancy was brought to 100%, while revenues from VAS were increased by 23% over the last year. The logistics market has continued to struggle because of unprecedented high freight levels and shortage of shipping space globally. While LogiPoint port operations, which depend on volume inflow from 3PL clients, reflected this downturn, the Company's overall performance relative to the market and competition has been positive.

Adjusted net income (excluding the impact of IFRS 16 lease reversal in 2020) decreased by 26.7%, mainly due to the decline in gross margins and increase in operating costs during the year.

Alignment with SISCO's strategy

LogiPoint plays a central role in delivering one of the main pillars of SISCO's strategy: to continue developing its logistics real estate offering. In this regard, LogiPoint aligns with SISCO's strategy through multi-tiered investments in developing logistics real estate projects across the BRZ, the Jeddah Logistics Hub and the Jeddah Logistics Park.

LogiPoint's investments into infrastructure projects carry a multiplier effect for the Kingdom's economy by attracting new investments, which underlines SISCO and LogiPoint's alignment with the Saudi Vision 2030 goal to transform the Kingdom into an international logistics hub.

2022 Objectives

In 2022, LogiPoint will focus on expansion in the central region with thriving commercial operations. The Company aims to increase utilisation of BRZ and JLP by the end of the year. In addition, LogiPoint plans to secure three new deals for BTS within the first quarter.

Share of **SISCO** adjusted revenue **11%**

First Bonded & Re-Export Zone in the Kingdom

BOT agreement with Saudi Ports Authority

SISCO shareholding **76%**

Establishing footprint across the Kingdom, in strategic locations with uniquely positioned logistics zones

Strong blue chip customer base

Occupancy 49% land

Occupancy 99% warehouse

LogiPoint provides value-added logistics services through dedicated and trained operations personnel and the Company's own fleet of trucks and equipment.

LOGISTICS MIDDLE EAST
Supply Chain Hub of The Year 2021

TRANSPORT & LOGISTICS ME
Logistics Hub of The Year 2021

TLME HEROES OF THE PANDEMIC AWARDS 2021
Logistics Hub of the Year 2021

LOGISTICS NEWS
Leaders of Logistics Real Estate Solutions 2021

S.A. TALKE
س.أ.تالكي

S.A. TALKE offers a wide range of services under logistics, transport and technical services to the chemical and petrochemical industries in the Kingdom of Saudi Arabia.

Services
In terms of logistics solutions, S.A. TALKE provides turn-key construction of logistic plants, storage and logistic solutions for DG and Non-DG products, packaging, off-site storage, warehousing solutions and container terminal management. The Company provides transport services for bulk liquids, dry bulk and packaged products, and technical services including maintenance and container terminal management.

S.A. TALKE in 2021
Despite the ongoing COVID-19 pandemic, S.A. TALKE remained resilient in providing its services during 2021.

S.A. TALKE won three new projects that extended its service offering. The Company entered the market for liquid transportation with the award of a contract from Farabi Yanbu for the transportation of liquid products from Farabi Plant to Arabian Terminals in Yanbu. S.A. TALKE also expanded services with the award of overhauling of packaging lines 5 and 6 from Ibn Zahr. Moreover, SABIC awarded S.A. TALKE a contract for the operation of all SABIC spares warehouses in Jubail, Riyadh and Yanbu.

In addition, the Company successfully started Kemya volume addition to the Portside Logistics Facility (PLF), and began SAFCO phase 3, fully transitioning the project to S.A TALKE. The Company was also successful in renewing existing contracts, such as the SPCo contract for 3 years and the Dupot contract for 2 years. S.A. TALKE also won a Dow polymer storage contract for 3 years.

Performance
In 2021, S.A. TALKE demonstrated a solid performance through the Company's existing projects. The Company currently holds 51% of the market-share for outsourced volumes. S.A. TALKE experienced lower volumes than budgeted on the majority of its projects. Although revenue was lower than budgeted, S.A. TALKE managed to achieve a net income increase of 0.7% compared to 2020.

Alignment with SISCO's strategy
In line with SISCO's strategy to expand logistics services, S.A. TALKE added liquid transportation, operation of spares warehouses and overhauling of packaging lines to its portfolio. S.A. TALKE is involved in new projects such as the SABIC Warehouse, Farabi transportation, Dow product storage and Ibn Zahr overhauling of packaging lines.

2022 Objectives
S.A. TALKE aims to increase its market-share and continues to look at opportunities to extend its services. After successfully completing the Company's first project in technical services, S.A. TALKE will promote this service for its existing clients. Further, in 2021, the Company made headway with Multiuser Facility MUF 2. Next year, they will focus on starting the project and completing yard storage by end of the year.

S.A. TALKE will also target new clients, aiming to diversify its client portfolio through strategic targeting. Furthermore, considering that MOR warehousing is a pain point for most of S.A. TALKE's clients, and after successfully moving forward with SABIC, the Company will target SPCo, PRC and TASNEE for the same service and work on broadening scope of service within the MRO business.

Market share based on projected outsource volumes

51%
Market share
(2x times nearest competitor)

SISCO shareholding
33.3%

Revenue
SAR 276.4 million
(FY20: SAR 260.7 million)

Expansion in the Western Region

Volume
13.5 (Tons, million)

Net Income
SAR 40.5 million
(FY20: SAR 40.2 million)

More than 15 years experience with over 1,800 employees

RECOGNISED BY SPCo for 10 years of reliable service and partnership

RECOGNISED BY IBN ZAHR for excellent performance in the overhauling of packaging line 5

RECOGNISED BY FARABI YANBU for excellent performance in taking over the liquid transportation from Farabi Plant to Arab Terminals in Yanbu

RECOGNISED BY SABIC PROCUREMENT for outstanding performance and significant contribution under SABIC's Supplier Recognition Programme

Water Solutions

Overview

SISCO is a leading player in the water sector, which is a key infrastructure sector under the Kingdom's Vision 2030. We are ideally positioned to participate in the Vision's privatisation initiatives.

SISCO operates across the main water value chain, from desalination to distribution and waste water treatment, and our companies in this segment lead the way as a private supplier to the industrial sector and beyond in Saudi Arabia.

Strategy for 2022 and Beyond

SISCO's strategy for the water solutions segment is to optimise and scale up the existing portfolio companies by consolidating assets and developing an integrated service offering. The Group is focused on unlocking the full potential in core and adjacencies, improving efficiency and significantly scale up existing operations. We are currently pursuing expansion opportunities in the Middle East and looking at growth through targeted acquisition of local desalinated water companies.

SISCO Water Solutions

Kindasa WATER SERVICES كنداسة لخدمات المياه

Shareholding – 65%

Provides a full range of services covering construction and operation of desalination plants, sewage, irrigation and sanitation and mechanical works

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

Shareholding – 50%

Specialises in the management of industrial cities, and operation and maintenance of Potable Water and Waste Water facilities

Financial highlights 2021 (SAR millions)

Kindasa Water Services (KWS) is the first private potable water supply Company engaged in seawater desalination and distribution of potable water to Jeddah industrial estate and commercial facilities.

Services
Kindasa provides a full range of services covering construction and operation of desalination plants, sewage, irrigation, sanitation and mechanical works.

Kindasa has desalination plants in Jeddah Islamic Port and Rabigh with total capacity of 106,000 m³ per day.

Kindasa in 2021
Kindasa (KWS) experienced an exceptional year with significant achievements.

In 2021, Kindasa was awarded a distilled water supply BOO contract with Saudi Aramco Luberef, successfully establishing two new product lines: supplying distilled water and renting containerised water treatment units. This is expected to increase revenue as the construction of megaprojects including NEOM, Red Sea and Amalaa will require temporary mobile water treatment and solar units.

Kindasa also partnered with international and local companies to participate in the upcoming bidding of the Saudi Water Partnership Company's (SWPC) potential IWP and IWTP opportunities.

In October 2021, Kindasa signed a new agreement with Jeddah Islamic Port to further extend its Jeddah plant land lease to mid-2027 ensuring continuous services to the industrial cities and commercial sector.

Moreover, KWS signed a memorandum of agreement with a local renewable energy technology provider to develop an environment-friendly water treatment solution with aims to reduce power consumption in line with its sustainability objectives.

Performance
Kindasa demonstrated strong top and bottom-line growth in 2021. Overall revenues increased by more than 4% versus 2020 reaching SAR 97 million, while net income increased by 10% reaching SAR 5.6 million.

In terms of volume, water sales have increased by 3% compared with 2020, mostly driven by Rabigh plant water sales which exceeded 1.4 million cubic meters in 2021 whilst maintaining competitive pricing and strong margins.

Alignment with SISCO's Strategy
Kindasa has established a well-defined business plan to be aligned with SISCO's strategy. Kindasa diversified its revenue streams by establishing a new production line: selling distilled water to target special industrial requirements. Kindasa has also been successfully awarded a water supply contract with one of Saudi Aramco's subsidiary companies.

In addition, Kindasa is in discussion with local and international companies to develop a sustainable water desalination solution. The Company signed an MoU with two international partners to be co-developers of an Independent Water Plant located in Ras Mohaisen. KWS will also continue to target the O&M (Performance Based Contracts).

2022 Outlook and Objectives
KWS has several strategic aims for 2022, such as to produce distilled water and develop an environmentally friendly water treatment solution using renewable energy technology. Moreover, the Company is focused on the award for a megaproject with Saudi Water Partnership Company (SWPC), which includes potential IWP and IWTP opportunities. KWS is also looking to win operations and maintenance O&M projects for the future.

±60% market share of water supplied to industrial customers in Jeddah

First private water desalination and distribution plants in the Kingdom

Designed capacity of **22 million cubic meters** per year

Commissioned plant in Rabigh with ± 5,000 m³ of water per day

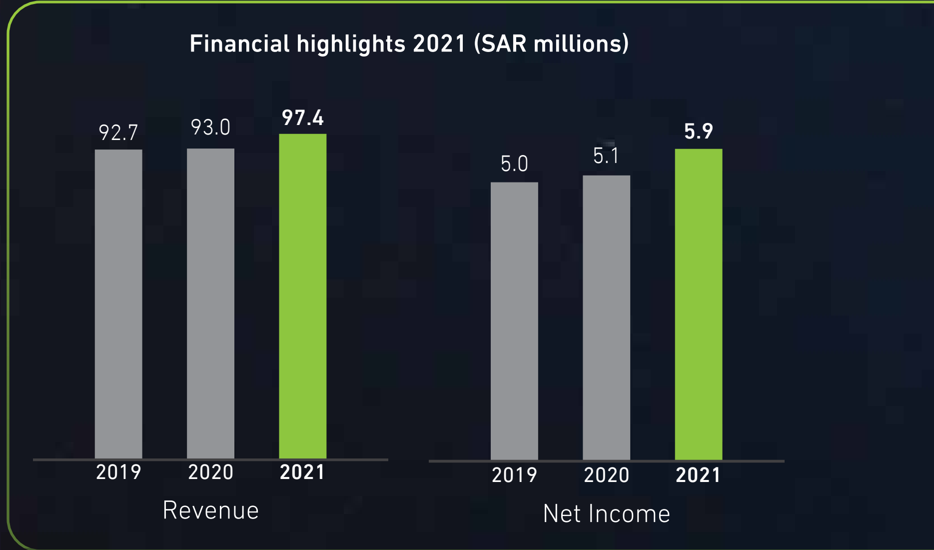
SISCO shareholding **65%**

Provide O&M services to industrial sector

Water production
18.1 million m³
(FY20: 17.7 million m³)

Water sales
16.9 million m³
(FY20: 16.9 million m³)

Share of **SISCO** revenue **10.5%**



The International Water Distribution Company, Tawzea, is one of the first companies to successfully privatise the water sector in the Saudi Arabia and of the few Saudi companies with proven PPP Development and O&M capabilities.

Services

Tawzea is involved with operation and project management to develop the necessary infrastructure for distribution of water, wastewater treatment and re-use of recycled water. The Company's services include water and wastewater utilities management, water and environment investment (BOT-BOOT-PPP), environmental solutions, investments to decrease NRW due to physical and commercial losses, and TSE water solutions. Tawzea also offers a call centre, billing solutions, meter test, and collection for the water sector in Kingdom of Saudi Arabia.

Tawzea in 2021

This year, Tawzea successfully improved its performance, strengthened its technological infrastructure, and increased employee engagement.

In 2021, Tawzea was awarded 3 Independent Sewage Treatment Plant (ISTP) projects in Madinah, Buraydah and Tabuk, with a total treatment capacity of 440,000 m^3 per day.

In December, SISCO and Amiantit officially approved to convert Tawzea from a limited liability to a closed joint-stock Company, with Wasata Capital appointed as a financial consultant. The conversion was accompanied by a decision to list Tawzea on the Saudi Parallel Market (Nomu).

Tawzea has also focused on developing its technological infrastructure by improving its administrative operations to increase efficiency and customer satisfaction. Tawzea has also developed and implemented an application for water consumption monitoring in Riyadh Industrial City, significantly improving their capabilities.

Performance

2021 witnessed a recovery period from 2020 which was hit by the pandemic, with sales near pre-pandemic levels by the end of the year, significantly improving the Company's performance. Full recovery is expected by the first quarter of 2022.

Positive progress was made in increase market share in the O&M space, while water distribution volumes experienced a positive upward trend.

18 O&M and BOT projects
servicing
14 Saudi cities

Alignment with SISCO's Strategy

As a key part of SISCO's vision to expand into the water sector, Tawzea's growth within the water sector directly championed SISCO's strategy. This has solidified SISCO's role as a key player in the water distribution and wastewater sector in the Kingdom.

2022 Outlook and Objectives

Tawzea is strategically positioned for sustainable growth and expansion across the Kingdom. In 2022, the Company aims to focus on human capital development for existing and long-term projects to achieve sustainability in the business. Tawzea also hopes to win upcoming ISTP projects and add further O&M contract to its portfolio. Additionally, the Company looks forward to listing on the Parallel Market (Nomu) in 2022.

Sustainability

At SISCO Group, we have adopted an operating philosophy that aligns with the triple bottom line of sustainability. That is, the integrated management of our environmental, social, and economic performance, for the benefit of all our Stakeholders. With this approach, we seek to support the 2030 Sustainable Saudi Vision and strengthen the Kingdom's economic development while contributing to enhanced social and environmental outcomes.

We believe that a sustainability-oriented approach to our business strategy will improve our risk management results and provide us with a competitive edge. This will facilitate our expansion into new and growing markets, and drive business performance.

In this Environmental, Social and Governance (ESG) summary, we provide a snapshot of sustainability management at SISCO Group in 2021.

Ports and Terminals

محطة بوابة البحر الأحمر
RED SEA GATEWAY TERMINAL

شركة البحر الأحمر لتطوير الموانئ
RED SEA PORTS DEVELOPMENT COMPANY

Logistics

LogiPoint
تمكين الخدمات اللوجستية

S.A. TALKE
س.أ.تالكي

شركة تشغيل الخدمات المساندة
ISNAD Support Services Operation Company

Water Solutions

Kindasa WATER SERVICES
كنداسة للخدمات المياه

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

Our ESG Framework

At SISCO Group, sustainability is an integral part of our corporate strategy and a catalyst for strong business growth in a responsible manner. This enables us to create value for all our Stakeholders including our customers, employees, investors, business partners and society as a whole.

SISCO's ESG framework is centred around 4 key pillars that encompass what sustainability means for the Company. This framework aligns with our vision and mission as a business, forming the foundation of our Company's ethos and guiding our decision-making process.

Empowering our **People**

1. Talent Attraction, Development and Retention
2. Health and Safety
3. Diversity and Equality

Good **Governance** and Strong Intuition

1. Governance, Ethics and Compliance
2. Data Privacy and Cyber Security
3. Financial Performance

Sustainable **Environment** and Infrastructure

1. Climate Change and Energy
2. Technology and Innovation
3. Environmental Management
4. Water and Waste Management

Supporting our **Communities**

1. Community Investment and Engagement
2. Sustainable Procurement
3. Customer Experience

Contribution to the SDGs

We acknowledge that we must play our part in transitioning towards a more sustainable future for all. This is why, at SISCO, we have identified how we can contribute towards the United Nations Sustainable Development Goals (UN SDGs).

We are committed to supporting the SDGs by aligning our business practices with these goals and ensuring that we are operating in a manner that positively contributes to the goals through relevant targets.

FRAMEWORK PILLAR	SDG CONTRIBUTION
Empowering our People	At SISCO Group, we believe in the inherent strength of a diverse and inclusive workforce that is supported and valued. Our people are our most important asset and as such, maintaining the health, safety and wellbeing of our employees is a priority for us. We continuously aim to recruit and retain the best talent, improve our nationalisation efforts, and invest in the development of our employees to build capacity and provide career progression opportunities.

SDG	TARGET
3 GOOD HEALTH AND WELL-BEING	TARGET 3·8 ACHIEVE UNIVERSAL HEALTH COVERAGE TARGET 3·9 REDUCE ILLNESSES AND DEATH FROM HAZARDOUS CHEMICALS AND POLLUTION
5 QUALITY GENDER	TARGET 5·1 END DISCRIMINATION AGAINST WOMEN AND GIRLS TARGET 5·5 ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION-MAKING
8 ECONOMIC GROWTH	TARGET 8·1 SUSTAINABLE ECONOMIC GROWTH TARGET 8·2 DIVERSIFY, INNOVATE AND UPGRADE FOR ECONOMIC PRODUCTIVITY TARGET 8·4 IMPROVE RESOURCE EFFICIENCY IN CONSUMPTION AND PRODUCTION TARGET 8·5 FULL EMPLOYMENT AND DECENT WORK WITH EQUAL PAY TARGET 8·7 END MODERN SLAVERY, TRAFFICKING AND CHILD LABOUR TARGET 8·8 PROTECT LABOUR RIGHTS AND PROMOTE SAFE WORKING ENVIRONMENTS
10 REDUCED INEQUALITIES	TARGET 10·1 REDUCE INCOME INEQUALITIES TARGET 10·2 PROMOTE UNIVERSAL SOCIAL, ECONOMIC AND POLITICAL INCLUSION TARGET 10·3 ENSURE EQUAL OPPORTUNITIES AND END DISCRIMINATION TARGET 10·4 ADOPT FISCAL AND SOCIAL POLICIES THAT PROMOTES EQUALITY

FRAMEWORK PILLAR	SDG CONTRIBUTION
Good Governance and Strong Intuition	Operating our business with the highest level of integrity is a core principle at SISCO Group. We believe that consistent ethical behaviour from the Group's leadership through to our personnel 'on the ground' can cultivate a strong and lasting culture of trust, accountability, and transparency. This ultimately results in improved business performance and value creation for all our Stakeholders.

SDG	TARGET
8 ECONOMIC GROWTH	TARGET 8·1 SUSTAINABLE ECONOMIC GROWTH TARGET 8·2 DIVERSIFY, INNOVATE AND UPGRADE FOR ECONOMIC PRODUCTIVITY TARGET 8·4 IMPROVE RESOURCE EFFICIENCY IN CONSUMPTION AND PRODUCTION TARGET 8·5 FULL EMPLOYMENT AND DECENT WORK WITH EQUAL PAY TARGET 8·7 END MODERN SLAVERY, TRAFFICKING AND CHILD LABOUR TARGET 8·8 PROTECT LABOUR RIGHTS AND PROMOTE SAFE WORKING ENVIRONMENTS
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	TARGET 16·5 SUBSTANTIALLY REDUCE CORRUPTION AND BRIBERY TARGET 16·6 DEVELOP EFFECTIVE, ACCOUNTABLE AND TRANSPARENT INSTITUTIONS TARGET 16·7 ENSURE RESPONSIVE, INCLUSIVE AND REPRESENTATIVE DECISION-MAKING

FRAMEWORK PILLAR	SDG CONTRIBUTION
Sustainable Environment and Infrastructure	At SISCO Group, we are committed to reducing our negative environmental impact and supporting the Kingdom's Green Initiative. We are dedicated to reducing our carbon footprint by implementing effective energy efficiency initiatives and utilising innovative technologies and infrastructure throughout our business. We also strive to continuously reduce our water consumption and waste footprint while identifying and managing climate-related risks associated with our operations.

SDG	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
TARGET	TARGET 6·3 IMPROVE WATER QUALITY, WASTEWATER TREATMENT AND SAFE REUSE	TARGET 7·2 INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY	TARGET 12·2 SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES	TARGET 13·3 BUILD KNOWLEDGE AND CAPACITY TO MEET CLIMATE CHANGE	TARGET 9·2 PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION
	TARGET 6·2 END OPEN DEFECATION AND PROVIDE ACCESS TO SANITATION AND HYGIENE	TARGET 7·1 UNIVERSAL ACCESS TO MODERN ENERGY	TARGET 12·4 RESPONSIBLE MANAGEMENT OF CHEMICALS AND WASTE	TARGET 13·2 INTEGRATE CLIMATE CHANGE MEASURES INTO POLICIES AND PLANNING	TARGET 9·1 DEVELOP SUSTAINABLE, RESILIENT AND INCLUSIVE INFRASTRUCTURES
	TARGET 6·1 SAFE AND AFFORDABLE DRINKING WATER	TARGET 7·3 DOUBLE THE IMPROVEMENT IN ENERGY EFFICIENCY	TARGET 12·6 ENCOURAGE COMPANIES TO ADOPT SUSTAINABLE PRACTICES AND SUSTAINABILITY REPORTING		TARGET 9·4 UPGRADE ALL INDUSTRIES AND INFRASTRUCTURES FOR SUSTAINABILITY
	TARGET 6·4 INCREASE WATER-USE EFFICIENCY AND ENSURE FRESHWATER SUPPLIES		TARGET 12·5 SUBSTANTIALLY REDUCE WASTE GENERATION		

FRAMEWORK PILLAR	SDG CONTRIBUTION
Supporting Our Communities	At SISCO Group, we believe that as a contributor to the economic vibrancy of the Kingdom, we also share a responsibility in the development and prosperity of the communities we serve. This is why, we are leveraging our resources to be a driving force for positive change in our community. In addition, we continuously seek new and innovative ways to improve customer experience by providing enhanced products and services, and improving customer engagement mechanisms. We are committed to sourcing products, materials and services in an ethical and transparent manner, increasing our local sourcing footprint, and improving the conditions and livelihoods of our suppliers across our supply chain.

SDG	3 GOOD HEALTH AND WELL-BEING	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	17 PARTNERSHIPS FOR THE GOALS
TARGET	TARGET 3·8 ACHIEVE UNIVERSAL HEALTH COVERAGE	TARGET 11·6 REDUCE THE ENVIRONMENTAL IMPACT OF CITIES	TARGET 12·2 SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES	TARGET 13·3 BUILD KNOWLEDGE AND CAPACITY TO MEET CLIMATE CHANGE	TARGET 17·1 MOBILIZE RESOURCES TO IMPROVE DOMESTIC REVENUE COLLECTION
	TARGET 3·9 REDUCE ILLNESSES AND DEATH FROM HAZARDOUS CHEMICALS AND POLLUTION		TARGET 12·4 RESPONSIBLE MANAGEMENT OF CHEMICALS AND WASTE	TARGET 13·2 INTEGRATE CLIMATE CHANGE MEASURES INTO POLICIES AND PLANNING	TARGET 17·11 INCREASE THE EXPORTS OF DEVELOPING COUNTRIES
			TARGET 12·5 SUBSTANTIALLY REDUCE WASTE GENERATION		TARGET 17·14 ENHANCE POLICY COHERENCE FOR SUSTAINABLE DEVELOPMENT
			TARGET 12·6 ENCOURAGE COMPANIES TO ADOPT SUSTAINABLE PRACTICES AND SUSTAINABILITY REPORTING		TARGET 17·17 ENCOURAGE EFFECTIVE PARTNERSHIPS

SISCO's ESG Framework

Aligning with National Priorities

We have aligned the SISCO Group ESG management process with the national vision by incorporating key components of the Saudi Vision 2030, which outlines a sustainable path for Saudi Arabia's future. The vision sets out the Kingdom's importance on the global stage while providing insight into its unique challenges, culture, and opportunities.

