SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013
with
INDEPENDENT AUDITOR'S REPORT

KPMG Al Fozan & Al Sadhan
Zahran Business Centre, Tower A, 9th Floor
Prince Sultan Street
PO Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 12 698 9595
Fax +966 12 698 9494
Internet www.kpmg.com.sa

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries (collectively referred as "the Group") which comprise the consolidated balance sheet as at December 31, 2013 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 33 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

1) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013 and the consolidated results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and

2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
License No.382

KPMG Al Fozan & Al Sadhan
Certified Public Accountants

Rabi Al Thani 18, 1435H
Corresponding to February 18, 2014

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET
As at 31 December 2013
(Expressed in Saudi Arabian Riyals)

	Notes	2013	2012
ASSETS			
Current assets:			
Cash and cash equivalents	4	**209,418,166**	163,051,365
Accounts and other receivables	5	**102,640,328**	100,078,385
Inventories	6	**18,959,084**	14,912,033
Total current assets		**331,017,578**	278,041,783
Non-current assets:			
Investments	7	**87,984,296**	67,591,867
Property, plant and equipment	8	**606,755,716**	565,766,267
Intangible assets - quay project	9	**1,491,716,746**	1,561,300,954
Goodwill	10	**8,776,760**	8,776,760
Assets classified as held for disposal	11	**620,426**	--
Total non-current assets		**2,195,853,944**	2,203,435,848
Total assets		**2,526,871,522**	2,481,477,631
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and other current liabilities	12	**114,972,713**	121,252,100
Current portion of long-term loans and bank facilities	13	**102,566,597**	89,870,593
Total current liabilities		**217,539,310**	211,122,693
Non-current liabilities:			
Long-term loans and bank facilities, non-current portion	13	**1,038,556,684**	1,096,520,241
Other long-term obligations	14	**30,786,188**	26,372,097
Employees' end of service benefits	15	**13,755,940**	11,204,387
Derivative financial instruments	16	**6,407,680**	13,371,293
Liabilities classified as held for disposal	11	**120,980**	--
Total non-current liabilities		**1,089,627,472**	1,147,468,018
Total liabilities		**1,307,166,782**	1,358,590,711
Equity:			
Equity attributable to the shareholders of Parent Company:			
Share capital	17	**680,000,000**	680,000,000
Share premium		**36,409,063**	36,409,063
Statutory reserve	18	**13,690,853**	8,086,871
Special reserve	19	**6,835,883**	4,033,892
Effect of reducing the ownership percentage in a subsidiary	20	**4,653,218**	4,653,218
Cash flow hedging reserve	16	**(3,923,156)**	(8,103,003)
Retained earnings		**88,739,737**	41,105,886
Total equity attributable to the shareholders of Parent Company		**826,405,598**	766,185,927
Non-controlling interests		**393,299,142**	356,700,993
Total equity		**1,219,704,740**	1,122,886,920
Total liabilities and equity		**2,526,871,522**	2,481,477,631

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2013
(Expressed in Saudi Arabian Riyals)

	Notes	2013	2012
Continuing operations:			
Revenue	22	**520,023,921**	473,441,399
Costs of revenue	23	**(260,400,232)**	(257,660,676)
Gross profit		**259,623,689**	215,780,723
Selling and distribution expenses	24	**(12,443,006)**	(11,887,101)
General and administration expenses	25	**(104,478,169)**	(92,499,229)
Operating profit		**142,702,514**	111,394,393
Share of results from equity accounted associates, net	7.2	**(1,254,882)**	(8,072,270)
Other income	26	**594,015**	10,597,627
Financial charges		**(37,463,516)**	(33,398,630)
Net income before Zakat and non-controlling interests from continued operations		**104,578,131**	80,521,120
Discontinued operations:			
Net loss for the year from discontinued operation	11	**(1,485,520)**	(172,801)
Net income before Zakat and non-controlling interests		**103,092,611**	80,348,319
Zakat	27	**(6,465,227)**	(5,594,969)
Net income before non-controlling interests		**96,627,384**	74,753,350
Income attributable to non-controlling interests		**(40,587,560)**	(36,527,120)
Net income		**56,039,824**	38,226,230
Earnings per share on operating profit	28(a)	**2.10**	1.64
Earnings per share from net income	28(b)	**0.82**	0.56