VISION رؤية 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

Good Governance and Strong Intuition

Sustainable Environment and Infrastructure

Ambitious Nation

Supporting Our Communities

Thriving Economy

Empowering Our People

Vibrant Society

03 GOVERNANCE

Corporate Governance Report

Business Sectors

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

SISCO subsidiaries and associated companies are grouped under 3 main business sectors:

Ports and Terminals	Logistics, Parks and Services	Water Solutions

Subsidiary Companies

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

Details of the subsidiary companies are as follows:

COMPANY AND ITS BUSINESS	SHARE CAPITAL	DIRECT OWNERSHIP	HEAD OFFICE	COUNTRY OF INCORPORATION
Red Sea Ports Development Company Development, construction, operation and maintenance of container terminals, handling and unloading services and shipping, navigation and marine support services necessary to provide ships with water, energy, sewage treatment and the excavation and backfill and investment in these activities.	SAR 333 million	53 %	Jeddah	Saudi Arabia
Saudi Trade and Export Development Company Storage and Re-export of cars / containers provide container storage yards and perform container handling operation, examination of customs for export and re-export, provide warehouses for different types of goods, and provide packaging and re-handling services for goods in warehouses and open yards.	SAR 140 million	76 %	Jeddah	Saudi Arabia
Kindasa Water Services Company Construction and operation of sea-water desalination plants.	SAR 77 million	65 %	Jeddah	Saudi Arabia
Support Services Operations Co. Ltd. Services to projects in the industrial cities; operate gas stations and vehicle maintenance shops; logistics support services for ports; water transport services; trade in industrial machinery and spare parts.	SAR 15 million	97 %	Jeddah	Saudi Arabia

Associated Companies

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

Details of the associated companies are as follows:

COMPANY AND ITS BUSINESS	SHARE CAPITAL	DIRECT OWNERSHIP	HEAD OFFICE	COUNTRY OF INCORPORATION
International Water Distribution Co. Construction of public works of water, sewage, irrigation and sanitation (water and storm water drainage); and mechanical works, waterworks, sewage technology and pumping stations; maintenance and operation of water facilities, sewage and running channeling water to various networks.	SAR 146 million	50 %	Jeddah	Saudi Arabia
Saudi Al-Jabr Talke Company Implementation of contracting construction, operation and maintenance of warehouses and logistics for the petrochemical sector contracts.	SAR 21 million	33.33 %	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 represents157% of Growth Gate's total share capital of USD 343.4 million.
- SISCO has indirect investment in Water and Environment Saudi Service Company Limited ("WESSCO") through its subsidiary Kindasa Water Services Company, which owns 49% of WESSCO.
- SISCO has indirect investment in Xenmet SA, Vaduz ("Xenmet") through its subsidiary Saudi Trade and Export Development Company, which owns 25% of Xenmet SA.

RED SEA PORTS DEVELOPMENT CO. (RSPD)

Established	2009
Company Type	Closed Joint Stock Company
Principal Place of Operations	Jeddah, Saudi Arabia
Main Business	Development, Management, and Operation of Container Terminals.
Share Capital	SAR 333.125 million
No. of Shares	33,312,500 of SAR 10 each.
Impact on SISCO Financials	
RSPD owns 60% of RSGT, which is eliminated in group consolidation. Therefore, there is no impact on SISCO financials.	

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

RED SEA GATEWAY TERMINAL CO. LIMITED (RSGT)

Established	2007
Company Type	Limited Liability Co.
Principal Place of Operations	Jeddah, Saudi Arabia
Main Business	Development, Management, and Operation of Container Terminals.
Share Capital	SAR 555.207 million
No. of Shares	555,207 of SAR 1,000 each
Impact on SISCO Financials	
Revenues	78.6%
Assets	71.6%
Net Income	92.2%

COMPANY	NO. OF SHARES	%
Red Sea Ports Development	333,125	60.0%
Public Investment Fund (PIF)	111,041	20.0%
COSCO Shipping Lines Co	111,041	20.0%
TOTAL	**555,207**	**100%**

SUPPORT SERVICES OPERATION COMPANY LIMITED (LOGIPOINT SERVICES)

Established	1999
Company Type	Limited Liability Co.
Principal Place of Operations	Jeddah, Saudi Arabia
Main Business	Development, Management, and Operation of Logistics Parks and Zones
Share Capital	SAR 140 million
No. of Shares	140,000 of SAR 1,000 each
Impact on SISCO Financials	
Revenues	5.1%
Assets	9.0%
Net Profit	0.1%

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

SAUDI TRADE AND EXPORT DEVELOPMENT CO.

Established	2004
Company Type	Limited Liability Co.
Principal Place of Operations	Jeddah, Riyadh Saudi Arabia
Main Business	Logistics Operation Management and services including investing and developing logistics services hubs, logistics operations, and, value added services.
Share Capital	SAR 15 million
No. of Shares	15,000 of SAR 1,000 each
Impact on SISCO Financials	
Revenues	5.9%
Assets	0.4%
Net Profit	8.5%

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

AL-JABR TALKE COMPANY LTD. (SA TALKE)

Established	2004
Company Type	Limited Liability Co.
Principal Place of Operations	Jubail, Saudi Arabia
Main Business	Packaging, Material Handling, Distribution of Petro-chemical and / or Hazardous materials.
Share Capital	SAR 21.099 million
No. of Shares	21,099 of SAR 1,000 each
Impact on SISCO Financials	
S.A. TALKE is not a consolidated subsidiary of SISCO group; therefore, there is no direct contribution towards SISCO's Consolidated Assets or Revenues.	
Revenues	SAR 276.4 million
Assets	SAR 191.8 million
Net Profit	SAR 40.5 million

COMPANY	NO. OF SHARES	%
SISCO	7,033	33.3%
TALKE GmbH	7,033	33.3%
AZMEEL International	5,627	26.7%
Abdullatif Mogahed	1,406	6.7%
TOTAL	**21,099**	**100%**

KINDASA WATER SERVICES CO. (KINDASA)

Established	**2000**
Company Type	Closed Joint Stock Co.
Principal Place of Operations	Jeddah, Saudi Arabia
Main Business	Construction and Operation of Water Desalination Plants and Water Distribution.
Share Capital	SAR 77.3 million
No. of Shares	7,730,000 of SAR 10 each.
Impact on SISCO Financials	
Revenues	10.50%
Assets	3.40%
Net Profit	5.70%

COMPANY	NO. OF SHARES	%
SISCO	5,024,500	65.0%
M. Abdul Latif Jameel Co.	2,705,500	35.0%
TOTAL	**7,730,000**	**100%**

INTERNATIONAL WATER DISTRIBUTION COMPANY LTD. (TAWZEA)

Established	**2006**
Company Type	Limited Liability Co.
Principal Place of Operations	Jeddah, Riyadh, Qassim Saudi Arabia
Main Business	Potable Water Distribution and Wastewater Treatment and use of re-cycled water for irrigation.
Share Capital	SAR 146 million
No. of Shares	146,000 of SAR 1,000 each
Impact on SISCO Financials	
TAWZEA is not a consolidated subsidiary of SISCO group; therefore, there is no direct contribution towards SISCO's Consolidated Assets or Revenues.	
Revenues	SAR 285.1 million
Assets	SAR 277.2 million
Net Profit	SAR 20.3 million

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

Business Analysis (Tawzea):

Tawzea is engaged in providing potable and wastewater services to industrial cities under concession agreement from Saudi Industrial Property Authority (MODON). Tawzea specialises in Management of industrial cities, operation and maintenance of Potable Water, and Wastewater facilities in cities like Jeddah, Riyadh, and Qassim among others. It is also one of the first companies that have been successful in the privatization of the water sector in the Kingdom of Saudi Arabia and PPP projects.

Dividend Policy

The Company's dividend policy is governed by Articles (45) and (46) of its Articles of Association.

Article 45 mandates the following regarding distribution of the Company's annual Net Profits:

1. The Company sets aside 10% of Net Profits after Zakat as statutory reserve until the reserve reaches 30% of the Company's paid up share capital.
2. The Company has the right to set aside other reserves to the extent that benefits the Company and stabilises the dividends paid to Shareholders. In addition, the Company can cut off some of the Net Profits to be used in either establishing or contributing to social institutions for the Company's employees.
3. The remaining amount, if any, would be used in distributing at least 10% of the Company's annual Net Profits to Shareholders based on the Board's suggestion and Member's approval.

The Company may choose to distribute dividends quarterly or semi-annually if it meets the following requirements:

- The Board's resolution/decision should be renewed annually.
- The Company should maintain good/stable profits.
- The Company should have adequate liquidity and it should be able to anticipate its future profits clearly.
- The Company should have an adequate amount of profits, based on the final Audited Financial Statements, to cover the amount proposed to be distributed as dividends after deducting what has been distributed or used as capital beyond the date of the financials.

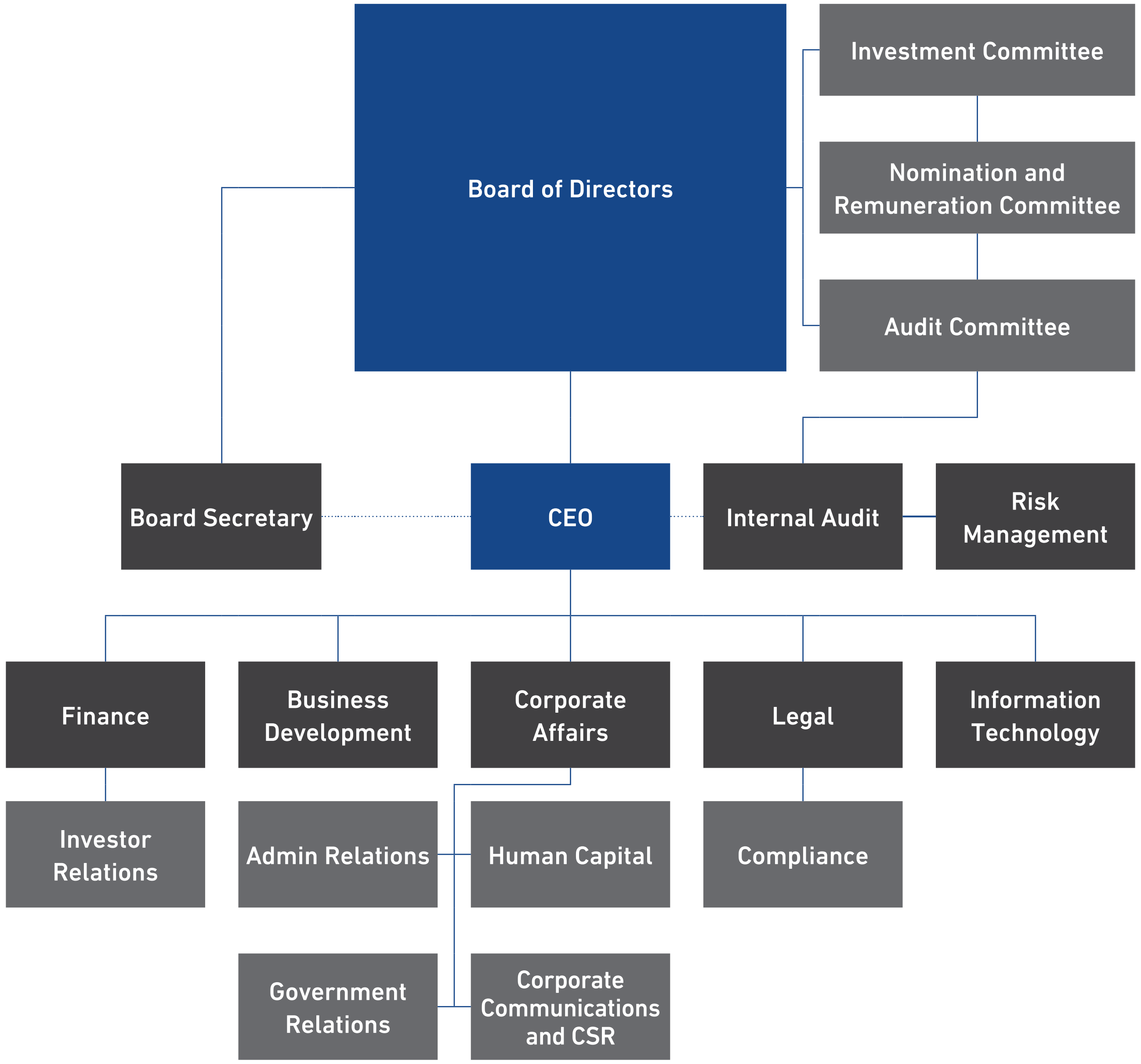
Article (46) states that the Shareholders are authorised to receive their dividends based on the Company's / Board's resolution, which should include the ex-dividend date and the distribution/payment date for the dividends. Shareholders are eligible for the dividends if they are registered in the Company's record by the end of the ex-dividend date.

Historical Dividends Paid by the Company:

	2015	2016	2017	2018	2019	2020	2021
Dividend/Share	0.5	*	0.3	0.4	0.6	0.8	**0.8**
Distribution %	5% of share capital which is SAR 680 million	*	3% of share capital which is SAR 816 million	4% of share capital which is SAR 816 million	6% of share capital which is SAR 816 million	8% of share capital which is SAR 816 million	**8% of share capital which is SAR 816 million**
Total Amount	**SAR 34 million**	*	**SAR 24.4 million**	**SAR 32.6 million**	**SAR 48.9 million**	**SAR 65.2 million**	**SAR 65.2 million**

* Bonus shares were granted to all Shareholders by issuing 1 bonus share for each 5 shares as approved by the General Assembly of Shareholders on 16th April 2017.

Organisational Chart



Board and Committee Members

MR. AAMER ABDULLAH ALIREZA
Chairman of the Board

On SISCO Board since 2003

Investment Committee Member and Nomination and Remuneration Committee Member

Membership in Companies	Law Entity
• Red Sea Ports Development • Tabadul (Previously) • Al Balad Development Co.	Closed Joint Stock
• BUPA Arabia for Co-operative Insurance (Previously)	Listed/ Joint Stock
• Xenel Industries Co. • Red Sea Gateway Terminal Co. • Saudi Trade and Export Development Co. • Support Services Operation Co. • Aecom Arabia Ltd. • Magrabi Hospitals and Centres • Oxagon NEOM • Green Dome Investments (United Arab Emirates)	Limited Liability

Current Position
- Executive Chairman of the Board of Directors, LogiPoint
- Executive Chairman of the Board of Directors, RSGT
- Board Member of Xenel Industries Ltd. and Chairman of the Executive Committee. Also Managing Director of Xenel Services Division
- Chairman of the Board, Aecom Arabia Ltd.

Previous Position
- Vice Chairman, SISCO
- CEO and Board Member, LogiPoint
- CEO and Board Member, RSGT

Qualifications
- BA in Economics and Political Science.

He has also taken part in various management executive programmes at the University of California, Singularity University and Harvard University.

Experience
A Board Member of the Xenel Group of Companies and Chairman of the Executive Committee, the Managing Director of Services Division, and a Board Member of a number of its subsidiaries and affiliates.

He is the Chairman of the Board of AECOM Arabia Ltd. Previously a Board Member of Tabadul and BUPA Arabia. He also serves on the board of directors for Friends of Jeddah Parks, a non-profit organisation.

Prior to Xenel, Aamer worked overseas for OILspace and Chevron where he held a number of positions. The last of which as Marketing Manager for Chevron Overseas Petroleum, Inc.

DR. ADNAN ABDULFATTAH SOUFI
Vice Chairman

On SISCO Board since 2020

Investment Committee Chairman

Membership in Companies	Law Entity
• Panda Retail Company (and Investment Committee Member) • Wadi Jeddah Company (and Investment Committee Member) • El-Zamazama Company (Chairman of the Board of Directors) • Natixis Saudi Arabia Investment Company (NSAIC) (and a member of the Audit and Risk Committee)	Closed Joint Stock
• The Savola Group (and Investment Committee Member) • Fitaihi Holding Group (and Audit Committee Member) • Arab Cement (Previously) • Bupa Arabia (and Chairman of the Audit Committee) (Previously) • NCB Capital (and a member of the Nominations and Remunerations Committee) (Previously)	Listed/ Joint Stock

Current Position
- Co-Founder and Executive Partner, Dr. Adnan Abdel Fattah Soufi Office for Management Consultancy
- Chairman of the Advisory Committee, General Authority for Endowments
- Member of the Investment Committee, Environment Fund

Previous Position
- Board Member, Capital Market Authority
- CEO, SEDCO Holding Company
- Dean of the Faculty of Economics, King Abdulaziz University
- Senior Associate Member, Oxford University
- Member of the Scientific Council, King Abdulaziz University (Previously)
- Chairman of the Advisory Committee, Capital Market Authority (Previously)

Qualifications
- PhD in Business Administration from George Washington University, USA.
- Master's degree in Business Administration from Seattle University, USA.

Experience
22 years' experience in corporate management, Boards memberships, governance, business development, strategies, management change, transformation programmes and institutional investment.

DR. ABDULAZIZ ABDULLATIF JAZZAR
On SISCO Board since 2014
Nomination and Remuneration Committee Chairman and
Audit Committee Member

Membership in Companies	Law Entity
• Initiatives Co. for IT & Telecom (Previously)	Closed Joint Stock
• Salama Cooperative Insurance Co. (Previously)	Listed/ Joint Stock
• Korom Ajyad Ltd. • Malaz Group Co.	Limited Liability

Current Position
- Executive and Managing Partner, Malaz Capital
- Chairman of the Board of Directors, Malaz Group
- Member of the Board of Directors, Private Equity and Venture Capital Association
- Member of the Board of Directors, Wa'ed
- Member of the Board of Directors of Emkan Business Technologies & Comunications Co.
- Member of the Board of Directors of King Abdullah Bin Abdulaziz Endowment Foundation for Giftedness & Creativity

Previous Position
- Managing Director, Saudi Research and Publishing Co (SRPC)
- Board of Directors, Private Equity and Venture Capital Association
- Member of the Board of Directors, Wa'ed

Qualifications
- Doctorate in Computer Science
- Master's degree in System Engineering
- Bachelor's degree in Computer and Communications Engineering

Experience
- The President/CEO of International Systems Engineering Ltd (ISE) – a company formed in partnership with The Boeing Company
- Board Membership of the Riyadh Chamber of Commerce and Industry
- Chairman of the Organising Committee for the Riyadh Economic Forum
- Member of the Board of Trustees of the Centennial Fund
- Member of the Board of Directors of the Economic Cities Authority and of the National Industrial Cluster
- Development Programme Officer in the Royal Saudi Airforce

MR. SALEH AHMED HEFNI
On SISCO Board since 1998
Investment Committee Member

Membership in Companies	Law Entity
• Halwani Brothers Co. (Previously) • Al-Ahli Takaful (and Executive Committee, Risk Committee Member) • Middle East Healthcare Company – MEAHCO (Previously) • Saudi Ground Services Co. (and NRC, Executive Committee Member)	Listed/ Joint Stock
• Kindasa Water Services Co. • Halwani Brothers Co. (Egypt) (Previously)	Closed Joint Stock
• Saudi Trade and Export Development Co.	Limited Liability

Current Position
- CEO, Omar Kassem Al-Esayi Marketing Co.

Previous Position
- Managing Director and CEO, Halwani Brothers Co. (KSA and Egypt)

Qualifications
- Bachelor of Science in Civil Engineering
- Master's degree in Human Resources

Experience
Experience in management, aiding companies with structure, and business development

MS. MUNEERA HEJAB AL-DOSSARY
On SISCO Board since 2020
Investment Committee Member

Board Membership in Companies	Law Entity
Rugove European Water Company "Kosovo" (Previously)	Closed Joint Stock

Current Position
- Head of Asset Management and Chief Investment Officer, HSBC Saudi Arabia
- Chairman, Capital Market Financial Institutions Committee
- Vice Chairman, National Committee of Financial and Insurance Sectors, Conical of Saudi Chambers
- Member of Investment and Securities Committee, Riyadh Chamber of Commerce

Previous Position
- CEO, Mulkia Investment Company
- Previously held several positions such as Head of Equity Investments with Saudi Fransi Capital, and MIS Administrator – Budget and Planning Department at the Saudi Fransi Bank.
- Vice Chairman, Taleem REIT

Qualifications
- Bachelor's degree in Business Administration Studies/ MIS from Arab Open University
- Banking Operations Diploma from Institute of Public Administration

Experience
Over 17 years of experience in banking and asset management

MR. TALAL NASIR AL-DAKHIL
On SISCO Board since 2020
Nomination and Remuneration Committee Member

Board Membership in Companies	Law Entity
• Washmen Holding Limited	Limited Liability

Current Position
- Senior Banker – Corporate Banking Division, Banque Saudi Fransi

Previous Position
Previously held several positions such as Senior Relationship Manager for Corporate Banking at the Saudi Fransi Bank, and Relationship Officer for Corporate Banking at the Saudi Fransi Bank.

Qualifications
- Bachelor's degree in Finance, King Saud University

Experience
11 years' experience in banking relations.

MR. AHMED MOHAMMED AL-RABIAH
On SISCO Board since 2020
Nomination and Remuneration Committee Member

Board Membership in Companies based in KSA	Law Entity
• Innovative Foods Company • Saudi Trade & Export Development Co.	Limited Liability

Current Position
- Investment and Strategic Manager, Innovative Foods Company

Previous Position
- Previously held several positions such as Director of Wealth and Investment Management at Audah Capital, and Senior Director of Corporate Banking Relations at Saudi British Bank.

Qualifications
- Bachelor's degree in Computer Science, Boston University, USA

Experience
14 years' experience in wealth management, investment and banking relationships

MR. WALEED ABDULAZIZ KAYYAL
Audit Committee Chairman

Membership in Companies based in KSA	Law Entity
• Kinan International Co. • (Member of Remuneration Committee) (Previously) • Itqan Capital (Previously) • AMS BAESHEN & CO. (Audit Committee Member)	Closed Joint Stock
• Middle East Healthcare Company – MEAHCO (and Audit Committee member) (Previously) • SABB Takaful (Previously)	Listed/ Joint Stock

Current Position
- Businessman

Previous Position
- Regional Director for Saudi British Bank

Qualifications
- Bachelor's degree in Commerce

Experience
Extensive experience in the banking industry gained through his employment with Saudi British Bank and other companies, Ex-HSBC executive advisor MENA.

DR. ABUBAKER ALI BAGABIR
Audit Committee Member

Membership in Companies based in KSA	Law Entity
• SABB Takaful • Anfaal Capital (Previously)	Listed/ Joint Stock
• Al-Nahdi Medical Company • Abdel Latif Jameel Finance Company • AMS BAESHEN & CO. (Previously)	Limited Liability

Current Position
- Associate Professor, University of Business and Technology.
- Financial and Management Consulting Office (Dr. Abu Bakr Bajabir Office).

Previous Position
- Head of Finance and Accounting Division (Group Responsibilities), The National Commercial Bank (NCB).

Qualifications
- Doctor of Philosophy (Ph.D.) in Accountancy and Finance, University of Strathclyde, UK
- Master's degree (M.Soc.Sc.) in Accounting, University of Birmingham UK
- Bachelor of Science (B.Sc.) in Accounting, University of Khartoum, Sudan
- Fellow Chartered Certified Accountant, UK (FCCA)

Experience
Extensive experience in banking business gained through his employment with The National Commercial Bank (NCB)

MR. THAMER SAEED AL-HARTHI
Nomination and Remuneration Committee Member

Current Position
- Consultancy and Partners Founder and Lead Consultant

Previous Position
- Executive Manager
- Human Capital Management in Fakeeh Care

Qualifications
- Bachelor's degree in Law

Experience
- Over 22 years of experience in Human Capital management and management consultancy.
- Previous executive in Bupa Arabia, Fonterra, NCB and Nicholson International.

Executive Members

MR. MOHAMMED M. KAMAL AL-MUDARRES
Chief Executive Officer

Previous Position
- ME Regional Manager, Stork Cooperheat
- GM Power, General Division, SIEMENS

Qualifications
- B.Sc. and M.Sc. in Electrical Engineering, Colorado, USA

Experience
- Extensive experience (28+ years) in management of national and international companies.
- Board Member for RSGT, LogiPoint, ISNAD, S A Talke, Kindasa and Tawzea
- Committee Member for SISCO Subsidiaries and Associates

MR. MAHMOOD HUSSAIN
Chief Financial Officer

Previous Position
- Head of Investment Banking and Head of Proprietary Investments, Alkhabeer Capital

Qualifications
- MA (Hons) in Accounting Management
- ACA
- CISI

Experience
- Extensive experience (22+ years) in financial and investment management with national and international companies.

Governance Performance

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

The Board

Every 3 years the Shareholders elect a new Board of Directors that is responsible to the Shareholders for the direction of the Group. The Board has the ultimate and overall responsibility to set up a robust corporate governance structure, to envisage the Group's strategic direction and help in achieving the business objectives. The CEO, with the direction of the Board, is responsible for implementing the acquisition and divestment policies, major capital expenditures and the consideration of significant financial matters while the Board monitors the Group's key business risks and reviews the direction of individual business units, and other investments.

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

A total of 8 meetings of the Board of Directors were held during the financial year 2021, and the attendance record of each of the Directors was as follows:

Name of the Board Member	25th Feb.	27th Feb.	29th April	03rd May	11th Aug.	07th Sep.	28th Sep.	02nd Nov.
Mr. Aamer Abdullah Alireza (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Adnan Abdulfattah Soufi	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Abdulaziz Abdullatif Jazzar	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Saleh Ahmed Hefni	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Muneerah Hejab Al-Dossary	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Ahmed Mohammed Al-Rabiah	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Talal Nasser Al – Dakhil	✓	✓	✓	✓	✓	✓	✓	✓

The current Board was appointed by the Shareholders' General Assembly on 28th June 2020 for period of 3 years, starting 1st July 2020.

The dates of the General Assembly Meeting (GAM) held in 2021 and the Board of Director's attendance:

Name of the Board Member	GAM No. 30 05Th May 2021	GAM No. 31 03Rd Nov. 2021
Mr. Aamer Abdullah Alireza	✓	✓
Dr. Adnan Abdulfattah Soufi	✓	✓
Dr. Abdulaziz Abdullatif Jazzar		✓
Mr. Saleh Ahmed Hefni	✓	✓
Ms. Muneerah Hejab Al-Dossary	✓	✓
Mr. Ahmed Mohammed Al – Rabiah	✓	✓
Mr. Talal Nasser Al-Dakhil	✓	✓

Board Balance

SISCO's Board is balanced and complies with the independent members criteria set out under the requirements of the Capital Markets Authority. All 7 Board Members are Non-Executive and 3 of them are Independent Members with expertise in different fields, bringing independent judgement on matters of strategy, performance and utilisation 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
Mr. Aamer Abdullah Alireza	Chairman			✓
Dr. Adnan Abdulfattah Soufi	Vice Chairman	✓		✓
Dr. Abdulaziz Abdullatif Jazzar	Member	✓		✓
Mr. Saleh Ahmed Hefni	Member			✓
Ms. Muneerah Hejab Al-Dossary	Member	✓		✓
Mr. Talal Nasser Al-Dakhil	Member	✓		✓
Mr. Ahmed Mohammed Al-Rabiah	Member			✓

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

Mr. Talal Al-Dakhil has been appointed to the Board of a SISCO subsidiary "Tawzea" effective 01st January 2022, and therefore is no longer an independent of SISCO from that date.

Board Committees

The Board has established 3 committees, comprising of Board Members, and external independent experts. These committees have specific charters approved by the Board.

These committees are:

Audit Committee

Name of the Board Member	24th Feb.	27th April	10th Aug.	01st Nov.	21st Dec.
Mr. Waleed Abdulaziz Kayyal (Chairman)	✓	✓	✓	✓	✓
Dr. Abubaker Ali Bagabir	✓	✓	✓	✓	✓
Dr. Abdulaziz Abdullatif Jazzar	✓	✓	✓	✓	✓

Responsibilities

The Committee meets at least once every quarter and assists the Board in fulfilling its oversight responsibilities; primarily in reviewing quarterly and annual financial statements, reporting financial and non-financial information, reviewing systems of internal controls, risk management, the audit process, and the related party transactions. The Audit Committee has also been assigned by the Board to oversee the Risk Function of the Company. SISCO has a designated Risk Officer whose main responsibilities are to coordinate with all subsidiaries in relation to risk management matters and gather related information to be reviewed and evaluated by the Audit Committee and presented to the Board.

The current Audit Committee was appointed by the Shareholders' General Assembly on 28th June 2020 for a period of 3 years, starting 1st July 2020.

Internal Control Framework

The Board is responsible for SISCO's system of internal control and for reviewing its effectiveness. The Board, while maintaining its overall responsibility for managing risk within the Group, has delegated the review of the detailed design and operation of the system to the Audit Committee which comprises of Board Members and external experts, while the responsibility of maintaining a robust framework of internal controls rests with SISCO's Management.

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

Internal Audit Function

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

The Boards of all subsidiary and associated companies have established their own audit committees with dedicated internal audit resources. SISCO monitors their internal audit functions by having its nominated members in the respective audit committees of those companies.

Investment Committee

Name of the Board Member	3rd April	17th Sep.	11th Dec.
Dr. Adnan Abdulfattah Soufi (Chairman)	✓	✓	✓
Mr. Aamer Abdullah Alireza	✓	✓	✓
Mr. Saleh Ahmed Hefni	✓	✓	✓
Ms. Muneerah Hejab Al-Dossary	✓	✓	✓

Responsibilities

The Committee assists the Board in reviewing the Group's major investment transactions and performances, oversees the Group's financial resources and advises on future financial strategy. The Committee meets on an as needed basis.

The current Investment Committee was appointed by the Board on 01st July 2020 for a period of 3 years, starting 01st July 2020.

Nomination And Remuneration Committee

Name of the Board Member	17th Feb.	26th Oct.
Dr. Abdulaziz Abdullatif Jazzar (Chairman)	✓	✓
Mr. Aamer Abdullah Alireza	✓	✓
Mr. Talal Nasser Al-Dakhil	✓	✓
Mr. Ahmed Mohammed Al-Rabiah	✓	✓
Mr. Thamer Saeed Al-Harthi	✓	✓

Responsibilities

The Committee meets at least twice a year, to assist the Board of Directors in reviewing and approving the compensation to be provided to SISCO Corporation, Board Members, the Chief Executive Officer and employees. In addition, the Committee is responsible for overseeing the development, screening and nomination of qualified individuals for membership of the Board and its committees.

The current Nomination and Remuneration Committee was appointed by the Board on 01st July 2020 for a period of years, starting 01st July 2020.

Liquidity Management Policy

Cash is managed and controlled separately by the parent company and each subsidiary and associate and is carried out in accordance with the policies approved by the respective Boards of each company after thorough consultation. The purpose of the policies is to ensure that adequate cost-effective funding is available at all times and exposure to financial risk is minimised. The risks managed are liquidity risk, interest rate risk, and currency exchange rate risk. Derivative financial instruments like hedging strategies are applied to manage exposure to interest rate risk and currency risk. Derivative financial instruments are not used for speculative or profiteering purposes.

SISCO's liquidity policy objectives include implementation of good business practices such as repayment of obligations on a timely basis that assist in building the image of the Company for future funding requirements and meeting business commitments on a timely basis.

Liquidity risk is mitigated by careful monitoring of cash flow needs, regular communication with our credit providers, and careful selection of financial strategies and appropriate financial partners.

Board and Management Remuneration

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

Compensation paid to Board Members from 1/1/2021 until 31/12/2021 is as follows:

Board Members	Fixed Remuneration							
Independent Members	Specific Amount (committee Remuneration)	Allowance for Attending Board Meetings	Total Allowance for Attending Committee Meetings	Periodic remunerations (Board Remuneration)	"In-Linked benefits"	"Remuneration for technical, managerial and Consultative Work"	"Remunerations of the Chairman, Managing Director or Secretary if a member "	Total
AbdulAziz Jazzar	200,000	80,000	70,000	150,000	–	–	–	**500,000**
Adnan Abdulfattah Soufi	100,000	80,000	30,000	250,000	–	–	–	**460,000**
Muneerah Hejab Al Dossary	75,000	80,000	30,000	200,000	–	–	–	**385,000**
Talal Nasser Aldakhil	75,000	80,000	20,000	200,000	–	–	–	**375,000**
TOTAL	**450,000**	**320,000**	**150,000**	**800,000**	–	–	–	**1,720,000**
Non-Executive Members								
Aamer A. Alireza	150,000	80,000	50,000	220,000	–	–	–	**500,000**
Saleh A. Hefni	75,000	80,000	30,000	200,000	–	–	–	**385,000**
Ahmed Mohammed Alrabiah	75,000	80,000	20,000	200,000	–	–	–	**375,000**
TOTAL	**300,000**	**240,000**	**100,000**	**620,000**	–	–	–	**1,260,000**

Board Members	Variable Remuneration								
Independent Members	% Of profit	"Periodic Remuneration "	"Short term Incentive Plans"	"Long term Incentive Plans "	Granted Shares	Total	End of Services Award "	"Aggregate Amount "	Expenses Allowance
AbdulAziz Jazzar	–	–	–	–	–	–	–	**500,000**	–
Adnan Abdulfattah Soufi	–	–	–	–	–	–	–	**460,000**	–
Muneerah Hejab Al Dossary	–	–	–	–	–	–	–	**385,000**	–
Talal Nasser Aldakhil	–	–	–	–	–	–	–	**375,000**	–
TOTAL	–	–	–	–	–	–	–	**1,720,000**	–
Non-Executive Members									
Aamer A. Alireza	–	–	–	–	–	–	–	**500,000**	–
Saleh A. Hefni	–	–	–	–	–	–	–	**385,000**	–
Ahmed Mohammed Alrabiah	–	–	–	–	–	–	–	**375,000**	–
TOTAL	–	–	–	–	–	–	–	**1,260,000**	–

Compensation paid to Committee Members from 1/1/2021 until 31/12/2021 is as follows:

Committee Members	Fixed Remuneration (except for the allowance for Attending Board Meetings)	Allowance for Attending Board Meetings	Total
Audit Committee Members			
Waleed A. Kayyal	150,000	50,000	**200,000**
Abubaker Ali Bagabir	100,000	50,000	**150,000**
AbdulAziz Jazzar	100,000	50,000	**150,000**
TOTAL	**350,000**	**150,000**	**500,000**
Nomination and Remuneration Committee Members			
AbdulAziz Jazzar	100,000	20,000	**120,000**
Aamer A. Alireza	75,000	20,000	**95,000**
Talal Nasser Aldakhil	75,000	20,000	**95,000**
Ahmed Mohammed Alrabiah	75,000	20,000	**95,000**
Thamer Al-Harthi	75,000	20,000	**95,000**
TOTAL	**400,000**	**100,000**	**500,000**
Investment Committee Members			
Adnan Abdulfattah Soufi	100,000	30,000	**130,000**
Aamer A. Alireza	75,000	30,000	**105,000**
Saleh A. Hefni	75,000	30,000	**105,000**
Muneerah Hejab Al Dossary	75,000	30,000	**105,000**
TOTAL	**325,000**	**120,000**	**445,000**

Management Remuneration

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 Senior Executives (including CEO and CFO) during 2021 are as follows:

	Fixed Remuneration				Variable Remuneration			
Executives	Salaries	Allowances	In-kind benefits	Total	Periodic Remunera-tions	Total	End of Service Benefits	Total
CEO	1,140,000	834,000	50,000	**2,024,000**	1,003,200	**1,003,200**	1,501,579	**4,528,779**
CFO	840,000	384,000	84,886	**1,308,886**	350,000	**350,000**	130,099	**1,788,985**
Other Executives	1,920,000	862,000	251,000	**3,033,000**	750,000	**750,000**	728,889	**4,511,889**
TOTAL	**3,900,000**	**2,080,000**	**385,886**	**6,365,886**	**2,103,200**	**2,103,200**	**2,360,567**	**10,829,653**

Remuneration policy

The Company pays annual bonuses and expenses for attendance and any other relevant expenses for Board of Directors and Committee members in accordance with regulations stipulated by Ministry of Commerce and Investment and in accordance with Company Bylaws and approved charters.

Article (19) of the Company Bylaw's states that:

The remuneration of the Board of Directors consists of a combination of, attendance fees for the required meetings or a percentage of the net profits. Two or more of the benefits may be combined as approved by the Board of Directors and within the limits stipulated by the Companies Law and its regulations as specified by relevant authorities. The report of the Board of Directors to the General Assembly should include a comprehensive statement of all remuneration, fees, and other benefits received by the members during the fiscal year. The report should also include a statement of payments to the members as an employee, administrator or otherwise for technical, administrative or consulting service for the Company. The report should include a statement of the number of meetings, list of attendees of Board and General Assembly meetings.

Remuneration and Allowances Policy of the Board members and Board secretary in accordance with the Board charter:

a. Based on Article 19 of the Articles of Association of the Company and the Company Law, the total remuneration of each member including all benefits shall not exceed five hundred thousand Saudi Riyals annually.
b. Ten Thousand Saudi Riyals for each member for attending each Board meeting and Committee meeting.
c. The company provides first class travel tickets, transportation, and accommodation for non-resident members.
d. The Board of Directors determines the annual remuneration of the Secretary of the Board. The Company also covers the expenses such as travel tickets, accommodation, and all matters pertaining to the Board.
e. The remuneration, attendance fees, and other allowances as mentioned above should be paid at the end of the financial year, except in the case of termination of membership before the end of the financial year; where remuneration is paid at termination.

Executive Remuneration

The Company pays salaries, allowances and any other remuneration and benefits for its executive based on their contracts and performance.

- The benefits paid are in compliance with the Company's reward and benefit policy.
- Members of the Board of Directors have not taken any amount from the Company for any administrative, technical or advisory work. All members of the Board of Directors are non-executive.

Board and Management Perfomance

The Nomination and Remuneration Committee evaluates the Board performance through an annual review of the necessary skills and expertise required for board membership and executive management functions to:

- Verify annually that there are no conflicts of interest
- Identify weaknesses and strengths of the Board
- Propose solutions to address the weaknesses of the Board
- Verify independency of the independent members

Evaluates the performance of SISCO's Executive Management through the review of Corporate KPI Scorecard achievement for the current year and agree the Corporate KPI Scorecard for the next year.

Board Declaration/Confirmation

In accordance with the requirements of Article (90) of the Corporate Governance Regulations, and Articles (76-4) and (126-2) of the Companies Law and Articles 7 – 15 – 40 of the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies. To ensure the Board's commitment to highlight the applicable and non-applicable requirements under these Articles, the Board confirms the following:

Not applicable items from Article (90) of the Corporate Governance Regulations:

Article No.	Description	Reason for Non-Compliance
9	Any punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Authority or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future.	Not Applicable
11	The Audit Committee's recommendation on the need for appointing an internal Auditor for the Company, if there is no internal Auditor.	Not Applicable
12	The Audit Committee's recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external Auditor, as well as justifications for those recommendations and reasons for disregarding them.	Not Applicable
21	Any inconsistency with the standards approved by the Saudi Organizations for Certified Public Accountant.	Not Applicable
25	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) who have notified the Company of their holdings pursuant to Article 45 of Listing Rules, together with any change to such interests during the last fiscal year.	Not Applicable
26	A description of any interest, contractual securities or rights issue of the Board Members, Senior Executives and their relatives on shares or debt instruments of the Company or its affiliates, and any change on these interest or rights during the last fiscal year.	Not Applicable
28	A description of the class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Company during the fiscal year, as well as stating any compensation obtained by the Company in this regard.	Not Applicable
29	A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the Company.	Not Applicable
30	Description of any redemption, 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 affiliates.	Not Applicable
35	A description of any arrangement or agreement under which a Director or a Senior Executive of the Company has waived any remuneration.	Not Applicable
36	A description of any arrangement or agreement under which a Shareholder of the Company has waived any rights to dividends.	Not Applicable
38	A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the Company.	Not Applicable
40	If the external Auditor's report contains reservations on the Annual Financial Statements, the Board report shall highlight this mentioning the reasons and any relevant information.	Not Applicable
41	If the Board recommended replacing the external Auditor before the end of its term, the report shall indicate this mentioning the reasons for the replacement recommendation.	Not Applicable

Pursuant to sub-clause (39) of article (90) of Corporate Governance Regulations, the Board of Directors of the Company hereby declare that:

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

Not applicable items from the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies:

Article No.	Description	Reason For Non-Compliance
15	The Board Annual Report must contain details relating to Treasury Shares retained by the Company and details on the use of these shares.	Not Applicable

Shareholder Proposal

If the Company receives any proposal, note or enquiry from a Shareholder, the Liaison Officer directly informs Executive Management to address and respond to the enquiry. The Secretary of the Board shall notify the Board for discussion, if necessary.

Shareholding Interests

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

Number and dates of shareholders requests

Req. No.	Request Date	Shareholder List Date	Request Reason
1	28/02/2021	28/02/2021	Company Procedures
2	29/04/2021	29/04/2021	Company Procedures
3	05/05/2021	05/05/2021	GAM
4	09/05/2021	09/05/2021	Dividend File
5	13/07/2021	12/07/2021	Company Procedures
6	04/08/2021	07/08/2021	Others
7	07/10/2021	07/10/2021	Company Procedures
8	12/10/2021	12/10/2021	Company Procedures
9	24/10/2021	17/10/2021	Company Procedures
10	25/10/2021	19/10/2021	Company Procedures
11	25/10/2021	15/07/2021	Company Procedures
12	25/10/2021	01/02/2021	Company Procedures
13	03/11/2021	03/11/2021	GAM
14	07/11/2021	07/11/2021	Dividend File
15	06/12/2021	06/12/2021	Company Procedures
16	29/12/2021	20/12/2021	Company Procedures

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

NAME	NO. OF SHARE AS OF 01/01/2021	% OF CAPITAL	NO. OF SHARE AS OF 31/12/2021	% OF CAPITAL	CHANGE NO.	CHANGE %
Xenel Industries Limited	11,992,924	14.7	11,992,924	14.7%	0	-

Board Members' and Senior Executives' Interest and Changes During the Year

NAME	NO. OF SHARE AS OF 01/01/2021	% OF CAPITAL	NO. OF SHARE AS OF 31/12/2021	% OF CAPITAL	CHANGE SHARES	CHANGE %
Aamer A. Alireza	50,927	0.062	50,927	0.062	-	-
Adnan Abdulfattah M. Soufi	100	-	100	-	-	-
Saleh A. Hefni	26,000	0.032	6,000	0.007	(20,000)	(0.0002)
Abdulaziz A. Jazzar	29,400	0.036	29,001	0.036	(399)	(0.00)
Muneerah Hejab AL Dossary	8,100	0.010	14,100	0.017	6,000	0.001
Ahmed Mohammed A. Alrabiah	20,000	0.025	10,000	0.012	(10,000)	0.0008
Talal Naser AlDakhil	275,000	0.337	350,000	0.429	75,000	0.0009

Shareholding Pattern as of 31 December 2021

		SHAREHOLDERS		SHARES	
NO.	OWNERSHIP OF SHARES	NO.	%	NO.	%
1.	Less than 20 shares	2,785	14.0%	14,742	0.0%
2.	From 20 to 99 shares	2,782	14.0%	142,327	0.2%
3.	From 100 to 499 shares	5,633	28.3%	1,344,319	1.6%
4.	From 500 to 999 shares	2,591	13.0%	1,735,458	2.1%
5.	From 1,000 to 19,999 shares	5,666	28.5%	19,624,491	24.0%
6.	From 20,000 to 99,999 shares	367	1.8%	14,708,314	18.0%
7.	From 100,000 to 999,999 shares	82	0.4%	21,746,625	26.7%
8.	From 1,000,000 to 4,999,999 shares	8	0.0%	10,290,800	12.6%
9.	More than 5,000,000 shares	1	0.0%	11,992,924	14.7%
	TOTAL	**19,915**	**100.0%**	**81,600,000**	**100.00%**

Shareholder Categories as of 31 December 2021

NO.	CATEGORY OF SHAREHOLDER	NO. OF INVESTORS	TOTAL SHARES OWNED	%
1.	Companies	43	20,080,284	25%
2.	Funds	81	6,009,852	7%
3.	Individuals	19,791	55,509,864	68%
	TOTAL	**19,915**	**81,600,000**	**100%**

Nationality of Shareholders as of 31 December 2021

NO.	NATIONALITY	CURRENT BALANCE	%
1.	Saudi	78,336,803	96.00%
2.	USA	1,774,169	2.17%
3.	Others (23 Countries)	1,489,028	1.83%
	TOTAL	**81,600,000**	**100.00%**

Top Ten Shareholders as of 31 December 2021 – COMPANIES

NO.	NAME	CURRENT BALANCE	%
1.	Xenel Industries Limited	11,992,924	14.70%
2.	Al Raedah Investment Company	1,426,269	1.75%
3.	Saudi Services and Operation Company	1,280,892	1.57%
4.	Gulf Pearl Trading Co	1,080,000	1.32%
5.	King Abdullah Foundation	1,070,306	1.31%
6.	HSBC Saudi Companies Equity Fund	921,969	1.13%
7.	HSBC Investment Fund 30	874,798	1.07%
8.	ZAWYA MARKETS	701,400	0.86%
9.	AlJazira Saudi Equities Fund	556,576	0.68%
10.	General Organization for Social Insurance	538,892	0.66%
	TOTAL	**20,444,026**	**25.05%**

Shareholder Proposal

If the Company receives any proposal, note or enquiry from a Shareholder, the liaison officer directly informs executive management to address and respond to the enquiry. The Secretary of the Board shall notify the Board for discussion, if necessary.

Risk Management

Risk Management is an integral part of SISCO's management philosophy. SISCO follows a combination of top-down and bottom-up approaches to identify and assess the risks faced by its group and develops mitigation plans accordingly. During 2021, management teams of all group companies participated in this process, and risk-register was updated incorporating recent market/economic conditions and trends.

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

The following are the Group Main Risks:

No.	Potential Risk	Mitigating Actions
1.	**Business Concentration** The Group is highly dependent on the port segment. If this segment was affected, it might have a major impact on SISCO's turnover.	The Group is continuously reviewing its portfolio of investments to diversify its sectors as well as developing the non-port related businesses, which will balance the dependence on the three business segments.
2.	**Credit Risk and debt collections** The current market condition might negatively affect the customers' credit strength and liquidity causing delay in collecting receivables.	SISCO Group has improved its credit control and customer collection procedures through regular follow-up with customers, updating the credit policy, and strengthening the controls over granting credit lines.
3.	**Government regulations** Several regulations continuously changing, which presents implementation challenges and hence risk of non-compliance. As a result, any change in regulations or laws may adversely impact our business.	SISCO Group monitors changes to regulations across its portfolio to ensure that appropriate steps are taken to mitigate the effect of any change in regulations and ensure compliance is continuously managed. SISCO Group also has a central legal team to support its portfolio companies to manage and comply with regulatory changes
4.	**Business Continuity/Disaster Recovery Plan** The risk of business interruptions from a range of internal and external incidents or threats including cyber threats, environmental and climatic issues, terrorism, economic instabilities, pandemic, and operational incidents.	• SISCO Group and its subsidiaries are enhancing their operational resilience framework to strengthen their responses to disruptions. • They are also updating their disaster recovery and business continuity plans to minimise disruption to operations from natural disasters. • Continuously updating our cyber security policy.
5.	**Financial Constraints Risk** • The Group may encounter difficulty in obtaining new facilities for future investments. • Financial constraints for partners.	• The Company manages its financing constraints by ensuring it is maintaining a balanced debt coverage ratio. • Strengthen our banking relationship. • Make sure not to default in any of current loan payments to keep good credit history.

Audit Committee Report

Audit Committee met for five times during the year 2021. The committee's primary role was to oversee the internal and financial control systems and risk management systems in the company to ensure its adequate and effective implementation. Also, the committee has the main following responsibilities:

- Assists the Board in fulfilling its oversight responsibilities by recommending the approval of the company's quarterly and annual financial statements after discussing it the company's management.
- Met the external auditor to obtain their feedback about their evaluation of the Group's internal control systems and other matters related to the audit process.

Additionally, The Committee performed the following:

- Overseeing the company's internal audit function and verifying its effectiveness by reviewing the submitted internal audit reports and Following-up on the corrective action included in these reports.
- Analyzing the summited external audit proposals, submit recommendations to the Board of Directors and the General Assembly regarding the appointment of the company's external auditors for next year based on the applicable requirements.
- Review and approve the annual internal audit plan.
- Review external audit plan and makes necessary comments (if any).
- Discussing and follow up on the observations included in the company's external auditor management report.
- Overseeing the whistleblowing program and handling the investigations (if any).
- Recommendation to the Board of Directors to approve the related party transactions for 2021, after obtaining a list of all transactions and ensuring their accuracy and the adequacy of their disclosure in the financial statements.

In addition to the responsibilities mentioned above, the Audit Committee carries out any other tasks assigned to them by the Board of Directors.

Governance Performance and Internal Audit Results

SISCO follows a comprehensive approach towards corporate governance to ensure maximum transparency and disclosure. The internal audit functions designs audit programs to timely detect internal control deficiency and monitor follow up mechanisms to take the corrective measures in reasonable time. SISCO follows the three lines of defense approach adopted by the International Institute of Internal Auditors (IIA), as the first line of defense lies with the business and process owners, operational management is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. The second line supports management to help ensure risk and controls are effectively managed, management establishes various functions to help build and/or monitor the first line-of-defense controls. The last line of defense is the Internal Audit which provides assurance that the first and second lines' efforts are consistent with expectations. The main difference between this third line of defense and the first two lines is its high level of organizational independence and objectivity.

The Audit Committee highlighted that during 2021, the company's Internal Audit function followed up on all the high-priority findings which dealt with and closed by SISCO's management.

The Audit Committee confirms that nothing came to its attention to cause it to believe that there are significant deficiencies in the internal and financial control systems and risk management systems established by SISCO and its subsidiaries. The Audit Committee's efforts are continuously focused to developing and improving the effectiveness and efficiency of the internal and financial control systems and risk management systems.

Audit Committee have been established in all SISCO subsidiaries and affiliate, these committees are carrying out their responsibilities in assisting their boards in overseeing the corporate governance and internal control systems.

Related Party Transactions

Various group companies had transactions with related parties of the Group. These transactions follow the same conditions and principles as dealing with third parties.

The related parties include: The Group board members, major shareholders, senior executives and any of their first-degree relatives pursuant to the CMA and Ministry of Commerce and Investment regulations. All related party transaction are carried out according to best practices and as per the companies approved procurement procedures and policies.