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2013
(Expressed in Saudi Arabian Riyals)

	Notes	2013	2012
Operating activities:			
Income before Zakat and non-controlling interests from continued operations		**104,578,131**	80,521,120
Adjustments for:			
Depreciation and amortization	8.4, 9(c)	**105,793,988**	103,713,265
Provision for employees' end of service benefits	15	**3,932,087**	3,166,930
Provision for doubtful debts	5	**963,866**	134,352
Loss on disposal of property, plant and equipment		**1,417,088**	5,062,256
Share of results from equity accounted associates, net	7.2	**1,254,882**	8,072,270
Other long-term obligations		**8,914,091**	9,332,835
Provision for impairment loss	8.2	**9,359,646**	--
Financial charges		**37,463,516**	33,398,630
Write back of provision no longer required	26	**--**	(10,000,000)
Impairment loss on assets classified as held for sale		**793,280**	--
Loss on discontinued operation	11	**(1,485,520)**	(183,519)
		272,985,055	233,218,139
Changes in operating assets and liabilities:			
Accounts and other receivables		**(3,546,235)**	(34,381,237)
Inventories		**(4,047,051)**	(3,837,527)
Accounts payable and other current liabilities		**(12,676,060)**	17,579,031
Cash generated from operating activities		**252,715,709**	212,578,406
Employees' end of service benefits paid	15	**(1,370,480)**	(594,904)
Deferred charges		**--**	47,710
Financial charges paid		**(37,463,516)**	(33,398,630)
Zakat paid	27	**(4,457,627)**	(5,438,127)
Net cash generated from operating activities		**209,424,086**	173,194,455
Investing activities:			
Investment in associates	7.2	**(21,647,311)**	6,679,971
Additions to property, plant and equipment and intangible assets		**(91,510,551)**	(99,373,408)
Dividend from an associate	7.2	**--**	2,450,000
Proceeds from disposal of property, plant and equipment		**2,141,307**	461,793
Net cash used in investing activities		**(111,016,555)**	(89,781,644)
Financing activities:			
Net change in loans and bank facilities		**(45,267,553)**	(136,372,419)
Net movement in non-controlling interests		**(6,773,177)**	(3,893,576)
Net cash used in financing activities		**(52,040,730)**	(140,265,995)
Net change in cash and cash equivalents		**46,366,801**	(56,853,184)
Cash and cash equivalents at the beginning of the year		**163,051,365**	219,904,549
Cash and cash equivalents at the end of the year	4	**209,418,166**	163,051,365

The accompanying notes 1 through 33 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 2013
(Expressed in Saudi Arabian Riyals)

	Equity attributable to the shareholders of the Parent Company									
	Share capital	Share premium	Statutory reserve	Special reserve	Effect of reducing the ownership percentage in a subsidiary	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2013	680,000,000	36,409,063	8,086,871	4,033,892	4,653,218	(8,103,003)	41,105,886	766,185,927	356,700,993	1,122,886,920
Net income	--	--	--	--	--	--	56,039,824	56,039,824	40,587,560	96,627,384
Transfer to reserves	--	--	5,603,982	2,801,991	--	--	(8,405,973)	--	--	--
Net movement in non-controlling interests	--	--	--	--	--	--	--	--	(6,773,177)	(6,773,177)
Change in fair value of derivative financial instruments (note 16)	--	--	--	--	--	4,179,847	--	4,179,847	2,783,766	6,963,613
Balance at December 31, 2013	**680,000,000**	**36,409,063**	**13,690,853**	**6,835,883**	**4,653,218**	**(3,923,156)**	**88,739,737**	**826,405,598**	**393,299,142**	**1,219,704,740**
Balance at January 1, 2012	680,000,000	36,409,063	4,264,248	2,122,581	4,653,218	--	8,613,590	736,062,700	329,335,739	1,065,398,439
Net income	--	--	--	--	--	--	38,226,230	38,226,230	36,527,120	74,753,350
Transfer to reserves	--	--	3,822,623	1,911,311	--	--	(5,733,934)	--	--	--
Net movement in non-controlling interests	--	--	--	--	--	--	--	--	(3,893,576)	(3,893,576)
Change in fair value of derivative financial instruments (note 16)	--	--	--	--	--	(8,103,003)	--	(8,103,003)	(5,268,290)	(13,371,293)
Balance at December 31, 2012	680,000,000	36,409,063	8,086,871	4,033,892	4,653,218	(8,103,003)	41,105,886	766,185,927	356,700,993	1,122,886,920

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

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

Company	Country of incorporation	Effective shareholding 2013	2012	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 Limited	Saudi Arabia	**60%**	60%	Water desalination and treatment plant and sale of water.
Support Services Operation Company Limited ("ISNAD")	Saudi Arabia	**99.28%**	99.28%	Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease.
Red Sea Gateway Terminal Company Limited ("RSGT")	Saudi Arabia	**60.6%**	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.
Red Sea Port Development Company – Closed Joint Stock Company ("RSPD")	Saudi Arabia	**60.6%**	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

2. BASIS OF PREPARATION

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

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

Comparative figures
Certain comparative figures have been regrouped to conform to the presentation in the current period. Furthermore, the comparative consolidated statement of income has been re-presented as if an operation that was discontinued during the current year had been discontinued from the beginning of the comparative year (Note 11).

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

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

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

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

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

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

2. BASIS OF PREPARATION (continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation
These consolidated financial statements include the financial statements of the Company and its subsidiaries as set out in note 1. Associates are accounting for using the equity method.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates
The Group's investment in associates is accounted for under the equity method of accounting. There are entities over which the Group exercises significant influence and which is neither a subsidiary nor a joint venture. Investment in associates are carried in the consolidated balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value based on its latest financial statements at each reporting date. The consolidated statement of income reflects the Group's share of the results of its associate. Where there has been a change recognized directly in the equity of associate, the Group recognizes its share of any changes and discloses this when applicable in the consolidated statement of changes in equity. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

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

Dividends are recorded when received and credited to the investment.

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

Fair value is determined by reference to the market value in the open market. If fair value is not available, cost is considered to be the most appropriate objective and reliable measurement of the fair value of investments.

Dividend income is recognized when the right to receive the dividend is established.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The estimated economic useful lives of assets are as follows:

Buildings	Shorter of lease period or 10 - 40 years
Leasehold improvements	Shorter of lease period or 35 years for bonded and re-export projects, 10 years for Quay projects and 5 years for others.
Plant and equipment	7 - 25 years
Desalination plants, water filling stations and accessories	8 - 21 years
Machinery and equipment	8 25 years
Motor vehicles and tankers	4 - 10 years
Furnitures and fixtures	2 - 10 years
Computers and equipment	2 - 7 years

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

Intangible asset - quay project

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

Deferred charges

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

Accounts payable and accruals

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

Employees' end of service benefits

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

Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets and liabilities classified as held for disposal and discontinued operations (continued)

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

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

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

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

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

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

Segmental reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. As the Group carries out its business activities mainly in the Kingdom of Saudi Arabia, reporting is provided by business segment only (see note 31).

4. CASH AND CASH EQUIVALENTS

	2013	2012
Cash on hand	**217,470**	28,763
Cash at banks	**134,165,071**	153,022,602
Bank term deposits with maturity of 3 months or less	**75,035,625**	10,000,000
	209,418,166	163,051,365

5. ACCOUNTS AND OTHER RECEIVABLES

	2013	2012
Trade receivables, net (note 'a' below)	**43,362,843**	42,643,058
Advances to suppliers	**7,023,155**	5,247,182
Margin deposits	**14,000,000**	14,855,676
Amounts due from related parties (note 21)	**25,311,721**	18,967,836
Prepaid expenses and other receivables	**12,942,609**	18,364,633
	102,640,328	100,078,385

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

	2013	2012
Due from related parties(note 21)	**7,636,155**	9,113,548
Third party customers	**37,929,522**	34,998,790
	45,565,677	44,112,338
Less: provision for doubtful debts	**(2,202,834)**	(1,469,280)
	43,362,843	42,643,058

The Group does not have any collateral over receivables and the vast majority are, therefore, unsecured.