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

Related Party	Relationship	Nature of Transaction	Amount of Transaction
Karam Al Arabi Catering	Xenel Industries (SISCO shareholder) is also a shareholder of Karam Al Arabi. Also, Mr. Aamer A. Alireza (SISCO Chairman) is a board member of Karam Al Arabi.	Purchase of goods and services including catering and employee housing by RSGT.	19,298,438
Xenel Industries Limited (XIL)	XIL is a shareholder of SISCO and Mr. Aamer A. Alireza (SISCO Chairman) is a board member of XIL.	Payments made by the Group on behalf of shareholder.	337,862
		Expenses incurred by Xenel on behalf of the Group.	40,095
Arabian Bulk Trade Co. Ltd (ABT)	ABT is owned by Xenel Industries (SISCO shareholder). Mr. Aamer A. Alireza (SISCO Chairman) is a board member of ABT.	Warehouse lease by LogiPoint.	348,900

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

Related Party	Relationship	Nature of Transaction	Amount of Transaction
International Water Distribution Co. Ltd. (Tawzea)	SISCO owns 50% of Tawzea. Mr. Mohammed Mudarres (SISCO CEO) is board member of Tawzea.	Sales of water by Kindasa.	65,565,273
		Expenses incurred by SISCO on behalf of Tawzea.	83,720
		Expenses incurred by Tawzea on behalf of SISCO.	11,867
Water & Environmental Services Saudi Co. Ltd.	Kindasa (SISCO subsidiary) owns 49% of WESSCO.	Sale of operation and management services by Kindasa.	2,087,380
Red Sea Gateway Terminal Company Limited ("RSGT")	RSGT is a subsidiary of SISCO. Mr. Aamer A. Alireza (SISCO Chairman) and Mr. Mohammed Mudarres (SISCO CEO) are board members of RSGT.	Expenses incurred by SISCO on behalf of RSGT.	821,953
Saudi Trade and Export Development Company Limited ("LogiPoint")	LogiPoint is a subsidiary of SISCO. Mr. Aamer A. Alireza (SISCO Chairman), Mr. Saleh A. Hefni (SISCO board member), Mr. Ahmed Al- Rabiah (SISCO Board member) and Mr. Mohammed Mudarres (SISCO CEO) are board members of LogiPoint.	Expenses incurred by SISCO on behalf of LogiPoint.	1,099,077
Kindasa Water Services Company ("Kindasa")	Kindasa is a subsidiary of SISCO. Mr. Saleh A. Hefni, (SISCO Board member) and Mr. Mohammed Mudarres (SISCO CEO) are board members of Kindasa.	Expenses incurred by SISCO on behalf of Kindasa.	837,496
Support Services Operation Company Limited ("ISNAD")	ISNAD is subsidiary of SISCO. Mr. Aamer A. Alireza (SISCO Vice Chairman)) and Mr. Mohammed Mudarres (SISCO CEO) are board members of ISNAD.	Expenses incurred by SISCO on behalf of ISNAD.	7,513

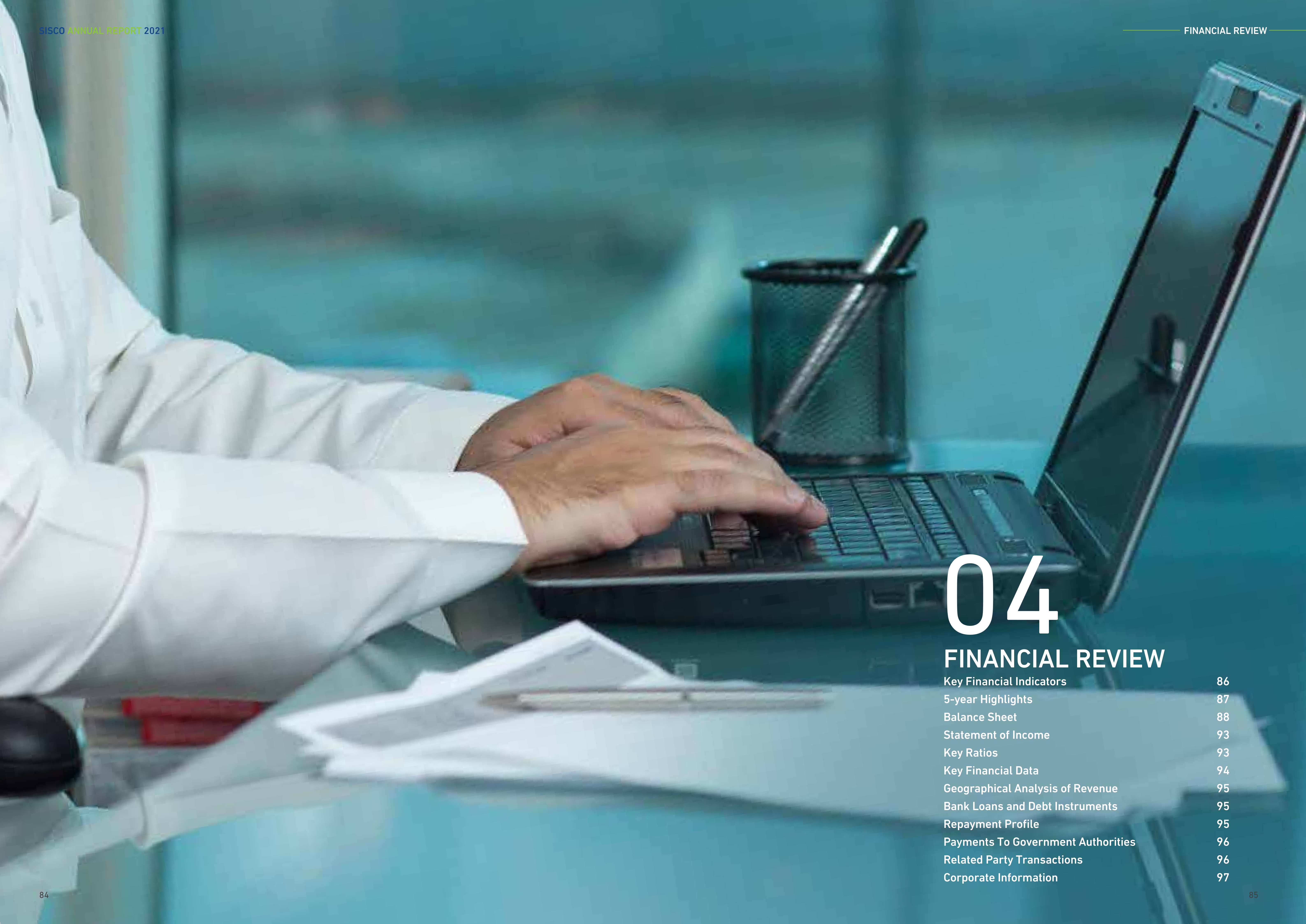
Analysis of Financial Results

SISCO's reported positive growth during 2021 reporting an increase in revenue of SAR 59 million (6.9%).

The Company achieved the highest ever top line in its history of SAR 921 million (excluding construction revenue). The key driver for growth was Ports and Terminals segment where revenue increased by 5.8% driven by consolidation of NCT terminal and an improvement in volumes and positive change in inspection tariffs. `

A summarised analysis of the 2021 results and its comparison with 2020 is presented in the table below:

(SAR million)	2021	2020	Variance	%	Notes
Revenue (Excluding construction revenue)	921	862	59.0	6.9	Revenue (excluding construction revenue) increased mainly of the port segment by SAR 40 million driven by an increase in volumes and positive change in inspection tariffs. Revenue from Logistics improved by SAR 15 million due to increase in service revenues. Water segment revenue broadly remained same.
Cost of Revenue (Excluding cost of construction)	(475)	(438)	37.0	8.4	Cost of revenue increased due to ports segment mainly due to an increase in employees related expenses and depreciation relating to the takeover of NCT terminal, and depreciation.
Gross Profit	**446**	**424**	**22.0**	**5.2**	
Selling / G&A Expenses	(168)	(168)	–	–	
Operating Profit	**278**	**256**	**22.0**	**8.6**	
Net Finance Cost	(204)	(133)	(71.0)	53.4	Increase in finance charges is due to capitalization of fixed and guaranteed variable fees.
Share of Result of Associates	24	22	2.0	9.1	Increase in results from Tawzea and SA Talke which is offset by decline in results from WESSCO and GreenDome.
Other Income	15	88	(73.0)	(83.0)	Last year other income included reversal of provision for asset replacement costs of SAR 75 million.
Zakat & Income Tax	(18)	(16)	(2.0)	12.5	
Group Net Profit	**95**	**217**	**(122.0)**	**(56.2)**	
Non-Controlling Interest	(37)	(78)	41.0	(52.6)	Changes in NCI are in accordance with results of individual subsidiaries.
Net Profit	**58**	**139**	**(81.0)**	**(58.3)**	



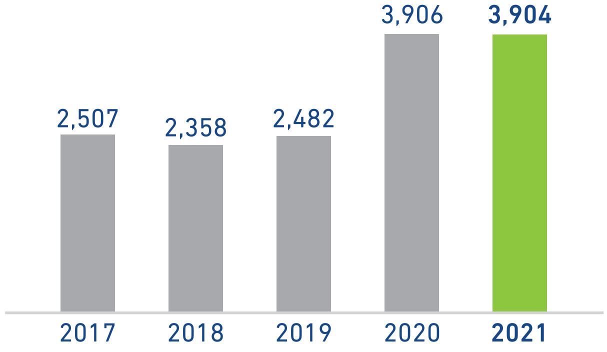
04

FINANCIAL REVIEW

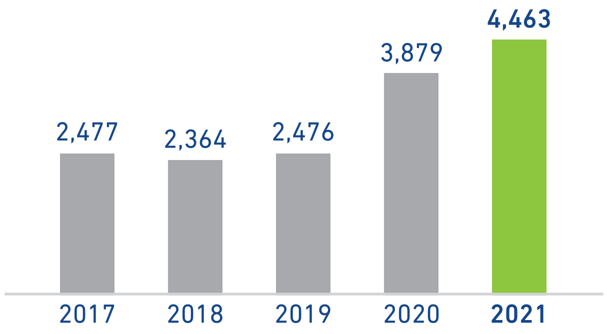
Key Financial Indicators

(SAR millions)

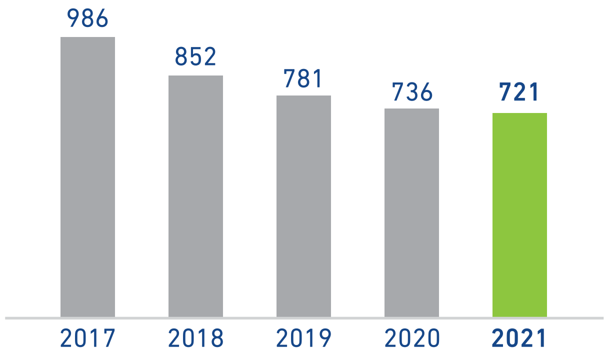
Long Term Assets



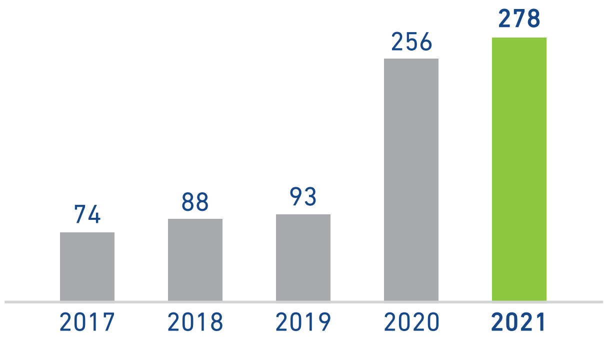
Capital Employed



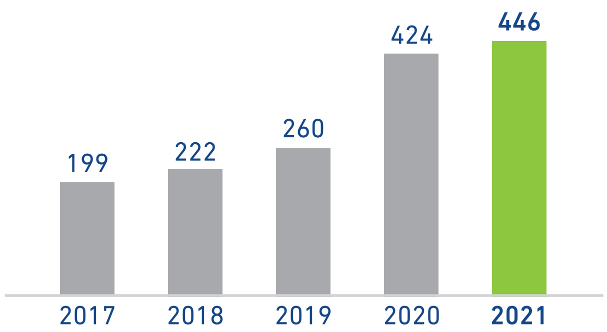
Long Term Borrowings



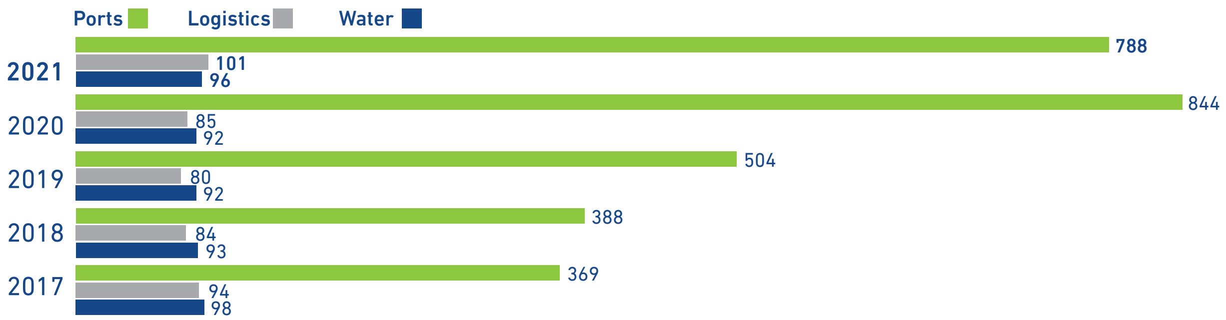
Operating Profit



Gross Profit

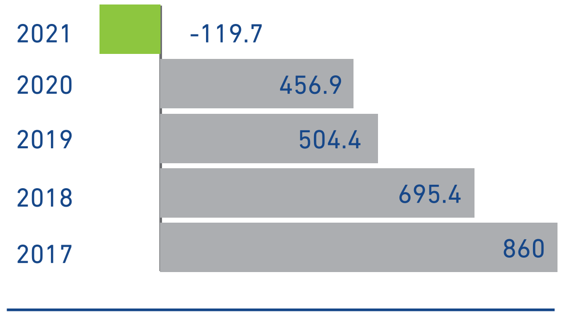


Segment Wise Revenue



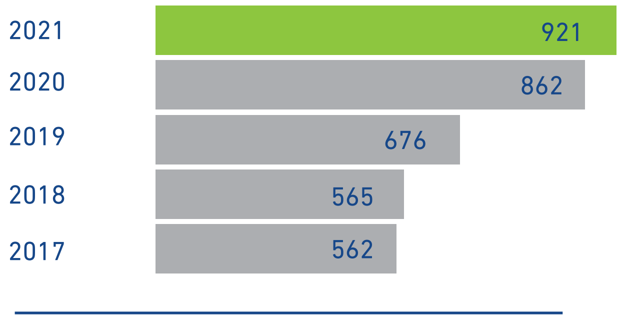
5-year Highlights

Net Debt

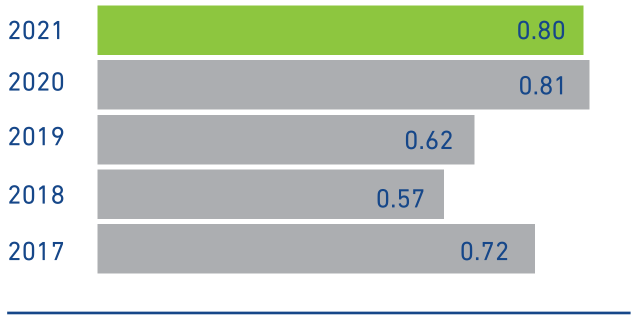


Dividend per share

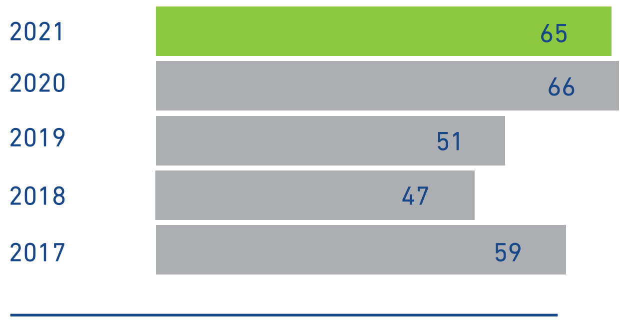
Adjusted Revenue



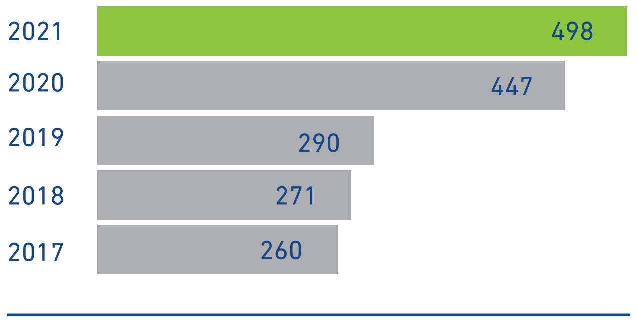
Adjusted EPS



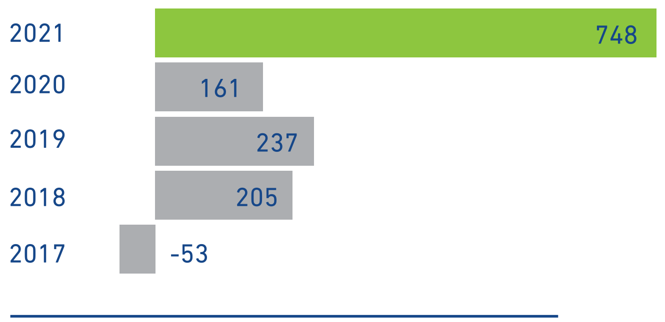
Adjusted Net Income



Adjusted EBITDA



Free Cash Flow



Balance Sheet

(SAR '000)	2021	21 vs. 20 % Change	2020	2019	2018	2017
ASSETS						
CURRENT ASSETS						
Bank Balances and Cash	892,374	165.2%	336,534	295,101	180,584	150,708
Receivables	172,416	19.8%	144,990	111,274	117,953	101,588
Inventories	25,935	32.1%	19,628	18,172	21,303	25,503
	1,090,725	117.6%	501,152	424,546	319,840	277,799
NON-CURRENT ASSETS						
Investments	211,707	31.8%	160,672	156,737	147,792	180,297
Property, Plant and Equipment	545,107	6.0%	514,436	1,008,201	1,039,960	1,079,520
Right of Use Assets	90,132	3.7%	86,918	241,825	–	–
Other Non-Current Assets	3,057,380	-2.8%	3,143,976	1,074,792	1,170,143	1,247,218
	3,904,326	–	3,906,002	2,481,556	2,357,895	2,507,036
TOTAL ASSETS	4,995,051	13.3%	4,407,154	2,906,102	2,677,735	2,784,835
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Payables	458,760	0.4%	457,050	189,769	160,605	161,938
Short-term Loans	73,211	3.6%	70,671	240,712	153,414	146,391
	531,971	0.8%	527,721	430,480	314,019	308,329
NON-CURRENT LIABILITIES						
Long Term Bank Loans	648,147	-2.6%	665,663	540,390	699,027	839,710
Other Non-Current Liabilities	1,376,996	0.4%	1,371,469	87,641	66,042	66,041
Lease Liabilities	88,796	5.0%	84,598	217,086	–	–
Employees' End of Service Benefits	52,725	9.6%	48,126	39,470	27,216	26,693
	2,166,664	-0.1%	2,169,856	884,587	792,285	932,444
SHAREHOLDERS' EQUITY						
Share Capital	816,000	–	816,000	816,000	816,000	816,000
Share Premium	36,409	–	36,409	36,409	36,409	36,409
Reserves	96,115	6.4%	90,324	76,383	71,290	66,616
Other Non-Distributable Reserves	334,993	2,132.5%	(16,482)	(9,517)	5,907	10,697
Retained Earnings/(Loss)	202,527	-18.4%	248,330	171,818	158,627	137,569
Equity Attributable to Parent Company	1,486,044	26.5%	1,174,581	1,091,093	1,088,233	1,067,292
Non-Controlling Interest	810,372	51.5%	534,996	499,942	483,198	476,769
TOTAL EQUITY	2,296,416	34.3%	1,709,577	1,591,035	1,571,431	1,544,061
TOTAL LIABILITIES AND EQUITY	4,995,051	13.3%	4,407,154	2,906,102	2,677,735	2,784,835

Balance Sheet

(Horizontal Analysis)

Horizontal analysis is done using 2017 as the base year and shows the development in key elements of the balance sheet over last 5 years.

(2017 as base year)	2021	2020	2019	2018	2017
ASSETS					
CURRENT ASSETS					
Bank Balances and Cash	592	223	196	120	100
Receivables	170	143	110	116	100
Inventories	102	77	71	84	100
	393	180	153	115	100
NON-CURRENT ASSETS					
Investments	117	89	87	82	100
Property, Plant and Equipment	50	48	93	96	100
Right of Use Assets	100	100	100	100	–
Other Non-Current Assets	245	252	86	94	100
	156	156	99	94	100
TOTAL ASSETS	179	158	104	96	100
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Payables	283	282	117	99	100
Short-term Loans	50	48	164	105	100
	173	171	140	102	100
NON-CURRENT LIABILITIES					
Long Term Bank Loans	77	79	64	83	100
Other Non-Current Liabilities	2,085	2,077	133	100	100
Lease Liabilities	100	100	100	100	–
Employees' End of Service Benefits	198	180	148	102	100
	232	233	95	85	100
SHAREHOLDERS' EQUITY					
Share Capital	100	100	100	100	100
Share Premium	100	100	100	100	100
Reserves	144	136	115	107	100
Other Non-Distributable Reserves	3,132	(154)	(89)	55	100
Retained Earnings/(Loss)	147	181	125	115	100
Equity Attributable to Parent Company	139	110	102	102	100
Non-Controlling Interest	170	112	105	101	100
TOTAL EQUITY	149	111	103	102	100
TOTAL LIABILITIES AND EQUITY	179	158	104	96	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)	2021	2020	2019	2018	2017
ASSETS					
CURRENT ASSETS					
Bank Balances and Cash	17.9	7.6	10.2	6.7	5.4
Receivables	3.5	3.3	3.8	4.4	3.6
Inventories	0.5	0.5	0.6	0.8	1.0
	21.8	**11.4**	**14.6**	**11.9**	**10.0**
NON-CURRENT ASSETS					
Investments	4.2	3.6	5.4	5.5	6.5
Property, Plant and Equipment	10.9	11.7	34.7	38.8	38.8
Right of Use Assets	1.8	2.0	8.3	–	–
Other Non-Current Assets	61.2	71.3	37.0	43.8	44.7
	78.2	**88.6**	**85.4**	**88.1**	**90.0**
TOTAL ASSETS	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Payables	9.2	10.4	6.5	6.0	5.7
Short-term Loans	1.5	1.6	8.3	5.7	5.3
	10.6	**12.0**	**14.8**	**11.7**	**11.0**
NON-CURRENT LIABILITIES					
Long Term Bank Loans	13.0	15.1	18.6	26.1	30.2
Other Non-Current Liabilities	27.6	31.1	3.0	2.5	2.4
Lease Liabilities	1.8	1.9	7.5	–	–
Employees' End of Service Benefits	1.1	1.1	1.4	1.0	1.0
	43.4	**49.2**	**30.4**	**29.6**	**33.6**
SHAREHOLDERS' EQUITY					
Share Capital	16.3	18.5	28.1	30.5	29.3
Share Premium	0.7	0.8	1.3	1.4	1.3
Reserves	1.9	2.0	2.6	2.7	2.4
Other Non-Distributable Reserves	6.7	(0.4)	(0.3)	0.2	0.4
Retained Earnings/(Loss)	4.1	5.6	5.9	5.9	4.9
Equity Attributable to Parent Company	**29.8**	**26.5**	**37.5**	**40.7**	**38.3**
Non-Controlling Interest	16.2	12.3	17.2	18.0	17.1
TOTAL EQUITY	**46.0**	**38.8**	**54.7**	**58.7**	**55.4**
TOTAL LIABILITIES AND EQUITY	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Statement of Income

(SAR '000)	2021	21 vs. 20 % Change	2020	2019	2018	2017
Revenue	985,408	-3.5%	1,020,865	675,884	564,705	562,407
Direct Costs	(538,936)	-9.7%	(597,125)	(415,577)	(342,639)	(363,720)
GROSS PROFIT	**446,472**	**5.4%**	**423,740**	**260,307**	**222,066**	**198,687**
Selling & Distribution Expenses	(16,583)	-20.4%	(20,825)	(32,863)	(16,395)	(19,467)
General & Administrative Expenses	(151,544)	3.3%	(146,672)	(134,036)	(117,592)	(105,300)
OPERATING PROFIT	**278,345**	**8.6%**	**256,242**	**93,408**	**88,078**	**73,920**
Finance Costs	(203,541)	52.5%	(133,481)	(47,727)	(50,780)	(34,994)
Share of Results from Associates	23,682	9.6%	21,609	27,372	23,745	20,736
Other Income/(Loss)	15,068	-83.0%	88,728	10,818	9,283	28,162
Net Income before Zakat	**113,554**	**-51.3%**	**233,099**	**83,872**	**70,327**	**87,824**
Zakat & Income Tax	(18,437)	12.2%	(16,430)	(5,993)	(4,806)	(6,702)
GROUP NET INCOME	**95,117**	**-56.1%**	**216,669**	**77,879**	**65,520**	**81,122**
Group Net Income Attributable to:						
Non-Controlling Interest	37,238	-51.8%	77,256	26,956	18,775	22,311
Parent Company	57,878	-58.5%	139,413	50,923	46,745	58,811

Notes:

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

Statement of Income

(Horizontal Analysis)
Horizontal analysis is done using 2017 as the base year, and shows the development in key elements of the income statement over the last 5 years.