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

	2013	2012
At the beginning of the year	**1,469,280**	1,343,648
Provision for the year	**963,866**	134,352
Written off during the year	**(230,312)**	(8,720)
	2,202,834	1,469,280

Unimpaired trade receivables are expected, on the basis of past experience to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

c) The ageing of trade receivables is as follows:

	Up to three months	*Above three and up to six months*	*Above six months*	Total
31 December 2013	**40,290,630**	**2,868,885**	**2,406,162**	**45,565,677**
31 December 2012	36,918,690	4,104,988	3,088,660	44,112,338

6. INVENTORIES

	2013	2012
Spare parts	**18,740,006**	14,666,375
Raw materials and chemicals	**205,657**	229,000
Fuel, oil and desalinated water	**13,421**	16,658
	18,959,084	14,912,033

7. INVESTMENTS

	2013	2012
Available for sale investment – unquoted	**9,570,150**	9,570,150
Investment in associates (note 7.1)	**78,414,146**	58,021,717
	87,984,296	67,591,867

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

Associates	Principal activity	Country of incorporation	Shareholding percentage	2013	2012
- International Water Distribution Company Limited	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	50%	**44,340,722**	26,979,657
- Saudi Water and Environmental Services Company Limited (see note 'i' below)	Electrical, water and mechanical works and related operation and maintenance	Kingdom of Saudi Arabia	Indirect ownership	**14,189,490**	11,252,294
- Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	33.33%	**11,398,692**	11,094,612
- Xenmet SA, Vaduz (see note 'ii' below)	Trading, storage and brokerage of commodities	Principality of Liechtenstein	Indirect ownership	**8,485,242**	8,695,154
				78,414,146	58,021,717

7. INVESTMENTS (continued)

i. Saudi Water and Environment Services Company is 49% (31 December 2012: 49%) owned by Kindasa Water Service Company (a subsidiary), which is 60% owned by the Parent Company (31 December 2012: 60%).

ii. Xenmet SA, Vaduz is 25% (31 December 2012: 25%) owned by Saudi Trade and Export Development Company Limited, which is 76% owned by the Parent Company (31 December 2012: 76%).

7.2 Movements in investments in associates are as follows:

	2013	2012
At the beginning of the year	**58,021,717**	52,489,016
Investments during the year	**21,647,311**	6,679,971
Advance reclassified as investment	**--**	9,375,000
Share of results of associates, net	**(1,254,882)**	(8,072,270)
Dividends received	**--**	(2,450,000)
At the end of the year	**78,414,146**	58,021,717

8. PROPERTY, PLANT AND EQUIPMENT, NET

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

	2013	2012
Property, plant and equipment (note 8.1)	**293,916,873**	300,541,022
Property and equipment of bonded and re-export project (note 8.2)	**194,008,914**	164,618,473
Property and equipment - quay project (note 8.3)	**118,829,929**	100,606,772
	606,755,716	565,766,267

8. PROPERTY, PLANT AND EQUIPMENT, NET (continued)

8.1 The estimated useful lives of assets for calculation of depreciation are as follows:

Buildings	10–36 years	Furnitures and fixtures	2-10 years
Leasehold improvements	Shorter of lease period or 5 years	Computers	2-6.67 years
Motor vehicle and tankers	4-10 years	Desalination plants, water filling stations and accessories	8-21 years
Plant and equipment	6.67-25 years		

	Land	Buildings	Leasehold improvements	Motor vehicles and tankers	Plant and equipment	Funitures and fixtures	Computers	Desalination plants	Capital work-in-progress	Total
Cost:										
At the beginning of the year	67,838,013	4,181,898	131,943	17,020,528	8,580,052	5,269,756	1,301,730	265,512,280	33,993,397	403,829,597
Additions	40,253	--	--	633,100	534,238	424,539	81,695	2,117,087	12,945,064	16,775,976
Disposals	--	--	--	(1,308,238)	(23,333)	(77,684)	(2,081)	(1,351,705)	(143,524)	(2,906,565)
Transfers	--	--	--	--	--	329,797	--	40,013,222	(40,343,019)	--
Classified as held for sale	--	--	--	(2,152,823)	(7,473)	(2,500)	(3,070)	--	--	(2,165,866)
At the end of the year	67,878,266	4,181,898	131,943	14,192,567	9,083,484	5,943,908	1,378,274	306,290,884	6,451,918	415,533,142
Depreciation:										
At the beginning of the year	--	1,936,524	131,943	9,173,935	5,257,571	3,698,407	1,173,215	81,916,980	--	103,288,575
Charge for the year	--	792,487	--	1,598,350	543,280	512,976	97,365	16,705,713	--	20,250,171
Disposals	--	--	--	(765,814)	(18,827)	(37,412)	--	(327,838)	--	(1,149,891)
Classified as held for sale	--	--	--	(764,202)	(4,393)	(1,786)	(2,205)	--	--	(772,586)
At the end of the year	--	2,729,011	131,943	9,242,269	5,777,631	4,172,185	1,268,375	98,294,855	--	121,616,269
Net book value:										
As at 31 December 2013	**67,878,266**	**1,452,887**	**--**	**4,950,298**	**3,305,853**	**1,771,723**	**109,899**	**207,996,029**	**6,451,918**	**293,916,873**
As at 31 December 2012	67,838,013	2,245,374	--	7,846,593	3,322,481	1,571,349	128,515	183,595,300	33,993,397	300,541,022

8. PROPERTY, PLANT AND EQUIPMENT, NET (continued)

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

b) The property, plant and equipment of Kindasa Water Services Company Limited with a net book value of SR 217,528,467 (2012: SR 208,575,500) are mortgaged to Saudi Industrial Development Fund.

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

8.2 Property and equipment of bonded and re-export project

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	Shorter of lease period or 36 years
Buildings	Shorter of lease period or 10 to 40 years
Equipment	2 to 6.67 years

	Leasehold improvements	Buildings	Equipment	Capital work-in-progress	Total
Cost:					
At the beginning of the year	112,798,146	87,440,003	3,483,142	17,647,059	221,368,350
Additions	549,288	--	--	45,043,527	45,592,815
Transfers	2,000,229	46,837,717	--	(48,837,946)	--
Provision for impairment loss (note 25)	--	--	--	(9,359,646)	(9,359,646)
At the end of the year	115,347,663	134,277,720	3,483,142	4,492,994	257,601,519
Depreciation:					
At the beginning of the year	30,685,152	24,824,268	1,240,457	--	56,749,877
Charge for the year	3,168,847	3,171,538	502,343	--	6,842,728
At the end of the year	33,853,999	27,995,806	1,742,800	--	63,592,605
Net book value:					
At 31 December 2013	**81,493,664**	**106,281,914**	**1,740,342**	**4,492,994**	**194,008,914**
At 31 December 2012	82,112,994	62,615,735	2,242,685	17,647,059	164,618,473

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

8. PROPERTY, PLANT AND EQUIPMENT, NET (continued)

8.3 Property and equipment - quay project

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	Shorter of lease period or 10 years	Machinery and equipment	8-25 years
Motor vehicle	5 years	Computers and equipment	3 years
Furniture and fixtures	4-10 years		

	Leasehold improvements	Motor vehicles	Furniture and fixtures	Computers and equipments	Machinery and equipments	Capital work-in-progress	Total
Cost:							
At the beginning of the year	7,396,710	5,095,620	4,164,088	5,875,785	96,615,581	--	119,147,784
Additions	1,220,985	214,675	321,937	2,899,178	3,678,791	21,999,867	30,335,433
Disposals	--	(1,182,595)	--	--	--	--	(1,182,595)
Transfers	3,460,367	--	--	--	5,411,790	(8,872,157)	--
At the end of the year	12,078,062	4,127,700	4,486,025	8,774,963	105,706,162	13,127,710	148,300,622
Depreciation:							
At the beginning of the year	176,582	2,757,445	2,397,896	4,775,890	8,433,199	--	18,541,012
Charge for the year	950,785	678,554	877,374	1,433,910	7,875,081	--	11,815,704
Disposal	--	(886,023)	--	--	--	--	(886,023)
At the end of the year	1,127,367	2,549,976	3,275,270	6,209,800	16,308,280	--	29,470,693
Net book value:							
At 31 December 2013	**10,950,695**	**1,577,724**	**1,210,755**	**2,565,163**	**89,397,882**	**13,127,710**	**118,829,929**
At 31 December 2012	7,220,128	2,338,175	1,766,192	1,099,895	88,182,382	--	100,606,772