(2017 as base year)	2021	2020	2019	2018	2017
Revenue	175	182	120	100	100
Direct Costs	148	164	114	94	100
GROSS PROFIT	**225**	**213**	**131**	**112**	**100**
Selling & Distribution expenses	85	107	169	84	100
General & Administrative expenses	144	139	127	112	100
OPERATING PROFIT	**377**	**347**	**126**	**119**	**100**
Finance Costs	582	381	136	145	100
Share of results from associates	114	104	132	115	100
Other Income/(Loss)	54	315	38	33	100
Net Income before Zakat	**129**	**265**	**95**	**80**	**100**
Zakat & Income Tax	275	245	89	72	100
GROUP NET INCOME	**117**	**267**	**96**	**81**	**100**
Group Net Income Attributable to:					
Non-Controlling Interest	167	346	121	84	100
Parent Company	98	237	87	79	100

Statement of Income

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

(Revenue as the Base)	2021	2020	2019	2018	2017
Revenue	100.0	100.0	100.0	100.0	100.0
Direct Costs	(54.7)	(58.5)	(61.5)	(60.7)	(64.7)
GROSS PROFIT	**45.3**	**41.5**	**38.5**	**39.3**	**35.3**
Selling & Distribution Expenses	(1.7)	(2.0)	(4.9)	(2.9)	(3.5)
General & Administrative Expenses	(15.4)	**(14.4)**	**(19.8)**	**(20.8)**	**(18.7)**
OPERATING PROFIT	**28.2**	**25.1**	**13.8**	**15.6**	**13.1**
Finance Costs	(20.7)	(13.1)	(7.1)	(9.0)	(6.2)
Share Of Results From Associates	2.4	2.1	4.0	4.2	3.7
Other Income/(Loss)	1.5	8.7	1.6	1.6	5.0
Net Income Before Zakat	**11.5**	**22.8**	**12.4**	**12.5**	**15.6**
Zakat & Income Tax	(1.9)	(1.6)	(0.9)	(0.9)	(1.2)
GROUP NET INCOME	**9.7**	**21.2**	**11.5**	**11.6**	**14.4**
Group Net Income Attributable To:					
Non-Controlling Interest	3.8	**7.5**	**4.0**	**3.3**	**4.0**
Parent Company	5.9	**13.7**	**7.5**	**8.3**	**10.4**

Key Ratios

	2021	2020	2019	2018	2017
Liquidity Ratios					
Current Ratio	2.1	0.9	1.0	1.0	0.9
Quick Ratio	2.0	0.9	0.9	1.0	0.8
Cash to Current Liabilities	1.7	0.6	0.7	0.6	0.5
Cash Flow from Operations to Sales	0.2	0.3	0.4	0.3	0.4
Capital Structure Ratios					
Debt-Equity Ratio	0.3	0.4	0.5	0.5	0.6
Financial Leverage Ratio	0.9	0.6	1.2	1.4	1.2
Interest Cover Ratio	1.6	2.7	2.8	2.4	3.5
Activity Ratios					
Average Collection Period	49.1	43.7	48.0	55.6	48.3
Fixed Assets Turnover	0.3	0.3	0.3	0.3	0.2
Total Assets Turnover	0.2	0.2	0.2	0.2	0.2
Accounts Receivables Turnover	5.7	7.0	6.1	4.8	5.5
Profitability Ratios					
Gross Profit Margin (%)	45.3	41.5	38.5	39.3	35.3
Operating Profit Margin (%)	28.2	25.1	13.8	17.2	18.0
Net Profit Margin (%)	11.5	22.8	12.4	12.5	15.6
Return on Assets (%)	1.9	4.9	2.7	2.4	2.9
Return on Equity (%)	4.1	12.7	4.9	4.2	5.3
EBITDA Margin to Sales (%)	49.8	52.0	42.8	48.0	46.3
Investment/Market Ratio					
Price Earnings Ratio	43.3	18.9	31.6	19.0	15.8
Market Price per Share (SAR)					
At the end of the year	30.7	32.4	19.6	10.8	11.4
Highest during the year	53.0	33.5	19.9	16.2	13.5
Lowest during the year	10.7	13.1	10.7	10.8	9.9
Book Value per Share (SAR)	18.2	14.4	13.4	13.3	13.1
EBITDA Multiple	5.1	5.0	5.5	3.3	3.6
EV/EBITDA	6.4	6.7	8.9	7.5	8.6

Key Financial Data

	2021	2020	2019	2018	2017
Balance Sheet (SAR '000)					
Share Capital	816,000	816,000	816,000	816,000	816,000
Reserves	90,324	90,324	76,383	71,290	66,616
Shareholders` Equity	1,486,044	1,174,581	1,091,093	1,088,234	1,067,292
Long-term Borrowing	648,147	665,663	540,390	699,027	839,710
Capital Employed	4,463,080	3,879,433	2,475,622	2,363,717	2,476,506
Property, Plant, & Equipment	545,107	514,436	1,008,201	1,039,960	1,079,520
Right of Use Assets	90,132	86,918	241,825	–	–
Other Non-Current Assets	3,052,853	3,141,574	1,070,385	1,162,103	1,238,841
Profit & Loss (SAR '000)					
Sales	985,408	1,020,865	675,884	564,705	562,407
Gross Profit	446,472	423,740	260,307	222,066	198,687
Operating Profit	278,345	256,242	93,408	88,078	73,920
Profit before Zakat and NCI	113,554	233,099	83,872	70,327	87,824
Net Profit	57,878	139,413	50,923	46,745	58,811
EBITDA	490,841	530,424	289,543	220,193	225,416
Earnings per Share	0.71	1.71	0.62	0.57	0.72
Cash-flow (SAR '000)					
Cash Flows from Operating Activities	236,272	355,907	256,064	183,951	243,550
Cash Flows from Investing Activities	511,448	(194,694)	(23,726)	20,742	(296,071)
Cash Flows from Financing Activities	(191,880)	(119,779)	(117,821)	(174,817)	7,824
Change in Cash and Cash Equivalents	555,840	41,433	114,517	29,876	(44,696)
Closing Cash and Cash Equivalents	892,374	336,534	295,101	180,584	150,708
Capitalization					
Closing Price (SAR per Share)	30.7	32.4	19.60	10.84	11.40
Market Capitalization (SAR million)	2,505,120	2,643,840	1,599	885	930
Enterprise Value (SAR million)	3,144,476	3,579	2,585	2,040	2,242
Numbers of Shares Issued (SAR million)	81,600	81,600	81,600	81,600	81,600
Operational Statistics					
Containers ('000 TEUs)	2,937	2,667	1,959	1,581	1,363
No. of Vehicles	3,915	1,761	4,688	7,348	8,304
General Cargo (metric tons)	65,824	48,505	73,881	63,720	38,280
Water Production (million m^3)	16.9	16.9	16.7	17.3	18.3

Geographical Analysis of Revenue

The Group's consolidated subsidiaries principally operate in western region of the Kingdom.

COMPANY (SAR '000)	2021			2020		
	WESTERN	CENTRAL	EASTERN	WESTERN	CENTRAL	EASTERN
RSGT	788,090	–	–	843,524	–	–
LOGIPOINT	60,810	–	–	46,960	–	–
KINDASA	96,340	–	–	92,247	–	–
ISNAD	40,168	–	–	38,133	–	–
TOTAL	985,408	–	–	1,020,864	–	–
	985,408			1,020,864		

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

COMPANY (SAR '000)	2021			2020		
	WESTERN	CENTRAL	EASTERN	WESTERN	CENTRAL	EASTERN
TAWZEA	122,181	144,186	–	111,859	133,747	–
SA TALKE	64,584	–	211,874	64,207	–	196,493
TOTAL	186,765	144,186	211,874	176,066	133,747	196,493
	542,825			506,854		

Bank Loans and Debt Instruments

No.	COMPANY (SAR '000)	LENDER	START YEAR	ORIGINAL PRINCIPAL	BALANCE 1/1/2021	DRAWDOWNS	REPAYMENTS	BALANCE 31/12/2021
1	RSGT	Al Rajhi/BSF	2020	793,771	743,525	–	(68,899)	674,626
			2020	750,000	45,000	50,000	–	95,000
2	KINDASA	SABB	2016	24,000	4,871	–	(1,771)	3,100
TOTAL				3,098,832	799,527	50,000	(70,670)	772,726

Repayment Profile

COMPANY (SAR '000)	RSGT		KINDASA	TOTAL
Lender	Al-Rajhi/BSF (1)	Al-Rajhi/BSF (2)	SABB	
Less than one year	71,439	–	1,771	**73,210**
From 1 to 2 years	74,218	6,023	1,329	**81,570**
From 2 to 5 years	239,163	25,678	–	**264,841**
More than 5 years	289,806	63,299	–	**353,105**
Closing Balance of the Period	**674,626**	**95,000**	**3,100**	**772,726**

Payments to Government Authorities

INSTITUTION (SAR '000)	2021		DESCRIPTION
	PAID DURING THE YEAR	DUE UP TO END OF 2021 AND HAS NOT BEEN PAID	
General Authority of Zakat and Tax	26,787	1,487	Received after the year end.
General Organization of Social Insurance	13,117	279	Received after the year end.
Ministry of Interior for Passport/Visa Services	3,333	–	
Department of Customs	3,851	250	Received after the year end.
Saudi Ports Authority	171,071	17	Received after the year end.
TOTAL	**218,159**	**2,033**	

Corporate Information

BOARD OF DIRECTORS

Aamer Abdullah Alireza (Chairman)
Adnan Abdulfattah Soufi (Vice Chairman)
Abdulaziz Abdullatif Jazzar
Saleh Ahmed Hefni
Muneerah Hejab Aldossary
Talal Nasser Aldakhil
Ahmad Mohammed Alrabiah

BANKS

Al-Jazira Bank
Saudi National Bank
Saudi British Bank
Riyadh Bank

REGISTERED OFFICE

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

AUDITORS

KPMG Professional Services
Zahran Business Centre,
Prince Sultan Street,
Al Zahra District, Jeddah 21534,
P.O. Box 55078
Phone: +966 12 698 9595
Fax: +966 12 698 9494

MANAGEMENT

Mohammed M. Kamal Al-Mudarres (Chief Executive Officer)
Mahmood Hussain (Chief Financial Officer)
Saleem Raza Sheikh (Chief Legal Officer)
Hesham El Gindy (Chief Audit Executive)
Richard Fourie (Chief Corporate Affairs Officer)
Abdullah M. Habadi (Group Head of IT)
Maqbool O. Aswni (Admin & Shareholder Affairs Manager)
Youssef M. Abu Olyyan (Board Secretary)

SHARE REGISTRAR

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

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CONSOLIDATED FINANCIAL STATEMENTS

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Saudi Industrial Services Company

Opinion

We have audited the consolidated financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of Saudi Industrial Services Company (continued)

Key audit matters

Revenue recognition from sale of goods and services

Refer note 4.16 for the accounting policy relating to revenue recognition and note 24 and note 37 for related disclosure.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2021, the Group recognised total revenue of SR 985 million (year ended 31 December 2020: SR 1,021 million). The Group's most significant revenue streams include shipping and unloading services, sale of potable water, and income from rental and support services. Included in provision of services, certain contracts give rise to variable consideration for which the Group uses most likely amount method in estimating the variable consideration based on volume thresholds. The management exercises judgements, estimates and assumptions to determine the vaiable consideration. Revenue recognition is considered as a key audit matter due to existence of risk that the Group may overstate revenue by underestimating the variable consideration.	The audit procedures performed in this area, included among others: ▪ Evaluated the Group's revenue recognition accounting policies including method of estimating the variable consideration; ▪ Assessed the design and implementation, and tested the operating effectiveness of the Group's key internal controls, including anti-fraud controls, over the recognition of revenue and estimation of variable consideration; ▪ Obtained an understanding of the nature of the revenue contracts entered into by the Group and tested a sample of sales contracts to confirm that the revenue recognised is in accordance with the accounting policy and sales contracts; ▪ Selected, on a sample basis, revenue transactions and verified the related supporting documents to ensure the accuracy and completeness of revenue recognition; ▪ Performed analytical procedures by comparing the expectation with actual revenue and analysing the variances; ▪ Tested sales cut-off to assess whether revenue was recognised in the correct period; and ▪ Assessed the appropriateness of the disclosures made in the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia.

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Independent Auditor's Report

To the Shareholders of Saudi Industrial Services Company (continued)

Key audit matter (continued)

Accounting for disposal of direct ownership interest in a subsidiary

Note 4.1 for the accounting policy and refer note 1 for the related disclosure

The key audit matter	How the matter was addressed in our audit
As disclosed in note 1, the Company and its subsidiary Saudi Trade and Export Development Company ("Tusdeer") completed the sale of its 21.2% and 4% direct equity stake in Red Sea Gateway Terminal Company Limited (RSGT) respectively. The divestment transaction has been accounted for as change in ownership interest without loss of control. The divestment transaction is considered as a key audit matter as it required management to exercise judgement in respect of the equity interest retained and disposed including the calculation of gain and presentation and disclosure in the consolidated financial statements.	The audit procedures performed in this area, included among others: ▪ Obtained an understanding of the transaction from inquiries with the management and review of agreement for transfer of shares; ▪ Assessed whether as a result of above transaction the Group has continued to retain control of RSGT in accordance with the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia.; ▪ Recalculated the impact of changes in ownership interest of Group without loss of control including the determination of non-controlling interests and assessed the reasonableness of assumptions used in the calculation; ▪ Used our internal accounting specialists to provide assistance in assessing the proper accounting of this transaction in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia.; and ▪ Assessed the adequacy of relevant disclosures in the consolidated financial statements.

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Independent Auditor's Report

To the Shareholders of Saudi Industrial Services Company (continued)

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 4 March 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these (consolidated) financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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Independent Auditor's Report

To the Shareholders of Saudi Industrial Services Company (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group"). We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No: 382

Jeddah, 8 March 2022
Corresponding to 5 Shaaban 1443H

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 SR	2020 SR
ASSETS			
Non-current assets			
Property, plant and equipment	6	**245,349,674**	268,481,533
Work in progress assets	7	**181,715,298**	117,954,228
Intangible assets	8	**3,052,852,881**	3,141,574,145
Goodwill	12	**8,776,760**	8,776,760
Right-of-use assets	23	**90,132,237**	86,918,253
Investment properties	9	**118,041,994**	128,000,604
Equity-accounted investees	10	**188,020,461**	136,922,460
Financial assets at fair value through other comprehensive income (FVOCI)	11	**14,909,532**	14,972,714
Deferred tax asset	29	**4,527,498**	2,401,519
TOTAL NON-CURRENT ASSETS		**3,904,326,335**	3,906,002,216
Current assets			
Inventories, net	13	**25,934,997**	19,627,992
Trade receivables, prepayments and other receivables	14	**161,793,623**	132,940,927
Due from related parties	31	**10,622,322**	12,048,664
Cash and cash equivalents	15	**892,374,091**	336,533,927
TOTAL CURRENT ASSETS		**1,090,725,033**	501,151,510
TOTAL ASSETS		**4,995,051,368**	4,407,153,726
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	**816,000,000**	816,000,000
Share premium		**36,409,063**	36,409,063
Statutory reserve	17	**96,111,908**	90,324,076
Other components of equity		**334,992,898**	(16,481,536)
Retained earnings		**202,500,260**	248,329,774
Equity attributable to the shareholders of the Parent		**1,486,014,129**	1,174,581,377
Non-controlling interests		**810,372,371**	534,995,715
TOTAL EQUITY		**2,296,386,500**	1,709,577,092
NON-CURRENT LIABILITIES			
Obligation under service concession arrangement	36	**1,369,299,805**	1,355,424,493
Long term loans and bank facilities	18	**648,146,865**	665,662,576
Employees' end-of-service benefits	19	**52,754,723**	48,126,455
Long term provisions	20	**2,034,027**	1,984,224
Derivative financial instrument	21	**5,662,361**	14,060,566
Lease liabilities – non current portion	23	**88,796,113**	84,597,772
TOTAL NON- CURRENT LIABILITIES		**2,166,693,894**	2,169,856,086
CURRENT LIABILITIES			
Current portion of obligation under service concession arrangement	36	**169,027,713**	190,530,528
Current portion of long term loans and bank facilities	18	**73,210,529**	70,670,666
Trade payables, accrued and other current liabilities	22	**260,768,053**	247,117,181
Zakat and tax payable	29	**18,622,175**	12,331,613
Lease liabilities	23	**8,739,576**	7,033,955
Due to related parties	31	**1,602,928**	36,605
TOTAL CURRENT LIABILITIES		**531,970,974**	527,720,548
TOTAL LIABILITIES		**2,698,664,868**	2,697,576,634
TOTAL EQUITY AND LIABILITIES		**4,995,051,368**	4,407,153,726

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
Revenue from contracts with customers			
Revenues from sale of goods and services	24	**921,200,340**	861,631,306
Construction revenue	37	**64,207,878**	159,233,442
TOTAL REVENUES		**985,408,218**	1,020,864,748
Direct costs	25	**(474,728,466)**	(437,891,731)
Cost of construction	37	**(64,207,878)**	(159,233,442)
COST OF REVENUE		**(538,936,344)**	(597,125,173)
GROSS PROFIT		**446,471,874**	423,739,575
OPERATING EXPENSES			
Selling and distribution expenses	26	**(16,583,061)**	(20,825,318)
General and administrative expenses	27	**(151,544,219)**	(146,671,759)
TOTAL OPERATING EXPENSES		**(168,127,280)**	(167,497,077)
PROFIT FROM OPERATIONS		**278,344,594**	256,242,498
Finance costs, net	39	**(203,541,310)**	(133,480,825)
Other income	28	**15,068,400**	88,727,888
Share of profit of equity accounted investees, net	10	**23,682,459**	21,609,171
PROFIT BEFORE ZAKAT AND INCOME TAX		**113,554,143**	233,098,732
Zakat and income tax charge, net	29	**(18,437,430)**	(16,429,831)
NET PROFIT FOR THE PERIOD		**95,116,713**	216,668,901
Attributable to:			
Shareholders of the Parent Company		**57,878,318**	139,412,924
Non-controlling interests		**37,238,395**	77,255,977
		95,116,713	216,668,901
Earnings per share:			
Basic and diluted earnings per share from net profit for the year attributable to the Shareholders' of the Parent	30	**0.71**	1.71

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
Profit for the year		**95,116,713**	216,668,901
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Loss from re-measurement of employees' end-of-service benefits, net	19	**(148,636)**	(5,864,921)
Changes in fair value of financial assets at fair value through other comprehensive income (FVOCI)	11	**(63,182)**	(565,569)
Share of actuarial losses of equity accounted associates	10	**(125,485)**	(2,082,512)
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value	21	**5,959,910**	(956,911)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**5,622,607**	(9,469,913)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**100,739,320**	207,198,988
Attributable to:			
Shareholders of the Parent Company		**61,564,787**	132,448,236
Non-controlling interests		**39,174,533**	74,750,752
		100,739,320	207,198,988

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Equity attributable to the shareholders' of the Parent										
				Other components of equity							
	Share capital SR	Share premium SR	Statutory reserve SR	Effect of changes in ownership interest in subsidiaries SR	Actuarial valuation reserves SR	Cash flow hedging reserve SR	Unrealized gain on FVOCI investments SR	Retained earnings SR	Total SR	Non-controlling interests SR	Total equity SR
Balance at 1 January 2021	816,000,000	36,409,063	90,324,076	1,133,474	(14,496,871)	(8,520,703)	5,402,564	248,329,774	1,174,581,377	534,995,715	1,709,577,092
Profit for the year	--	--	--	--	--	--	--	57,878,318	57,878,318	37,238,395	95,116,713
Other comprehensive income	--	--	--	--	(273,922)	4,023,573	(63,182)	--	3,686,469	1,936,138	5,622,607
Total comprehensive income	--	--	--	--	(273,922)	4,023,573	(63,182)	57,878,318	61,564,787	39,174,533	100,739,320
Transfer to statutory reserve	--	--	5,787,832	--	--	--	--	(5,787,832)	--	--	--
Dividends paid (note 16)								(97,920,000)	(97,920,000)	(64,366,808)	(162,286,808)
Changes in ownership interests – sale of equity interest to non-controlling interest (note 1)	--	--	--	342,550,278	2,799,391	2,438,296	--	--	347,787,965	300,568,931	648,356,896
Balance at 31 December 2021	**816,000,000**	**36,409,063**	**96,111,908**	**343,683,752**	**(11,971,402)**	**(2,058,834)**	**5,339,382**	**202,500,260**	**1,486,014,129**	**810,372,371**	**2,296,386,500**

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2021

	Equity attributable to the shareholders' of the Parent										
				Other components of equity							
	Share capital SR	Share premium SR	Statutory reserve SR	Effect of changes in ownership interest in subsidiaries SR	Actuarial valuation reserves SR	Cash flow hedging reserve SR	Unrealized gain on FVOCI investments SRSR	Retained earnings SR	Total SR	Non-controlling interests SR	Total equity SR
Balance at 1 January 2020	816,000,000	36,409,063	76,382,784	1,133,474	(8,677,640)	(7,940,815)	5,968,133	171,818,142	1,091,093,141	499,942,039	1,591,035,180
Profit for the year	-	-	-	-	-	-	-	139,412,924	139,412,924	77,255,977	216,668,901
Other comprehensive income	-	-	-	-	(5,819,231)	(579,888)	(565,569)	-	(6,964,688)	(2,505,225)	(9,469,913)
Total comprehensive income	-	-	-	-	(5,819,231)	(579,888)	(565,569)	139,412,924	132,448,236	74,750,752	207,198,988
Transfer to statutory reserve	-	-	13,941,292	-	-	-	-	(13,941,292)	-	-	-
Dividends paid (note 16)	-	-	-	-	-	-	-	(48,960,000)	(48,960,000)	(39,697,076)	(88,657,076)
Balance at 31 December 2020	816,000,000	36,409,063	90,324,076	1,133,474	(14,496,871)	(8,520,703)	5,402,564	248,329,774	1,174,581,377	534,995,715	1,709,577,092

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Zakat and income tax		**113,554,143**	233,098,732
Adjustments for:			
Depreciation and amortization	6, 8 & 9	**167,358,305**	156,626,110
Depreciation of right-of-use assets		**6,387,448**	7,218,597
Provision for employees' end-of-service benefits	19	**9,472,784**	7,237,006
Loss on disposal of property, plant and equipment	28	**60,261**	3,498,773
Share of results from equity accounted associates, net	10	**(23,682,459)**	(21,609,171)
(Reversal) / allowance for expected credit losses	34	**1,493,530**	1,047,551
Work in progress assets written-off	7	**--**	1,219,418
Amortization of deferred revenue		**59,000**	63,425
Provision for dismantling cost		**49,803**	79,185
Amortization of advance Ijarah rentals		**5,695,022**	7,549,298
Allowance for slow moving and obsolete inventories	13	**115,944**	3,660,891
Reversal of provision for asset replacement costs	28	**--**	(75,165,206)
Financial charges, net	39	**203,541,310**	133,480,825
		484,105,091	458,005,434
Changes in operating assets and liabilities			
Trade receivables, prepayments and other receivables		**(30,580,695)**	(33,665,065)
Due from related parties		**1,660,811**	(1,098,092)
Inventories		**(6,422,948)**	(5,117,182)
Trade payables, accrued and other current liabilities		**(166,465,902)**	(19,782,431)
Due to related parties		**1,637,550**	943,813
Cash generated from operating activities		**283,933,907**	399,286,477
Finance charges paid		**(28,396,181)**	(28,162,044)
Employees' end-of-service benefits paid	19	**(4,993,152)**	(4,445,531)
Zakat and income tax paid	29	**(14,272,850)**	(10,535,130)
Net cash from operating activities		**236,271,724**	356,143,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from equity accounted investee	10	**17,003,409**	15,025,967
Investment in an associate made during the period	10	**(44,544,436)**	-
Proceeds from sale of equity interest to NCI	1	**648,356,896**	-
Addition to property, plant and equipment, work in progress assets and intangible assets	6, 7, 8 & 9	**(109,497,365)**	(206,471,507)
Additions to right-of-use assets		**--**	(3,600,000)
Proceeds from disposal of property, plant and equipment		**129,445**	351,288
Net cash generated from / (used in) investing activities		**511,447,949**	(194,694,252)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loans		**(70,670,667)**	(66,956,898)
Receipt of long-term loans		**50,000,000**	45,000,000
Dividend paid	16	**(97,920,000)**	(48,960,000)
Dividends paid to non-controlling interests by subsidiaries		**(64,366,808)**	(39,697,076)
Lease liabilities paid	23	**(8,922,034)**	(9,402,420)
Net cash used in financing activities		**(191,879,509)**	(120,016,394)
Net increase in cash and cash equivalents		**555,840,164**	41,433,126
Cash and cash equivalents at the beginning of the year	15	**336,533,927**	295,100,801
Cash and cash equivalents at the end of the year	15	**892,374,091**	336,533,927

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2021

SUPPLEMENTARY NON-CASH INFORMATION

	Notes	2021 SR	2020 SR
Cash flow hedges – effective portion of change in fair value	21	**5,959,910**	(956,911)
Obligation under service concession arrangement	36	**-**	1,534,528,416
Transfer of assets from property plant and equipment to intangibles	6.3	**-**	489,210,493
Transfer from work in progress assets to property and equipment	7	**-**	2,090,703
Transfer from work in progress assets to investment property	7	**-**	3,314,973
Transfer from work in progress assets to port terminal operations	7	**2,671,012**	10,754,538
Transfer from work in progress assets to intangibles port concession rights	7	**24,209,591**	72,065,880
Transfer from work in progress assets to intangibles software	7	**221,352**	1,687,343
Modification of lease contracts	23	**256,568**	(147,340,195)
Re-measurement of employees' end-of-service benefits liability	19	**148,636**	5,864,921
Modification gain on loan arrangement	18	**-**	(31,959,301)
Deferred tax asset	29	**2,125,979**	(2,006,146)

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. ORGANIZATION AND 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 7 Rabi Al Awal 1409 H (corresponding to 18 October 1988) and registered under Commercial Registration No. 4030062502 dated 10 Rabi Al Thani 1409H (corresponding to 20 November 1988) to engage in 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 principal activity of the Parent Company is investment and management of subsidiaries.