8. PROPERTY, PLANT AND EQUIPMENT, NET (continued)

8.3 Property and equipment - quay project (continued)

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

	2013	2012
Civil works	**2,074,413**	--
Equipments	**11,053,297**	--
	13,127,710	--

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

	2013	2012
Cost of revenue	**20,019,842**	19,740,626
Selling and distribution expenses (note 24)	**5,978,980**	3,963,629
General and administration expenses (note 25)	**12,909,781**	15,623,827
	38,908,603	39,328,082

9. INTANGIBLE ASSETS - QUAY PROJECT

Quay project's intangible assets consist of:

	2013	2012
Quay project's intangible assets (note 'a'below)	**1,461,921,740**	1,530,312,274
Right to use land (note 'b' below)	**29,795,006**	30,988,680
	1,491,716,746	1,561,300,954

a) Intangible assets – Quay project

	Container terminal	Computer equipment & software	Machinery & equipment	**Total 2013**
Cost:				
At the beginning of the year	1,327,128,745	12,543,902	378,301,211	**1,717,973,858**
Disposals	--	--	(2,405,631)	**(2,405,631)**
At the end of the year	1,327,128,745	12,543,902	375,895,580	**1,715,568,227**
Amortisation:				
At the beginning of the year	122,472,640	10,854,639	54,334,305	**187,661,584**
Charge for the year	47,719,630	399,744	18,766,011	**66,885,385**
Disposal	--	--	(900,482)	**(900,482)**
At the end of the year	170,192,270	11,254,383	72,199,834	**253,646,487**
Net book value:				
At 31 December 2013	**1,156,936,475**	**1,289,519**	**303,695,746**	**1,461,921,740**
At 31 December 2012	1,204,656,105	1,689,263	323,966,906	1,530,312,274

9. INTANGIBLE ASSETS - QUAY PROJECT (continued)

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

c) The amortisation charge for the year of SR 66,885,385 (2012: SR 64,385,182) has been included under cost of revenue.

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

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

10. GOODWILL

Goodwill of SR 8,776,760 arose on acquisition of Kindasa Water Services Company, a subsidiary.

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

11. ASSETS AND LIABILITIES HELD FOR DISPOSAL

During the year, the Board of Directors' of a subsidiary of Kindasa Water Services Company Limited, "Bahar Kindasa Water Services Company Limited", had decided to liquidate the company and appointed a liquidator to perform the liquidation. Efforts to sell the company have already commenced.

Results of the discontinued operation for the year ended December 31, were as follows:

	2013	2012
Revenue	--	1,810,953
Cost of revenue	--	(980,155)
Other expenses	**(1,485,520)**	(1,003,599)
Loss for the year before Zakat	**(1,485,520)**	(172,801)
Zakat	--	--
Net loss for the year from discontinued operation	**(1,485,520)**	(172,801)

11. ASSETS AND LIABILITIES HELD FOR DISPOSAL (continued)

Assets classified as held for disposal	**2013**
Property, plant and equipment (note 'a' below)	**600,000**
Accounts and other receivables	**20,426**
Total assets	**620,426**
Liabilities classified as held for disposal	
Accounts and other payables	**110,926**
End of service benefits	**10,054**
Total liabilities	**120,980**

a) The property, plant and equipment are shown net of impairment loss of SR 793,280.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2013	2012
Accounts payable	**8,904,536**	17,047,845
Accrued expenses	**40,952,896**	47,526,757
Unearned revenue	**11,861,356**	8,906,316
Zakat payable (note 27)	**8,212,547**	6,204,947
Payable to a contractor (see note 14 (b))	**4,500,000**	3,000,000
Amounts due to related parties (note 21)	**2,940,119**	532,424
Income tax payable	**1,405,865**	2,258,760
Retention payable	**2,978,158**	1,075,080
Other payables	**33,217,236**	34,699,971
	114,972,713	121,252,100