The registered head office of the Parent 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 Parent Company and its following subsidiaries collectively referred to as "the Group":

Company	Country of incorporation	Effective shareholding 2021	2020	Principal activities
Saudi Trade and Export Development Company Limited ("Tusdeer")	Saudi Arabia	**76%**	76%	Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Company – Closed Joint Stock Company ("Kindasa")	Saudi Arabia	**65%**	65%	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.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

1. ORGANIZATION AND ACTIVITIES (continued)

Company	Country of incorporation	Effective shareholding 2021	2020	Principal activities
Red Sea Gateway Terminal Company Limited ("RSGT")	Saudi Arabia	**36.36%**	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.

SISCO owns 60.6% effective interest in RSPD which in turn owns 60% interest in RSGT.

On 14 July 2021, SISCO and its subsidiary Saudi Trade and Export Development Company ("Tusdeer") completed the sale of its 21.2% and 4% direct equity stake in RSGT respectively. Total proceeds net of transaction cost for sale of these shares by SISCO and Tusdeer were SR 545.5 million and SR 102.9 million respectively. SISCO will continue to consolidate RSGT through its subsidiary RSPD. This transaction is accounted for in these consolidated financial statements of the Group as a change in ownership interest of the Group in RSGT without loss of control. Accordingly, the carrying amounts of non-controlling interests has increased by SR 300.6 million to reflect the increase in their relative interests in RSGT. The difference between the amount by which the non-controlling interests have increased and the consideration received by the Group net of transaction cost amounted to SR 347.8 million. This amount is recognized directly in equity as effect of changes in ownership interest in subsidiaries and is attributed to the shareholders of the Parent Company. Further in line with requirement of International Financial Reporting Standards the share of Actuarial Valuation Reserve and Cashflow Hedging Reserve of RSGT attributable to shareholders of Parent Company in the amount of SR 2.8 million and SR 2.4 million respectively are also adjusted to reflect the new ownership interest.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia (IFRS) and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), derivative financial instruments which are carried at their fair values and employee benefits, which are measured at the present value of defined benefit obligation using projected unit credit method.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional and presentation currency of the Parent Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements
In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effects on the amounts recognised in the consolidated financial statements:

- Decision related to control over investee (note 4.1)
- Classification of investment property (note 4.6)
- Lease classification (note 4.7)
- Provisions (4.13)
- Port concession rights and intangible assets related to fixed and guaranteed variable fee (4.5)

Volume rebate
Certain contracts for the provision of services include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the provision of services with volume rebate as the selected method better predicts the amount of variable consideration driven by customers’ rebate entitlement based on volume thresholds. Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty, if any, on the variable consideration will be resolved within a short time frame.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Going concern
The Group’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 Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives and residual value of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Allowance for inventory losses
The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the specific manufacturer and both existing and emerging market conditions.

Provision for expected credit losses (ECL) of trade receivables
The Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Group’s historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customers’ actual default in the future. The information about the ECL on the Group’s trade receivables is disclosed in note 34.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Defined benefit plan
The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 19.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Provisions
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 benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Discount rate for present value calculations
Discount rates represent the current market assessment of the risks specific to the entity, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the entity and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the entity's investors. The cost of debt is based on the interest-bearing borrowings the entity is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax/zakat discount rate.

Impact of COVID-19
Since early 2020, the Novel Coronavirus Pandemic (COVID-19) has spread globally across various geographies causing disruption to businesses and economic activities. Whilst it is challenging to predict the full extent and duration of business and economic impacts, the management has considered the potential impacts of COVID-19 on the Group's operations and concluded that as of the issuance date of these consolidated financial statements, no significant changes are required to the judgements and key estimates. The Group is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all period presented in these consolidated financial statements.

4.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary is as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value. Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

These consolidated financial statements comprising the financial statements the Company and its subsidiaries as set out in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investments in associates and jointly controlled entities
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

Investments in associates and jointly controlled entities (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's share of losses exceeds its interest in associates, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

4.2 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each subsidiary, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Foreign currencies (continued)

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Saudi Riyals at exchange rates at the reporting date. Dividends received from foreign associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign exchange translation reserve via other comprehensive income.

4.3 Current versus non-current classification

Assets

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Property and equipment controlled by the operator and used as part of port operations are classified as property and equipment – port terminal operations.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in consolidated statement of profit or loss.

Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of profit or loss as incurred.

Depreciation
Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets, development cost of leasehold land and building on leasehold land are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed least annually and adjusted prospectively, if required.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment (continued)

The estimated useful lives are as follows:

Buildings	Shorter of lease / concession period or 10 – 40 years
Leasehold improvements	Shorter of lease / concession period or 10 – 40 years
Plant and equipment	Shorter of lease / concession period or 5 – 20 years
Desalination Plant	Shorter of lease / 40 years
Machinery and equipment	2 – 25 years
Motor vehicles	5 – 10 years
Fixtures and furnishing	5 – 10 years
Computers and equipment	2 - 5 years

4.5 Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Port concession rights
The Group's port terminal operations are conducted pursuant to long-term concession arrangements, whereby the grantor has contracted with the Group, as operator, to develop (or upgrade) operate and maintain the concession assets and as operator charge users for services rendered. 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 recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Intangibles (continued)

Port concession rights (continued)

The port concession rights include all costs incurred towards construction of the container terminal. Port concession rights also include certain property, plant and equipment which are reclassified as intangible assets in accordance with IFRIC 12 'Service Concession Arrangements'. The port concession rights are stated at cost, less amortization of cost and accumulated impairment losses. The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period which is 30 years or life of the underlying assets, whichever is shorter.

Intangible assets related to fixed and guaranteed variable fee

Service concession arrangements, where: (a) the grantor controls or regulates what services the entities in the Group can provide with the infrastructure, to whom it can provide them, and at what price; and (b) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement. The Group is required to pay various fees under New Concession Agreement and is accounted for under *IFRIC 12 - Service Concession Arrangements*. Out of the total fee, the fixed and guaranteed variable fee, the deferment of which is beyond the Group's control, are classified as "Intangible assets".

Such intangible assets are initially measured at the fair value of the fixed and guaranteed variable fee to be paid to the grantor and a corresponding financial liability is recorded in accordance with *IFRS 9 "Financial instruments"*. The cost of intangible assets includes the present value of the fixed and guaranteed variable fee (as defined in the New Concession Agreement) payable to the grantor over the terms of the agreement. All other variable fee is charged to consolidated statement of profit or loss as and when incurred.

Subsequently, these intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is computed using the expected pattern of the usage of the underlying intangible assets over life of the New Concession Agreement in term of containers handling. In addition, at the end of each reporting period it is assessed if there is an indication that the intangible asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the intangible asset.

The concession right is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss from derecognition of the port concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Intangibles (continued)

Other intangible assets
Other intangible assets, including software, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the consolidated statement of profit or loss as incurred.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. The estimated useful lives of other intangibles is from 2 to 5 years.

4.6 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequently investment properties are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the investment properties and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of investment properties are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All repairs and maintenance costs are recognised in the consolidated statement of profit or loss as incurred. Investment properties are depreciated on a straight line basis on shorter of lease term and useful life of 10 to 30 years.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15 – "*Revenue from Contract with Customers*".

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investment properties (continued)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the depreciated value at the date of change in use. If owner-occupied property becomes an investment property, the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

4.7 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Leases (continued)

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The lease liability is measured at amortised cost using the effective interest method. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset or a change in estimate of amount to be payable under a residual value guarantee.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Leases (continued)

Group as a lessor
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. When the Group act as lessor, it determines at lease inception whether each lease is a finance lease or operating lease. Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. If this is not the case then the lease is classified as finance lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The Group recognized lease payments received under the operating leases as income on a straight line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

4.8 Inventories

Inventories represent spare parts and other supplies. These are measured at lower of cost and net realisable 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.Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc.

4.9 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, cash at banks and other short-term highly liquid deposits / investments with original maturities of three month or less, if any, which are available to the Group without any restrictions. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and Murabaha deposits.

4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group's financial assets consist of cash and bank balances, trade receivables, investments at fair value through other comprehensive income, due from related parties and financial liabilities consist of long term loans and bank facilities, trade and other payables.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets

Initial recognition and measurement
Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Initial recognition and measurement
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:

a) Financial assets at amortised cost
b) Financial assets at fair value through OCI (FVOCI)
c) Financial assets at fair value through profit or loss (FVTPL)

a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets (continued)

b) Financial assets at fair value through OCI

Debt instruments
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Equity instruments
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets (continued)

c) Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Business model assessment
The Group makes an assessment of the objective of a business model under which an asset is held, at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets (continued)

Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

ii) Financial liabilities (continued)

Financial liabilities at amortised cost
After initial recognition, financial liabilities, other than at fair value through profit or loss are measured at amortised cost using the EIR method. Gains and losses as a result of unwinding of profit cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

iii) Derecognition

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.11 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Impairment of financial and non-financial assets

Financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are over 1 years past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Impairment of financial and non-financial assets (continued)

Non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset 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 CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When 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.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

4.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Employee benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits
The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss.

4.15 Cash dividend and non-cash distribution to equity holders of the Parent

The Group recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Group. As per the by-laws of the Group, a distribution is authorised when it is approved by the shareholders. Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit or loss.

4.16 Revenue

The Group through its subsidiaries, jointly controlled entity and associates is engaged in the following businesses:

- Development, construction, operation and maintenance of container terminals and excavation and back filling works.
- Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port.
- Water desalination and treatment plant and sale of water.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Revenue (continued)

The Group generally recognizes revenue at a point in time except for lease rental revenue which is recognized on time proportionate basis over future periods. The Group transfers control and recognizes a sale when the product is delivered to the customer, for the majority of the revenue contracts. Management uses an observable price to determine the stand-alone selling price for separate performance obligations or a cost-plus margin approach when one is not available.

If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The Group sells standard products with observable standalone sales with single performance obligation.

Cash received in advance of revenue being recognized is classified as current deferred / unearned revenue, except for the portion expected to be settled beyond 12 months of the consolidated statement of financial position date, which is classified as non-current deferred revenue.

Revenue is measured at the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. Sales, value add, and other taxes collected concurrent with revenue-producing activities are excluded from revenue. The Group does not have any material significant payment terms as payment is received in advance, at or shortly after the point of sale.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Rendering of services
The Group is involved in the provision of operational services in relation to its port operations, as well as provision of logistical and maintenance services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. The Group recognises revenue from rendering of services based on the assessment of the work performed / completed (i.e. delivered and acknowledged / accepted) under the contractual obligation undertaken to be performed as per the work order / contract / sales order.

Construction and upgrade services
Revenue related to construction or upgrade services under a service concession arrangement is recognised over time, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operations or service revenue is recognized in the period in which the services are provided by the Group. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Revenue (continued)

Rental revenue
Revenue from investment properties is recognized on a straight line basis over respective lease periods. Lease revenue relating to subsequent years is deferred and recognised as income over future periods. Lease incentives granted are recognised as an integral part of the total rental, over the term of the lease.

Volume rebates
The Group provides volume rebates to certain customers once their purchase during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method as the selected method better predicts the amount of variable consideration driven by customers' rebate entitlements based on volume thresholds and purchase made by them during the period.

4.17 Expenses

Direct cost
Direct cost represents all expenses directly attributable or incidental to the core operating activities of the Group including but not limited to: depreciation of property, plant and equipment, amortization of intangibles, directly attributable employee related costs etc.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses. These also include allocations of certain general overheads.

General and administrative expenses
These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to direct cost or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administration expenses, where required, is made on a consistent basis.

4.18 Finance costs and finance income

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Finance costs comprise of interest expense on loans, bank facilities and lease liabilities unwinding of the discount on long term provisions and obligation under service concession agreements. Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in consolidated statement of profit or loss, using the effective interest method.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Zakat and taxation

Zakat
The Group is subject to Zakat in accordance with the regulations of the Zakat, Customs and Tax Authority ("ZATCA"). Provision for Zakat for the Group and Zakat related to the Group's ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Deferred income tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Zakat and taxation (continued)

Deferred income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax
The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value added tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

4.20 Segment reporting

Business segment is group of assets, operations or entities:

- engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- the results of its operations are continuously analyzed by Group's Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Segment reporting (continued)

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments, as follows:

- Port development and operations
- Logistic parks and support services
- Water desalination and distribution

4.21 Work-in-progress assets

Work-in-progress assets comprise of non-current assets under construction and are carried at cost less any recognised impairment losses. The work in progress assets are capitalized as property, plant and equipment, investment property or intangible asset when ready for the intended use.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS AND STANDARDS NOT YET EFFECTIVE

New and amended standards and interpretations

Following amendments to IFRS and International Accounting Standards were effective from 1 January 2021, but they did not have a material effect on the Group's consolidated financial statements:

Effective date	New Standards or amendments
1 June 2020	COVID-19-Related Rent Concessions (Amendment to IFRS 16)
1 January 2021	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 7)

Standards issued but not yet effective

The standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS AND STANDARDS NOT YET EFFECTIVE (continued)

Standards issued but not yet effective (continued)

Effective date	New Standards or amendments
1 April 2021	COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
1 January 2022	Onerous Contracts - Cost of Fulfilling a Contract Insights into IFRS (Amendments to /IAS 37)
1 January 2022	Annual Improvements to IFRS Standards 2018-2020
1 January 2022	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
1 January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-current Insights into IFRS (Amendments to IAS 1)
1 January 2023	IFRS 17 Insurance Contracts!' and amendments to IFRS 17 Insurance Contracts
1 January 2023	Disclosure of Accounting Policies (Amendments to IAS Insights into IFRS 1 and IFRS Practice Statement 2)
1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8)
1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to /IAS 12)
Available for optional effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS28)

The standards, interpretations and amendments with effective date of 1 January 2022 will not have any material impact on the Group's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Group is currently assessing the implications on the Group's consolidated financial statements on adoption.

6. PROPERTY, PLANT AND EQUIPMENT

	31 December 2021 SR	31 December 2020 SR
Property, plant and equipment (note 6.1)	**184,193,503**	204,962,895
Property and equipment of bonded and re-export project (note 6.2)	**26,453,022**	28,634,885
Property and equipment – port terminal operations (note 6.3)	**34,703,149**	34,883,753
	245,349,674	268,481,533

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

2021	Land SR	Leasehold improvements SR	Motor vehicles & tankers SR	Tools & equipment's SR	Furniture & fixtures SR	Computers SR	Desalination plants SR	**31 December 2021 SR**
Cost								
At the beginning of the year	66,808,150	131,943	19,287,845	13,538,236	12,966,079	2,868,268	354,501,252	**470,101,773**
Additions during the year	--	391,304	105,100	600,480	608,635	117,618	1,759,072	**3,582,209**
Disposals during the year	--	--	(741,619)	(89,794)	(315,962)	(68,525)	(420,356)	**(1,636,256)**
At the end of the year	66,808,150	523,247	18,651,326	14,048,922	13,258,752	2,917,361	355,839,968	**472,047,726**
Accumulated depreciation								
At the beginning of the year	--	131,943	13,432,211	10,645,750	9,260,499	2,616,505	229,051,970	**265,138,878**
Charge for the year	--	6,739	1,010,927	590,016	1,258,524	217,747	21,095,878	**24,179,831**
Disposals during the year	--	--	(659,949)	(89,038)	(285,993)	(32,013)	(397,493)	**(1,464,486)**
At the end of the year	--	138,682	13,783,189	11,146,728	10,233,030	2,802,239	249,750,355	**287,854,223**
Net book value								
As at 31 December 2021	**66,808,150**	**384,565**	**4,868,137**	**2,902,194**	**3,025,722**	**115,122**	**106,089,613**	**184,193,503**

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 The movement in property, plant and equipment is as follows (continued):

2020	Land SR	Leasehold improvements SR	Motor vehicles & tankers SR	Tools & equipment SR	Furniture & fixtures SR	Computers SR	Desalination plants SR	**31 December 2021 SR**
Cost								
At the beginning of the year	66,808,150	131,943	19,067,583	15,152,227	13,719,985	5,202,580	353,819,529	473,901,997
Additions during the year	--	--	491,775	599,688	897,889	132,140	1,970,323	4,091,815
Disposals during the year	--	--	(396,310)	--	(26,758)	(9,992)	(4,915,311)	(5,348,371)
Transfer from work in progress assets (note 7)	--	--	--	835,135	--	--	1,255,568	2,090,703
Transfer (note 6.2)	--	--	--		(2,177,911)	(2,456,460)	--	(4,634,371)
Reclassifications during the year	--	--	124,797	(3,048,814)	552,874	--	2,371,143	--
At the end of the year	66,808,150	131,943	19,287,845	13,538,236	12,966,079	2,868,268	354,501,252	470,101,773
Accumulated depreciation								
At the beginning of the year	--	131,943	12,526,094	10,472,073	9,260,505	3,279,588	211,227,367	246,897,570
Charge for the year	--	--	1,267,677	609,252	1,529,653	294,591	21,903,183	25,604,356
Disposals during the year	--	--	(361,560)	--	(26,092)	(4,764)	(4,078,580)	(4,470,996)
Transfer (note 6.2)	--	--	--	--	(1,939,142)	(952,910)	--	(2,892,052)
Reclassifications during the year	--	--	--	(435,575)	435,575	--	--	--
At the end of the year	--	131,943	13,432,211	10,645,750	9,260,499	2,616,505	229,051,970	265,138,878
Net book value								
As at 31 December 2020	66,808,150	--	5,855,634	2,892,486	3,705,580	251,763	125,449,282	204,962,895

a) The desalination plant and filling stations are situated on land leased from the Saudi Port Authority.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.2 Property and equipment of bonded and re-export project

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

2021	Leasehold improvements SR	Buildings on leasehold land SR	Equipment SR	**31 December 2021 SR**
Cost				
At the beginning of the year	27,290,790	21,398,394	5,826,028	**54,515,212**
Additions during the year	79,629	74,326	366,492	**520,447**
Disposals	--	--	(137,961)	**(137,961)**
At the end of the year	**27,370,419**	**21,472,720**	**6,054,559**	**54,897,698**
Accumulated depreciation				
At the beginning of the year	14,687,385	6,169,560	5,023,382	**25,880,327**
Charge for the year	1,025,263	986,971	690,059	**2,702,293**
Disposals	--	--	(137,944)	**(137,944)**
At the end of the year	**15,712,648**	**7,156,531**	**5,575,497**	**28,444,676**
Net book value				
At 31 December 2021	**11,657,771**	**14,316,189**	**479,062**	**26,453,022**

2020	Leasehold improvements SR	Buildings on leasehold land SR	Equipment SR	31 December 2020 SR
Cost				
At the beginning of the year	27,281,790	20,983,336	1,162,575	49,427,701
Additions during the year	9,000	415,058	29,082	453,140
Transfer from property plant and equipment (note 6.1)	--	--	4,634,371	4,634,371
At the end of the year	27,290,790	21,398,394	5,826,028	54,515,212
Accumulated depreciation				
At the beginning of the year	13,659,727	5,211,920	1,162,575	20,034,222
Charge for the year	1,027,658	957,640	968,755	2,954,053
Transfer from property plant and equipment (note 6.1)	-	--	2,892,052	2,892,052
At the end of the year	14,687,385	6,169,560	5,023,382	25,880,327
Net book value				
At 31 December 2020	12,603,405	15,228,834	802,646	28,634,885

The buildings and leasehold improvements are situated on a plot of land leased from Saudi Ports Authority (MAWANI) for a nominal annual rental. The initial lease agreement is for 20 Hijra years starting from 15 Muharram 1419H (corresponding to 11 May 1998) with a grace period of two Hijra years. On 22 Ramadan 1424H (corresponding to 16 November 2003) the lease agreement was extended to 40 Hijra years.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.3 Property and equipment – port terminal operations

The movement in property and equipment – port terminal operations is as follows:

2021	Leasehold improvements SR	Motor vehicles SR	Furniture and fixtures SR	Computers and equipment SR	Machinery and equipment SR	31 December 2021 SR
Cost						
At the beginning of the year	87,000	1,759,691	17,376,409	17,644,413	52,253,652	**89,121,165**
Additions during the year	--	--	1,486,158	1,892,908	--	**3,379,066**
Transfers from work in progress assets (note 7)	--	405,000	75,370	790,017	1,400,625	**2,671,012**
Disposals during the year	(87,000)	(322,500)	--	(3,200,693)	--	**(3,610,193)**
At the end of the year	--	1,842,191	18,937,937	17,126,645	53,654,277	**91,561,050**
Accumulated depreciation						
At the beginning of the year	70,376	1,170,814	12,080,404	13,030,228	27,885,590	**54,237,412**
Charge for the year	3,207	222,289	1,530,654	1,891,613	2,564,983	**6,212,746**
Disposals during the year	(73,583)	(322,500)	--	(3,196,174)	--	**(3,592,257)**
At the end of the year	--	1,070,603	13,611,058	11,725,667	30,450,573	**56,857,901**
Net book value						
At 31 December 2021	**--**	**771,588**	**5,326,879**	**5,400,978**	**23,203,704**	**34,703,149**

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.3 Property and equipment – port terminal operations (continued)

2020	Leasehold improvements SR	Motor vehicles SR	Furniture and fixtures SR	Computers and equipment SR	Machinery and equipment SR	31 December 2020 SR
Cost						
At the beginning of the year	333,650,236	5,209,919	19,374,819	9,566,395	350,061,513	717,862,882
Additions during the year	-	579,896	2,355,056	2,572,316	16,253,858	21,761,126
Transfers from work in progress assets (note 7)	-	-	17,002	1,763,456	8,974,080	10,754,538
Transfer to port concession rights (8.1)	(309,476,260)	(3,692,924)	(3,502,402)	3,790,775	(320,801,270)	(633,682,081)
Disposals during the year	(24,086,976)	(337,200)	(868,066)	(48,529)	(2,234,529)	(27,575,300)
At the end of the year	87,000	1,759,691	17,376,409	17,644,413	52,253,652	89,121,165
Accumulated depreciation						
At the beginning of the year	62,511,326	3,279,869	13,295,344	7,891,374	120,319,396	207,297,309
Charge for the year	5,702,663	274,222	1,581,376	1,396,609	7,958,857	16,913,727
Transfer to port concession rights (see note 8.1)	(45,812,664)	(2,083,279)	(2,110,869)	3,790,775	(98,255,551)	(144,471,588)
Disposals during the year	(22,330,949)	(299,998)	(685,447)	(48,530)	(2,137,112)	(25,502,036)
At the end of the year	70,376	1,170,814	12,080,404	13,030,228	27,885,590	54,237,412
Net book value						
At 31 December 2020	16,624	588,877	5,296,005	4,614,185	24,368,062	34,883,753

a) The Group's property and equipment – port terminal operations has been pledged against the Ijara facility (note 18).
b) Property and equipment with net book value of SR 489.2 million were transferred from port terminal assets to port concession rights in accordance with the New Concession Agreement (note 8(a)).

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	31 December 2021 SR	31 December 2020 SR
Direct costs	**21,739,311**	33,835,062
Selling and distribution expenses (note 26)	**7,355,027**	7,431,279
General and administrative expenses (note 27)	**4,000,532**	4,205,795
	33,094,870	45,472,136

7. WORK IN PROGRESS ASSETS

The work in progress assets represent the payments made to suppliers for civil works, equipment and contract assets related to concession agreement. The movement in the work in progress assets is summarized below:

	31 December 2021 SR	31 December 2020 SR
Opening balance	**117,954,228**	107,456,458
Additions during the year	**90,863,025**	101,630,625
Transfer to property and equipment (note 6.1)	**-**	(2,090,703)
Transfer to investment property (note 9)	**-**	(3,314,973)
Transfer to port terminal operations (note 6.3)	**(2,671,012)**	(10,754,538)
Transfer to intangibles port concession rights (note 8.1)	**(24,209,591)**	(72,065,880)
Transfer to intangibles software (note 8.3)	**(221,352)**	(1,687,343)
Write off during the year	**-**	(1,219,418)
At the end of the year	**181,715,298**	117,954,228

During the year ended 31 December 2021, borrowing costs amounting 2.5 million (31 December 2020: SR 3.9 million) were capitalized into in work in progress assets.

Work in progress assets include contract assets amounting to SR 53.34 million (2020: SR 23.42 million) which represents the amounts incurred by the Group for the consolidation and expansion work on container terminal under the New Service Concession Agreement. During the year addition to contract assets amounted to SR 54.13 million and capitalization from contract asset to intangible assets – port concession rights amounted to SR 24.21 million.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

8. INTANGIBLE ASSETS

Intangible assets comprise of the following:

	31 December 2021 SR	31 December 2020 SR
Port concession rights and assets (note 8.1)	**1,570,313,251**	1,625,893,154
Intangible assets related to fixed and guaranteed variable fee (note 8.2)	**1,479,431,219**	1,511,355,369
Other intangible assets (note 8.3)	**3,108,411**	4,325,622
	3,052,852,881	3,141,574,145

Saudi Trade and Export Development Company (Tusdeer) , a subsidiary of the Group, had entered into a Build-Operate-Transfer (the “BOT” or the “Agreement”) agreement with Saudi Ports Authority (“MAWANI” or the “grantor”) for the construction of a container terminal at the Re-export Zone of Jeddah Islamic Port.

The Agreement was, subsequently, novated by Tusdeer to RSGT (another subsidiary of the Group), effective from 22 Shawal 1428H (corresponding to 3 November 2007). The period of the Agreement originally was for 32 years. However, on 23 December 2019, RSGT, entered into a new concession agreement (the New Concession Agreement) with MAWANI whereby RSGT acquired rights to built and operate North Container Terminal in addition to the terminal operated under the BOT agreement, effective from 1 April 2020 (the effective date) for a period of 30 years from this date. Under the terms of the Concession, MAWANI stipulates the Tariffs to be applied by the Operator when providing services and has the right to review the published tariff structure periodically. The group has right to charge users of the port for services provided in accordance with the New Concession Agreement. Intangible assets – port concession rights are secured against the Ijara facilities obtained from local banks (note 18).

a) Certain items of property and equipment with a cost of SR 633.68 million and accumulated depreciation of SR 144.47 million, which were previously owned by the Group and used for terminal operations, were transferred to intangible assets during the year ended 31 December 2020.

b) The New Concession Agreement stipulates payment of the fixed and guaranteed variable fee on the specified rates over the life of the agreement. These fees were recorded as intangible asset under the guidance of IFRIC 12 ‘Service Concession Arrangements’, with a corresponding liability recognized as obligation under service concession arrangement during the year ended 31 December 2020 and measured in accordance with IFRS 9 “Financial Instruments”. All other variable fees are charged to consolidated statement of profit or loss as and when incurred. . Unamortised portion of ‘intangible assets’ and the ‘obligation under service concession arrangement’ are presented in ‘note 8.2’ and note 36, respectively.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

8. INTANGIBLE ASSETS (continued)

c) There is no obligation under the New Concession Agreement for the Group to undertake an asset replacement program at the end of the term of the agreement. Accordingly, the total provision for asset replacement cost of SR 75.16 million that was recorded under the previous BOT agreement of RSGT was reversed, being no longer required and was recognised as "other income" in the consolidated statement of profit or loss during year ended 31 December 2020 (note 28).

8.1 Port concession rights and assets

The movement in port concession rights is as follows:

	31 December 2021 SR	31 December 2020 SR
Cost		
At the beginning of the year	**2,487,828,059**	1,710,555,638
Additions	**10,075,212**	75,426,303
Transfer from work in progress assets(note 7)	**24,209,591**	72,065,880
Disposal	**(609,966)**	(2,401,843)
Transfer from port terminal operations (note 6.3 and 8(a))	**--**	632,182,081
At the end of the year	**2,521,502,896**	2,487,828,059
Amortization		
At the beginning of the year	**861,934,905**	642,815,862
Charge for the year	**89,864,706**	76,989,549
Disposal during the year	**(609,966)**	(2,342,094)
Transfer from port terminal operations (note 6.3 and 8(a))	**--**	144,471,588
At the end of the year	**951,189,645**	861,934,905
Net book value	**1,570,313,251**	1,625,893,154

8.2 Intangible assets related to fixed and guaranteed variable fee

	31 December 2021	31 December 2020 SR
Cost:		
Intangible assets related to fixed and guaranteed variable fee	**1,534,528,416**	1,534,528,416
Accumulated amortization:		
At the beginning of the year	**23,173,047**	--
Charge for the year	**31,924,150**	23,173,047
At end of the year	**55,097,197**	23,173,047
Net book value	**1,479,431,219**	1,511,355,369

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

8. INTANGIBLE ASSETS (continued)

8.3 Other intangible assets

Other intangible assets comprise of computer software and software licenses used by the Group companies to manage their financial and operational activities. The movement in other intangible assets is as follows:

	31 December 2021 SR	31 December 2020 SR
Cost		
At the beginning of the year	**26,266,901**	22,690,481
Additions during the year	**259,490**	1,889,077
Transfers from capital work-in-progress (note 7)	**221,352**	1,687,343
At the end of the year	**26,747,743**	26,266,901
Amortization		
At the beginning of the year	**21,941,279**	20,045,619
Charge for the year	**1,698,053**	1,895,660
At the end of the year	**23,639,332**	21,941,279
Net book value	**3,108,411**	4,325,622

Amortization charge for the year has been allocated as follows:

	31 December 2021 SR	31 December 2020 SR
Direct costs	**-**	7,183
Selling and distribution expenses (note 26)	**68,542**	125,025
General and administrative expenses (note 27)	**1,629,511**	1,763,452
	1,698,053	1,895,660

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

9. INVESTMENT PROPERTIES

The movement in investment property is as follows:

	Leasehold improvements SR	Buildings on leasehold land SR	**31 December 2021 SR**	31 December 2020 SR
Cost				
At the beginning of the year	107,998,677	135,982,365	243,981,042	240,666,069
Additions during the year	792,916	25,000	817,916	
Transfer from Work in progress assets (note 7)	--	--	**--**	3,314,973
	108,791,593	136,007,365	244,798,958	243,981,042
Accumulated depreciation				
At the beginning of the year	45,569,657	70,410,781	115,980,438	106,884,720
Charge for the year	3,435,640	7,340,886	10,776,526	9,095,718
At the end of the year	49,005,297	77,751,667	126,756,964	115,980,438
Net book value:				
At 31 December 2021	**59,786,296**	**58,255,698**	**118,041,994**	
At 31 December 2020	61,649,652	66,350,952		128,000,604

Investment properties represent warehouses rented to customers for storage and warehousing purposes.

The buildings and leasehold improvements are situated on a plot of land leased from Saudi Ports Authority for a nominal annual rental. The initial lease agreement was for 20 Hijra years starting from 15 Muharram 1419H (corresponding to 11 May 1998) with a grace period of two Hijra years, on 22 Ramadan 1424H (corresponding to 16 November 2003) the lease agreement was extended to 40 Hijra years. The fair value of the investment properties is valued at SR 413.65 million (2020: SR 311.5 million) by Advisory Corp (2020: 9200.Co for Real Estate Valuation), licensed by "Saudi Authority for Accredited Valuers". The fair value for all of the investment properties is categorised as a Level 3 fair value. Discounted Cash flow method is used to measure the fair value of these properties using forecasted cashflows of these investment properties and related weighted average cost of Capital.

Depreciation charge for the year has been allocated to direct cost.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

10. EQUITY-ACCOUNTED INVESTEES

	31 December 2021 SR	31 December 2020 SR
As at 1 January	**136,922,460**	132,421,768
Investment during the year	**44,544,436**	--
Share in results of associates, net	**23,682,459**	21,609,171
Share of actuarial losses of associates recognized in OCI	**(125,485)**	(2,082,512)
Dividend received during the year	**(17,003,409)**	(15,025,967)
As at 31 December	**188,020,461**	136,922,460

10.1 As at 31 December 2021, the investment in associates comprises the following:

Associates	Principal activity	Country of incorporation	Effective shareholding percentage **2021**	Effective shareholding percentage 2020	Carrying amount **31 December 2021**	Carrying amount 31 December 2020
International Water Distribution Company Limited (note a)	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	**50%**	50%	**90,199,793**	84,044,946
Saudi Water and Environmental Services Company(note b)	Electrical, water and mechanical works and related operation and maintenance	Kingdom of Saudi Arabia	**31.85%**	31.85%	**4,480,326**	6,660,855
Saudi Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	**33.3%**	33.3%	**48,638,162**	43,814,661
Xenmet SA, Vaduz (note c)	Trading, storage and brokerage of commodities	Principality of Liechtenstein	**19%**	19%	**2,187,969**	2,401,998
Green Dome Holdings Limited	Investment and management of companies providing logistic services	United Arab Emirate	**24%**	-	**42,514,211**	-
					188,020,461	136,922,460

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

10. EQUITY-ACCOUNTED INVESTEE (continued)

a) The Parent Company does not have any control over management and operations of "International Water Distribution Company" accordingly, it is classified as investment in associates and accounted for as such.

b) Saudi Water and Environmental Services Company is 49% owned by Kindasa Water Services Company (a subsidiary), which is 65% owned by the Parent Company.

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

d) During the year SR 44.5 million were invested by Tusdeer as one of the founding shareholders in Green Dome Holdings Limited which was incorporated during the current year. Green Dome Holdings Limited is 31.6% owned by Tusdeer, which is 76% owned by the Parent Company.

Summarized financial information of equity accounted investee companies is as follows:

Associates	**International Water Distribution Company Limited SR**	**Saudi Water and Environmental Services Company SR**	**Al Jabr Talke Company Limited SR**	**Xenmet SA, Vaduz SR**	**Green Dome Holdings Limited SR**	**Total SR**
31 December 2021						
Non current assets	**184,557,675**	**5,706,315**	**51,487,739**	**5,300,963**	**168,439,841**	**415,492,533**
Current assets	**92,667,616**	**3,939,420**	**140,270,259**	**3,818,839**	**15,831,132**	**256,527,266**
Non current liabilities	**(15,468,746)**	**-**	**(38,180,865)**	**-**	**(49,894,320)**	**(103,543,931)**
Current liabilities	**(81,224,905)**	**503,813**	**(27,586,560)**	**(486,478)**	**(7,480,000)**	**(116,274,130)**
Net assets	**180,531,640**	**10,149,548**	**125,990,573**	**8,633,324**	**126,896,653**	**452,201,738**
Revenue	**285,052,031**	**4,275,999**	**276,457,706**	**3,237,934**	**101,876**	**569,125,546**
Profit for the year	**20,322,877**	**(450,056)**	**41,774,683**	**2,975,146**	**(6,412,590)**	**58,210,060**
Other comprehensive income	**(13,183)**	**-**	**(356,717)**	**-**	**-**	**(369,900)**
Total comprehensive income	**20,309,694**	**(450,056)**	**41,417,966**	**2,975,146**	**(6,412,590)**	**57,840,160**
Share of OCI	**(6,592)**	**-**	**(118,894)**	**-**	**-**	**(125,486)**
Share of profit / (loss)	**10,161,438**	**(220,528)**	**15,048,383**	**723,392**	**(2,030,226)**	**23,682,459**
Dividend received	**(4,000,000)**	**(1,960,000)**	**(10,105,988)**	**(937,421)**	**-**	**(17,003,409)**

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

10. EQUITY-ACCOUNTED INVESTEE (continued)

Associates	International Water Distribution Company Limited SR	Saudi Water and Environmental Services Company SR	Al Jabr Talke Company Limited SR	Xenmet SA, Vaduz SR	Total SR
31 December 2020					
Non-current assets	198,332,474	6,171,555	76,291,006	4,505,364	285,300,399
Current assets	79,295,067	8,120,064	124,839,783	6,192,909	218,447,823
Non-current liabilities	(12,269,549)	-	(40,999,738)	-	(53,269,287)
Current liabilities	(97,135,838)	(699,641)	(48,361,186)	(909,858)	(147,106,523)
Net assets	168,222,154	13,591,978	111,769,865	9,788,415	303,372,412
Revenue	260,756,913	8,917,623	260,700,113	2,443,008	532,817,657
Profit for the year	14,226,684	14,833	40,138,159	2,331,325	56,711,001
Other comprehensive income	(1,513,000)	-	(3,978,626)	-	(5,491,626)
Total comprehensive income	12,713,684	14,833	36,159,533	2,331,325	51,219,375
Share of OCI	(756,436)	-	(1,326,076)	-	(2,082,512)
Share of profit	7,190,873	(1,024,270)	14,685,934	756,633	21,609,170
Dividend received	4,000,000	-	11,025,967	-	15,025,967

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Equity investments comprise of investment in shares of Growth Gate Capital Corporation B.S.C. Movement in investment is as follows:

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**14,972,714**	15,538,283
Changes in fair value	**(63,182)**	(565,569)
At the end of the year	**14,909,532**	14,972,714

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

12. GOODWILL

The Group recorded a goodwill of SR 9.3 million on acquisition of Kindasa Water Services Company (Kindasa), a subsidiary of the Group. Subsequently, an impairment of SR 0.5 million was recorded in previous periods resulting in net carrying value of SR 8.8 million (31 December 2020: SR 8.8 million).

The management reviews goodwill for impairment annually and when there is an indicator of impairment. For the purposes of impairment testing, goodwill has been allocated to the subsidiary (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 the senior management and Board of Directors of Kindasa.

As at 31 December 2021, the carrying amount of goodwill was reviewed and no impairment was identified.

13. INVENTORIES, NET

	31 December 2021 SR	31 December 2020 SR
Spare parts	**36,099,118**	30,367,000
Raw materials and chemicals	**1,420,003**	218,467
Fuel, oil and desalinated water	**204,297**	715,002
	37,723,418	31,300,469
Less: allowance for slow moving and obsolete inventories	**(11,788,421)**	(11,672,477)
	25,934,997	19,627,992

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

13. INVENTORIES, NET (continued)

Movement in allowance for slow moving in obsolete inventories is as follows:

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**11,672,477**	8,011,586
Charge for the year	**115,944**	3,660,891
At the end of the year	**11,788,421**	11,672,477

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021 SR	31 December 2020 SR
Trade receivables, net (note 34)	**96,211,788**	102,696,717
Prepayments and other receivables	**57,662,072**	19,962,078
Margin deposits (note 32)	**2,867,436**	2,770,225
Advances to suppliers	**5,052,327**	7,511,907
	161,793,623	132,940,927

15. CASH AND CASH EQUIVALENTS

	31 December 2021 SR	31 December 2020 SR
Cash on hand	**258,247**	234,090
Cash at banks	**687,072,718**	336,299,837
Murabaha deposits (note 15.1)	**205,043,126**	-
	892,374,091	336,533,927

15.1 Murabaha deposits were placed with local commercial banks having original maturity of less than three months and yield financial income at prevailing market rates.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

16. SHARE CAPITAL

As at 31 December 2021, the authorized and paid up capital of the Company is divided into 81.6 million shares (31 December 2020: 81.6 million shares) of SR 10 each.

On 23rd Ramadan, 1442H (corresponding to 5 May 2021), the shareholders of the Company in their Annual General meeting approved the dividend amounting to SR 65.28 million (SR 0.8 per share) [2020: On 13 April 2020, dividend amounting to SR 48.96 million (SR 0.6 per share)].

On 29th Rabi ul Awwal, 1443H (corresponding to 4 November 2021), the shareholders of the Company in their Ordinary General Assembly meeting approved the interim dividend amounting to SR 32.64 million (SR 0.4 per share). Dividend was paid in full during the year ended 31 December 2021.

17. STATUTORY RESERVE

In accordance with the Company's By-laws, the Company sets aside 10% of its net income in each year to a statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company.

18. LONG-TERM LOANS AND BANK FACILITIES

	31 December 2021 SR	31 December 2020 SR
Long-term loans	**721,357,394**	736,333,242
Less: current portion	**(73,210,529)**	(70,670,666)
Non-current portion	**648,146,865**	665,662,576

a) On 3 December 2007, RSGT (a subsidiary of the Company) entered into an Ijara arrangement with two local commercial banks to obtain a loan of SR 1,271 million. The Ijara facility was secured against the property and equipment of RSGT (note 6). The loan was to be repaid in semi-annual installments ending in December 2023.The loan carried special commission rate of SIBOR plus an agreed margin (see note(c) below).

b) On 28 September 2016, RSGT entered into an Ijara arrangement with two local commercial banks to obtain a loan of SR 260 million for expansion of its existing berths. This facility was also secured against the port concession rights of RSGT (note 8.1). The loan was to be repaid in semi-annual installments ending in December 2023. The loan carried special commission rate of SIBOR plus an agreed margin (see note (c) below).

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

18. LONG-TERM LOANS AND BANK FACILITIES (continued)

c) During the year ended 31 December 2020, RSGT and the banks mutually agreed to amend the terms of the loan agreements above. These amendments, among others, included modification of the applicable rate from six months SIBOR to three months SIBOR, lowered the agreed margin, modified the repayment frequency from biannual to quarterly payment and extended the maturity period from year 2023 to 2030. The Ijara facilities are secured against property and equipment of RSGT. The modifications of the terms were assessed qualitatively and quantitively in accordance with IFRS 9 "Financial Instruments" and, as a result, the management concluded that the changes in terms of agreement did not resulted in substantial modification under the requirements of IFRS 9 "Financial Instruments". Accordingly, the modifications resulted in a day one gain of SR 31.96 million recorded in the statement of profit or loss as at the effective date of the modification of the terms of the loans (note 39). Un-amortised balance of the modification gain as at 31 December 2021 is of SR 22.7 million (2020: 27.85 million) which will be amortised over the remaining period of the Ijara facility, using effective interest rate.

d) Unamortized portion of the advance rentals and other fees paid to the banks, are amortized over the remaining period of the Ijara facility, using effective interest rate approach.

e) During the year ended 31 December 2020, RSGT obtained a facility with sanctioned limit of SR 750 million towards its consolidation and expansion works. Out of which SR 95 million (2020: 45 million) was drawn as of the date of statement of financial position. RSGT pays an agreed commitment fee on the undrawn balance and an agreed profit payable at SIBOR plus a margin on the drawn balance. The commitment fee paid has been deferred and amortised as part of effective interest rate. The loan will be repaid in quarterly instalments starting from 2023 and ending in 2033. The loan is secured against assets relating to the consolidation and expansion works.

	31 December 2021 SR	31 December 2020 SR
Long-term loans	**718,257,496**	731,461,973
Less: current portion (note below)	**(71,439,158)**	(68,899,295)
Non-current portion	**646,818,338**	662,562,678

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

18. LONG-TERM LOANS AND BANK FACILITIES (continued)

f) During 2016, Kindasa (a subsidiary of the Company) entered into an agreement for a long-term facility with a commercial bank for SR 24 million to finance the construction of a new water desalination facility. The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in quarterly instalments commencing one year after the first drawdown. The loan is secured by secondary mortgage over Kindasa's property and equipment. As at 31 December 2021, Kindasa has drawn down SR 8.5 million (2020: SR 8.5 million) out of total facility of SR 24 million.

	31 December 2021 SR	31 December 2020 SR
Long-term loan	**3,099,898**	4,871,269
Less: current portion	**(1,771,371)**	(1,771,371)
Long-term portion	**1,328,527**	3,099,898

g) All loans of the Group are denominated in Saudi Arabian Riyal.

19. EMPLOYEES' END-OF-SERVICE BENEFITS

The Company and its subsidiaries operate an approved unfunded employees' end of service benefits scheme / plan for its permanent employees. The movement in the defined benefit obligation over the year is as follows:

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**48,126,455**	39,470,059
Included in statement of profit or loss		
Current service cost	**8,217,963**	6,045,092
Interest cost	**1,254,821**	1,191,914
	9,472,784	7,237,006
Included in statement of other comprehensive income		
Actuarial loss	**148,636**	5,864,921
Benefits paid	**(4,993,152)**	(4,445,531)
At the end of the year	**52,754,723**	48,126,455

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

Actuarial assumptions

The defined benefit plan is exposed to many actuarial risks, the most significant of which are final salary risk, discount / interest rate fluctuation risk, longevity risk and inflation risk.

The following were the principal actuarial assumptions at the reporting date:

	31 December 2021	31 December 2020
Discount rate	**2.96%**	2.75%
Future salary growth / expected rate of salary increase	**3%**	3%
Price inflation rate	**2%**	2%
Retirement age	**60 years**	60 years

The weighted average duration of the defined benefit obligation is 13.525 years (2020: 12.53 years).

The sensitivity of the defined benefit obligation to changes in the discount rate by 100 basis points is as follows:

	31 December 2021 SR	31 December 2020 SR
Increase in discount rate	**(7,135,077)**	(8,001,986)
Decrease in discount rate	**7,135,077**	8,001,986
Increase in salary growth	**9,150,196**	11,374,857
Decrease in salary growth	**(7,552,486)**	(8,988,688)

20. LONG-TERM PROVISIONS

	31 December 2021 SR	31 December 2020 SR
Provision for dismantling cost (note a)	**1,900,442**	1,821,257
Others	**133,585**	162,967
	2,034,027	1,984,224

a) Provision for dismantling cost

It represents cost to remove the plant pertaining to Kindasa, a subsidiary, from land leased from MAWANI for a period of 17 years.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

21. DERIVATIVE FINANCIAL INSTRUMENT

During the year ended 31 December 2018, RSGT entered into a Profit Rate Swap contract maturing on 30 June 2023.

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

	31 December 2021 SR	31 December 2020 SR
Notional amount	**228,966,472**	332,898,300
Negative fair value	**5,662,361**	14,060,566

The hedge has been assessed to be effective and as at 31 December 2021, net un-realised gain of SR 5.96 million (un-realized loss in 2020: SR 0.96 million) has been included in the consolidated statement of other comprehensive income.

The amount shown as cash flow hedging reserve in the consolidated statement of other comprehensive income as at 31 December 2021 is expected to affect the consolidated statement of profit or loss in forthcoming years.

22. TRADE PAYABLES, ACCRUED AND OTHER CURRENT LIABILITIES

	31 December 2021 SR	31 December 2020 SR
Accrued liabilities	**145,836,294**	126,194,877
Unearned revenue	**4,373,920**	6,053,021
Trade payables	**54,060,993**	80,479,977
Advances from customers	**12,550**	406,501
Retention money payable	**2,430,282**	857,289
Payable to Jeddah Islamic Port Authority	**26,609,453**	7,463,033
Other payables	**27,444,561**	25,662,483
	260,768,053	247,117,181

Unearned revenue mainly relates to rent received in advance for which revenue is recognized over time. All of the unearned rent as at 31 December 2020 was recognized as revenue during the year ended 31 December 2021.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

23. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	31 December 2021 SR	31 December 2020 SR
Cost:		
At the beginning of the year	**101,081,068**	256,622,317
Lease contracts modification (note below)	**256,568**	(147,340,195)
Additions during the year	**9,344,864**	4,552,274
Lease contract terminated during the year	**--**	(12,753,328)
	110,682,500	101,081,068
Depreciation:		
Accumulated depreciation	**(14,162,815)**	(14,797,077)
Depreciation for the year	**(6,038,415)**	(6,866,680)
Depreciation for the year (capitalized in Work in progress assets)	**(349,033)**	(351,917)
Relating to modified and terminated contract	**--**	7,852,859
Accumulated depreciation	**(20,550,263)**	(14,162,815)
Net value at end of the year	**90,132,237**	86,918,253

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year:	**91,631,727**	247,016,438
Addition during the year	**9,509,292**	-
Lease contracts modification (note below)	**256,568**	(147,340,195)
Interest charge for the year	**2,597,779**	2,342,544
Unwinding of lease liability (capitalized in work in progress assets)	**2,462,357**	3,923,274
Payment of lease liabilities during the year	**(8,922,034)**	(9,402,420)
Relating to modified and terminated contract	**--**	(4,907,914)
At the end of the year	**97,535,689**	91,631,727
Current lease liability	**8,739,576**	7,033,955
Non-current lease liability	**88,796,113**	84,597,772
	97,535,689	91,631,727

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

23. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

During the year ended 31 December 2020, TUSDEER, a subsidiary of the Parent Company, entered into a revised contract with "Jeddah Development and Urban Regeneration Company (JDURC)" with respect to lease of land for construction and development of a logistics park. According to the revised lease agreement, the land area is lower than before with corresponding decrease in annual rental for the current and future years.

The following are the amounts recognized in profit or loss:

	31 December 2021 SR	31 December 2020 SR
Depreciation expense of right-of-use assets	**6,387,448**	7,218,597
Interest charge on lease liabilities	**5,060,136**	2,342,544
Total amount recognized in profit or loss	**11,447,584**	9,561,141

24. REVENUE FROM SALE OF GOODS AND SERVICES

	31 December 2021 SR	31 December 2020 SR
Shipping and unloading services	**723,881,654**	684,290,565
Sale of potable water	**96,340,475**	92,247,906
Rentals and support services	**100,978,211**	85,092,835
	921,200,340	861,631,306

24.1. Shipping and unloading services are provided based on predefined rates. Sales of goods and services and rental incomes are based on contractual agreed rates. The entity satisfies its performance obligation upon delivery of the goods and services to the customers. All of the Group's revenue generating activities are conducted in the Kingdom of Saudi Arabia.

25. DIRECT COSTS

	31 December 2021 SR	31 December 2020 SR
Cost of shipping and unloading services	**341,516,247**	321,744,904
Cost of sale of potable water	**70,138,838**	65,892,074
Cost of rentals and support services	**63,073,381**	50,254,753
	474,728,466	437,891,731

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

26. SELLING AND DISTRIBUTION EXPENSES

	31 December 2021 SR	31 December 2020 SR
Depreciation (note 6.4)	**7,355,027**	7,431,279
Salaries, wages and benefits	**5,456,960**	5,047,552
Utilities and telecommunication	**632,821**	452,914
Advertising and marketing	**664,519**	4,448,285
Expected credit losses on trade receivables (note 34)	**1,493,530**	1,047,551
Amortization (note 8.3)	**68,542**	125,025
Right-of-use assets depreciation	**412,113**	412,113
Others	**499,549**	1,860,599
	16,583,061	20,825,318

27. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2021 SR	31 December 2020 SR
Salaries, wages and benefits	**98,701,652**	97,050,337
Legal and professional fees	**13,342,376**	12,910,651
Utilities, telecommunication and office supplies	**2,234,629**	3,071,385
Depreciation (note 6.4)	**4,000,532**	4,205,795
Travelling	**3,693,540**	1,924,933
Amortization of intangibles (note 8.3)	**1,629,511**	1,763,452
Right-of-use assets depreciation	**--**	-
Others	**27,941,979**	25,745,206
	151,544,219	146,671,759

28. OTHER INCOME

	31 December 2021 SR	31 December 2020 SR
Reversal of provision for asset replacement cost (note 8(c))	**-**	75,165,206
Reversal of provisions no longer required	**9,466,000**	11,612,137
(Loss) / gain on disposal of property and equipment	**(60,261)**	(3,498,773)
Management services fees and others	**5,662,661**	5,449,318
	15,068,400	88,727,888

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

29. ZAKAT AND INCOME TAX CHARGE , NET

Zakat and income tax charge for the year comprise of:

	31 December 2021 SR	31 December 2020 SR
Zakat charge for the year related to Saudi partners (note 29.1)	**12,636,098**	8,603,634
Income tax charge / (reversal) for the year related to non-Saudi shareholders (note 29.3)	**5,801,332**	7,903,635
Adjustments related to prior years (notes 29.1 and 29.2)	**--**	(77,438)
	18,437,430	16,429,831

29.1 Movement in provision for Zakat is as follows:

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**8,809,495**	6,716,894
Charge for the year	**12,636,098**	8,603,634
Adjustments relating to prior year		(91,593)
Amounts paid during the year	**(7,656,960)**	(6,419,440)
At the end of the year	**13,788,633**	8,809,495

29.2 Movement in provision for current income tax is as follows:

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**3,522,118**	1,726,164
Charge relating to current year	**7,927,311**	5,897,489
Adjustment related to prior years	**--**	14,155
Paid during the year	**(6,615,887)**	(4,115,690)
At the end of the year	**4,833,542**	3,522,118

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

29. ZAKAT AND INCOME TAX (continued)

29.3 Major components of income tax are as follows:

	31 December 2021 SR	31 December 2020 SR
Current income tax (see note 29.2)	**7,927,311**	5,897,489
Deferred income tax (see note 29.4)	**(2,125,979)**	2,006,146
	5,801,332	7,903,635

Income tax charge relating to the non-Saudi partners of RSGT has been provided based on non-Saudi partners share of adjusted net income for the year at the rate of 20%.

29.4 Movement in deferred tax asset during the year is as follows:

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**2,401,519**	4,407,665
Deferred tax credit / (expense) during the year charged to income statement	**2,125,979**	(2,006,146)
At the end of the year	**4,527,498**	2,401,519

29.5 Zakat assessments status

Parent Company

During the year, the Parent Company received an offer by the Zakat Tax and Customs Authority ("ZATCA") Settlement Committee to pay SR 8 million as a full and final settlement against zakat and tax for years from 2002 to 2013. Management of the Parent Company confirmed their acceptance to the ZATCA Settlement Committee and, simultaneously, requested to adjust SR 3.9 million already paid by the Parent Company for those years. The ZATCA adjusted the settlement SADAD invoice of SR 8 million by reflecting SR 3.9 million already paid. During the year ended 31 December 2021 the Company paid the net due amount of SR 4.1 million and finalised the zakat assessment up to year 2013. Furthermore, the ZATCA has also raised assessments for the years 2014 to 2015 and year 2016 to 2018 with an additional liability of SR 0.47 million and SR 1.4 million respectively. The Company accepted and paid the imposition of Zakat amounting to SR 0.47 million and SR 1.4 million during the year and finalized the assessment up to the year 2018. During the current year, ZATCA has raised the assessments for years 2019 and 2020 with an additional liability of SR 2.65 million. The Parent Company has filed an appeal with ZATCA in respect of these assessments and settled SR 0.66 million representing 25% of the assessed amount pursuant to the requirement under the New Zakat Regulation. Subsequent to filing of appeal, the ZATCA has issued its revised assessments with a reduced Zakat liability SR 0.019 million which SISCO has accepted under protest. The Company is in the process of requesting a refund from ZATCA for the overpaid Zakat of SR 0.64 million which pertains to the 25% Zakat settled upon filing the appeal.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

29. ZAKAT AND INCOME TAX (continued)

29.5 Zakat assessments status (continued)

Subsidiaries
Red Sea Gateway Terminal Company Limited and Red Sea Ports Development Company ("the Subsidiaries")
RSGT has finalized its Zakat and income tax assessments with ZATCA up to 2013 and has filed its Zakat and income tax returns up to the year 2020. Tax / zakat assessment for the year 2014 is considered as finalized under statute of limitation. RSGT has received an assessment SR 0.115 million for year 2015 which was accepted and paid. Up to, the date of these consolidated financial statements, ZATCA is yet to raise the assessment for the years from 2016 through 2020.

RSPD has filed its Zakat and income tax returns with ZATCA up to the year 2020. RSPD has received an assessment for year 2018 which was accepted and paid under protest. Assessment for the years upto 2015 and prior years are considered as finalized under statute of limitation. Up to the date of this report, ZATCA is yet to raise assessments for the years from 2016 through 2017 and 2019 to 2020.

Saudi Trade and Export Development Company Limited ("the Subsidiary")
The Subsidiary has finalized its Zakat assessments with ZATCA up to 2016 and has filed its Zakat returns up to 2020. Up to the date of these consolidated financial statements, ZATCA is yet to raise the assessment for the years from 2017 to 2020.

Support Services Operation Company Limited ("the Subsidiary")
The Subsidiary has finalized its Zakat assessments with GAZT for the years 2007 to 2008 and 2016 to 2018. Isnad has filed its Zakat returns up to 2020. ZATCA has not raised the assessment for the years from 31 December 2009 to 31 December 2015 and 31 December 2019 to 31 December 2020 .

Kindasa Water Service Company ("the Subsidiary")
The Subsidiary has finalized its Zakat assessments with ZATCA up to 2015 and has filed its Zakat returns up to 2020. Up to the date of these consolidated financial statements, ZATCA is yet to raise the assessment for the years from 2016 to 2020.

30. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue outstanding during the year.

	31 December 2021 SR	31 December 2020 SR
Profit for the year attributable to ordinary shareholders of the Parent Company	**57,878,318**	139,412,924
Weighted average number of ordinary shares in issue	**81,600,000**	81,600,000
Basic and diluted earnings per share	**0.71**	1.71

The diluted EPS is same as the basic EPS as the Group does not have any dilutive instruments in issue.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

31. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, associates of the Group, and other entities (Affiliates) controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a) Significant related party transactions for the year ended 31 December are as follows:

Due from related parties

Related party	***Relationship***	***Description***	***Amount of transaction*** **31 December 2021 SR**	31 December 2020 SR	***Balance as at*** **31 December 2021 SR**	31 December 2020 SR
International Water Distribution Company	Associate	Sales of goods and services	**66,565,273**	65,195,702	**9,532,543**	11,206,981
		Services rendered to associate	**759,000**	726,000		73,430
		Expenses incurred by associate on behalf of the Group	**(11,867)**	(10,088)		-
		Expenses incurred by Group on behalf of the associate	**78,200**	117,704		-
		Dividend received from associate	**4,000,000**	4,000,000		-
Arabian Bulk Trade Limited	Affiliate	Sales of goods and services	**348,900**	69,510	**356,373**	74,293
		Expenses incurred by Group on behalf of the Associate	**3,393**	6,193		-
Al Jabr Talke Company Limited	Associate	Services rendered to associate	**138,000**	342,000	**-**	23,000
		Dividend received from associate	**10,105,988**	11,025,967		
		Expenses cross charged by Group to associate	**427,230**	127,100		
Saudi Water and Environmental Services Company Limited	Associate	Sales of goods and services	**2,087,380**	5,019,904	**14,675**	249,996

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due from related parties (continued)

Related party	*Relationship*	*Description*	*Amount of transaction* **31 December 2021 SR**	*Amount of transaction* 31 December 2020 SR	*Balance as at* **31 December 2021 SR**	*Balance as at* 31 December 2020 SR
Xenel Industries Limited	Shareholder	Expenses incurred by the Group on behalf of the Shareholder	**337,862**	315,628		
		Expenses incurred by the shareholder on behalf of the Group	**(40,095)**	(160,845)	718,731	420,964
Total					**10,622,322**	12,048,664

Due to related parties

Related party	*Relationship*	*Description*	*Amount of transaction* **31 December 2021 SR**	*Amount of transaction* 31 December 2020 SR	*Balance as at* **31 December 2021 SR**	*Balance as at* 31 December 2020 SR
Al Karam Alarabi Catering	Affiliate	Purchase of goods and services	**(19,298,438)**	(18,557,097)	**1,602,928**	-
Haji Abdullah Ali Reza & Co. Limited - General Technical Division	Affiliate	Purchase of goods and services	-	(657,736)	-	36,605
Total					**1,602,928**	36,605

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Key management personnel remuneration and compensation comprised of the following:

	31 December 2021 SR	31 December 2020 SR
Short term employee benefits	**12,529,606**	13,608,875
Post-employment benefits	**451,471**	434,626
	12,981,077	14,043,501

Short term employee benefits of the Group's key management personnel include remuneration, salaries and bonuses.

c) Board of Directors / Committee members remuneration and compensation comprised of the following:

	31 December 2021 SR	31 December 2020 SR
Meeting attendance fees	**872,000**	744,000
Other short term remuneration	**7,370,000**	6,842,500
	8,242,000	7,586,500

32. COMMITMENTS AND CONTINGENCIES

Contingencies relating to Zakat and income tax are disclosed in note 29.

At 31 December 2021, the Group's bankers have issued letters of guarantee amounting to SR 149.5 million (31 December 2020: SR 156.3 million) against which cash margin of SR 5.9 million (31 December 2020: SR 2.77 million) was deposited.

As at 31 December 2021, the Group has commitments for work in progress assets amounting to SR 262.8 million (31 December 2020: SR 4.8 million) mainly relating to new logistic hub and park construction project and new desalination plant construction and development project.

33. BUSINESS SEGMENTS

The Group has the following main business segments:

- Port development and operations
- Water desalination and distribution
- Logistic parks and support services
- Unallocated: Consists of investment activities and head office functions.

These business segments are located within the Kingdom of Saudi Arabia and are the Group's strategic business units. All revenue are generated within Kingdom of Saudi Arabia.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

33. BUSINESS SEGMENTS (continued)

The Company's top management reviews internal management reports of each strategic business unit at least quarterly. Segment results that are reported to the top management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues, as included in the internal management reports that are reviewed by the top management. The following table presents segment information (assets, liabilities, revenue and net income) for each of the business segments as at and for the year ended 31 December:

	Reportable segments					
31 December 2021	***Port development and operations (SR'000)***	***Logistic parks and support services (SR'000)***	***Water desalination and distribution (SR'000)***	***Total (SR'000)***	***Unallocated (SR'000)***	***Total (SR'000)***
External revenue						
Point in time	723,882	38,989	97,369	860,240	-	**860,240**
Over period of time	64,208	61,989	-	126,197	-	**126,197**
Total External revenue	788,090	100,978	97,369	986,437	-	**986,437**
Inter-segment revenue	-	-	(1,029)	(1,029)	-	**(1,029)**
Segment revenue	788,090	100,978	96,340	985,408	-	**985,408**
Cost of revenue	406,753	63,073	70,139	539,965	-	**539,965**
Inter-segment cost of revenue	(1,029)	-	-	(1,029)	-	**(1,029)**
Segment cost	405,724	63,073	70,139	538,936	-	**538,936**
Segment gross profit	382,366	37,905	26,201	446,472	-	**446,472**
Finance cost	200,536	2,084	445	203,065	476	**203,541**
Depreciation and amortization	133,497	17,402	22,634	173,533	213	**173,746**
Profit / (loss) attributable to shareholders of the Parent Company	53,358	5,480	3,313	62,151	(4,273)	**57,878**
Segment assets	3,576,168	471,585	167,799	4,215,552	779,499	**4,995,051**
Segment liabilities	2,534,164	114,411	28,430	2,677,005	21,660	**2,698,665**

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

33. BUSINESS SEGMENTS (continued)

	Reportable segments					
31 December 2020	*Port development and operations (SR'000)*	*Logistic parks and support services (SR'000)*	*Water desalination and distribution (SR'000)*	*Total (SR'000)*	*Unallocated (SR'000)*	*Total (SR'000)*
External revenue						
Point in time	684,291	36,469	93,210	813,970	-	813,970
Over period of time	159,233	48,624	-	207,857	-	207,857
External total revenues	843,524	85,093	93,210	1,021,827	-	1,021,827
Inter-segment revenue	-	-	(963)	(963)	-	(963)
Segment revenue	843,524	85,093	92,247	1,020,864	-	1,020,864
Cost of revenue	481,941	50,255	65,892	598,088	-	598,088
Inter-segment direct costs	(963)	-	-	(963)	-	(963)
Segment cost	480,978	50,255	65,892	597,125	-	597,125
Segment gross profit	362,546	34,838	26,355	423,740	-	423,740
Finance cost	130,931	2,239	311	133,481	-	133,481
Depreciation and amortization	123,669	17,702	22,175	163,546	299	163,845
Profit / (loss) attributable to shareholders of the Parent Company	120,868	10,873	2,360	134,101	5,312	139,413
Segment assets	3,536,229	416,201	188,050	4,140,480	266,674	4,407,154
Segment liabilities	2,530,370	112,289	30,998	2,673,657	23,920	2,697,577

34. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risks, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (continued)

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include long term loans and long term liabilities.

Interest rate risk
Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments.

Majority of the Group's borrowings are at floating rate of interest and are subject to re-pricing on a regular basis. Management regularly monitors the changes in interest rates. The Group enters into Interest Rate Swaps ("IRS") (Derivative financial instruments) to manage its exposure to interest rate risk. Such IRS is designated as a Cash flow hedge.

Increase / decrease in variable rate by 1% with all other variables held constant, the impact on the equity and profit before zakat and income tax for the year would have been SR 4.1 million (31 December 2020: SR 4.6 million).

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and United States Dollar. Other transactions in foreign currencies are not material. The Group's management believes that their exposure to currency risk is limited as US Dollar is pegged to Saudi Riyal. Currency risk is managed on a regular basis and fluctuation in the exchange rates are monitored on a continuous basis.

Other price risk
The Group does not hold quoted instruments, accordingly, not exposed to other price risk.

Credit risk
Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. To reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history.

The Groups gross maximum exposure to credit risk at the reporting date is as follows:

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

	31 December 2021 SR	31 December 2020 SR
Financial assets		
Trade receivables, net	**96,211,788**	102,696,717
Due from related parties	**10,622,322**	12,048,664
Balances with banks	**892,115,844**	336,299,837
	998,949,954	451,045,218

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. As at 31 December 2021, 6 largest customers (31 December 2020: 6 largest customers) account for approximately 92% (31 December 2020: 74%) of outstanding trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of cash promissory note, security deposit or advance, which are considered integral part of trade receivables and considered in the calculation of impairment.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	31 December 2021					
	Current SR	**<90 days SR**	**90–180 days SR**	**271–365 days SR**	**>1 year SR**	**Total SR**
Exposure at default	41,447,044	43,621,822	7,592,882	4,215,447	15,828,640	**112,705,835**
Expected credit loss	131,884	195,907	935,003	239,858	14,991,395	**16,494,047**
	41,315,160	**43,425,915**	**6,657,879**	**3,975,589**	**837,245**	**96,211,788**

	31 December 2020					
	Current SR	<90 days SR	90–180 days SR	271–365 days SR	>1 year SR	Total SR
Exposure at default	54,063,225	40,875,286	7,240,466	1,596,796	17,196,262	120,972,035
Expected credit loss	598,377	772,574	230,471	698,761	15,975,135	18,275,318
	53,464,848	40,102,712	7,009,995	898,035	1,221,127	102,696,717

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Movement of impairment allowance against trade receivables is as follows:

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**18,275,318**	17,227,767
Charge during the year	**1,493,530**	1,047,551
Written off during the year	**(3,274,801)**	-
At the end of the year	**16,494,047**	18,275,318

Credit risk on bank balances is limited as the bank balances are held with banks with credit ratings ranging from A2 to A1 based on Moody's credit rating. All bank accounts are held with banks within Kingdom of Saudi Arabia.

Financial position of related parties is stable. There were no past due or impaired receivables from related parties.

Liquidity risk
Liquidity risk is the risk that an enterprise will encounter difficulty in in meeting its obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments as well as close monitoring of cash inflows and outflows from operations. The table below summarises the maturity profile of the Group's financial liabilities based on contractual payments:

31 December 2021	**Within 1 year SR**	**1 to 5 years SR**	**More than 5 years SR**	**Total SR**
Bank borrowings	**73,210,732**	**346,410,694**	**353,104,175**	**772,725,601**
Obligation under service concession arrangement	**169,027,713**	**791,358,244**	**4,807,313,939**	**5,767,699,896**
Trade payables, accrued and other liabilities	**256,381,583**	**--**	**--**	**256,381,583**
Lease Liabilities	**11,194,467**	**44,057,604**	**146,434,254**	**201,686,325**
Derivative financial instrument	**5,662,361**	**--**	**--**	**5,662,361**
Due to related parties	**1,602,928**	**--**	**--**	**1,602,928**
	517,079,784	**1,181,826,542**	**5,306,852,368**	**7,005,758,694**

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (continued)

***Liquidity risk* (continued)**

31 December 2020	Within 1 year SR	1 to 5 years SR	More than 5 years SR	Total SR
Bank borrowings	70,670,666	316,097,397	406,628,205	793,396,268
Obligation under service concession arrangement	190,530,528	620,367,716	5,132,554,634	5,943,452,878
Trade payables, accrued and other liabilities	240,657,659	-	-	240,657,659
Lease liabilities	7,597,409	36,735,678	158,440,258	202,773,345
Derivative financial instrument	14,060,566	-	-	14,060,566
Due to related parties	36,605	-	-	36,605
	523,553,433	973,200,791	5,697,623,097	7,194,377,321

35. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, share premium, statutory reserve and retained earnings attributable to the equity holders of the Parent Company. The primary objective of the Group's capital management is to maximize the shareholders' value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt.

	31 December 2021 SR	31 December 2020 SR
Total liabilities	**2,698,664,868**	2,697,576,634
Less: Cash and cash equivalents	**(892,374,091)**	(336,533,927)
Net debt	**1,806,290,777**	2,361,042,707
Equity	**2,296,386,500**	1,709,577,092
Total capital	**4,102,677,277**	4,070,619,799
Gearing ratio	**44%**	58%

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

36. OBLIGATION UNDER SERVICE CONCESSION AGREEMENT

Current and non-current portion of obligation under service concession agreement is as follows:

	31 December 2021 SR	31 December 2020 SR
Balance at 31 December	**1,538,327,518**	1,545,955,021
Less: current portion	**(169,027,713)**	(190,530,528)
Non current portion	**1,369,299,805**	1,355,424,493

37. CONSTRUCTION REVENUE AND CONSTRUCTION COST

	31 December 2021 SR	31 December 2020 SR
Construction revenue	**64,207,878**	159,233,442
Cost of construction	**(64,207,878)**	(159,233,442)

In accordance with IFRIC 12 "Service Concession Agreements", the Group has recorded construction revenue of SR 64.2 million (2020:SR 159.23 million) on construction of a container terminal during the year ended 31 December 2021 (2020: during the period from 1 April 2020 (i.e. the effective date of the New Concession Agreement) to 31 December 2020). The construction revenue represents the fair value of the construction services provided in developing the container terminal. No margin has been recognized, as in management's opinion the fair value of the construction services provided approximates to the construction cost.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

38. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

38. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

31 December 2021	**Carrying value SR**	**Level 3 SR**
FINANCIAL ASSETS		
Amortised cost		
Trade receivables and other receivables	**96,211,788**	
Due from related parties	**10,622,322**	
Cash and cash equivalents	**892,374,091**	
FVOCI		
Investment in equity securities	**14,909,532**	**14,909,532**
	1,014,117,733	**14,909,532**
FINANCIAL LIABILITIES		
Loans and bank facility	**721,357,394**	
Obligation under service concession arrangements	**1,538,327,518**	
Trade payables and other liabilities	**256,381,583**	
Due to related parties	**1,674,155**	
Derivative financial instrument	**5,662,361**	**5,662,361**
	2,523,403,011	**5,662,361**

31 December 2020	Carrying value SR	Level 3 SR
FINANCIAL ASSETS		
Amortised cost		
Trade receivables and other receivables	102,696,717	
Due from related parties	12,048,664	
Cash and cash equivalents	336,533,927	
FVOCI		
Investment in equity securities	14,972,714	14,972,714
	466,252,022	14,972,714
FINANCIAL LIABILITIES		
Loans and bank facility	736,333,242	
Obligation under service concession arrangements	1,545,955,021	
Trade payables and other liabilities	240,657,659	
Due to related parties	36,605	
Derivative financial instrument	14,060,566	14,060,566
	2,537,043,093	14,060,566

None of the Group's financial assets and liabilities are classified under level 1 and level 2

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

39. FINANCE COST, NET

	31 December 2021 SR	31 December 2020 SR
Financial charges on loans and bank facilities including amortization of advance rentals	**32,649,430**	34,944,116
Finance charges on obligation under service concession arrangement	**168,125,480**	126,491,836
Modification gain on loan arrangements	**-**	(31,959,301)
Unwinding of provision for asset replacement cost	**-**	933,146
Financial charges on lease liabilities	**2,597,779**	2,342,544
Finance income-others	**-**	-
Other financial charges	**168,621**	728,484
	203,541,310	133,480,825

40. MATERIAL PARTLY-OWNED SUBSIDIARIES

	31 December 2021 SR	31 December 2020 SR
Non -controlling interest	**673,641,105**	395,634,489

Summarised financial information of material non-controlling interest in "Red Sea Gateway Terminal Company Limited" and "Red Sea Ports Development Company Limited", is disclosed in note 33 to the consolidated financial statements under "Port development and operations" segment.

41. COMPARATIVE FIGURES

During the year Zakat and tax payable have been reclassified out of trade payables, accrued and other current liabilities and presented separately in the statement of financial position for better presentation. Comparative amounts in the statement of financial position have been reclassified for consistency.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 8 March 2022, corresponding to 5 Shaaban 1443H.