13. LONG TERM LOANS AND BANK FACILITIES

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

	2013	2012
Saudi Industrial Development Fund loans (note a)	**24,680,000**	31,280,000
Ijara facilities obtained from banks (note b)	**1,065,276,646**	1,136,007,010
Long-term loan (note c)	**35,000,000**	3,750,000
Long-term loan (note d)	**10,666,635**	15,353,824
Long-term loan (note e)	**5,500,000**	--
Total long-term loans	**1,141,123,281**	1,186,390,834
Less: current portion of term Murabaha finance loans	**(102,566,597)**	(89,870,593)
Non-current portion	**1,038,556,684**	1,096,520,241

13. LONG TERM LOANS AND BANK FACILITIES (continued)

a) During 2003, Kindasa signed an agreement with Saudi Industrial Development Fund ("SIDF") for obtaining a loan of SR 64.5 million to finance the extension of the desalination plant. Out of this amount, Kindasa has drawn SR 52.3 million (2012: SR 52.3 million), the outstanding balance of which amounted to SR 24.68 million as at 31 December 2013 (2012: SR 31.28 million).

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

	2013	2012
Long-term loan	**24,680,000**	31,280,000
Less: current portion	**(6,800,000)**	(6,600,000)
Long-term portion	**17,880,000**	24,680,000

b) On 3 December 2007, RSGT, entered into an Ijara arrangement with two banks to obtain a loan of SR 1,271 million. The Ijara facility is secured by the assets of RSGT. The remaining amount of loan will be repaid in six monthly instalments, ending in December 2023. The loan bears commission rate of SIBOR plus an agreed margin. The amounts due in 2014 are shown as current liability.

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

	2013	2012
Long-term Ijara financing	**1,106,307,030**	1,181,140,432
Less: Unamortized portion of advance rentals paid	**(41,030,384)**	(45,133,422)
	1,065,276,646	1,136,007,010
Less: current portion	**(80,071,741)**	(74,833,404)
Non-current portion	**985,204,905**	1,061,173,606

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

	2013	2012
Long-term loan	**35,000,000**	3,750,000
Less: current portion of term loan	**(8,750,000)**	(3,750,000)
Non-current portion	**26,250,000**	--

13. LONG TERM LOANS AND BANK FACILITIES (continued)

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

	2013	2012
Long-term loans	**10,666,635**	15,353,824
Less: current portion	**(4,944,856)**	(4,687,189)
Non-current portion	**5,721,779**	10,666,635

e) During 2013, Kindasa entered into an agreement for a long-term loan facility with a commercial bank up to a maximum aggregate amount of SR 6 million. As at 31 December 2013 amount of SR 6 million has been utilised. The loan carries commission at commercial rates and is repayable in twelve equal quarterly instalments.

	2013	2012
Long-term loans	**5,500,000**	--
Less: current portion	**(2,000,000)**	--
Non-current portion	**3,500,000**	--

14. OTHER LONG-TERM OBLIGATIONS

a) Provision for equipment replacement cost

As per the BOT agreement with SEAPA, RSGT has an obligation to replace certain machinery and equipment (the "Equipment") during the tenure of the agreement. The management of RSGT has estimated that RSGT will be required to incur an amount of SR 304.9 million to replace the Equipment. As at 31 December 2013, an amount of SR 26.08 million (2012: SR 17.06 million) has been recorded as provision for equipment replacement cost.

During 2013 RSGT has used 3.73% (2012: 3.73%) as discount rate for determining the present value of obligation. The management believes that the discount rate of 3.73% is reflective of the term of obligation.

b) Payable to a contractor

An amount of SR 9 million (2012: SR 12 million) is payable to RSGT's civil contractor under an agreement. The outstanding balance will be paid over a period of two years.

14. OTHER LONG-TERM OBLIGATIONS (continued)

b) Payable to contractor (continued)

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

	2013	2012
Payable to contractor	**9,000,000**	12,000,000
Less: current portion appearing in accounts payables and other current liabilities	**(4,500,000)**	(3,000,000)
Long-term obligation	**4,500,000**	9,000,000

15. EMPLOYEES' END OF SERVICE BENEFITS

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

	2013	2012
January 1	**11,204,387**	8,632,361
Charge for the year	**3,932,087**	3,166,930
Payments made during the year	**(1,370,480)**	(594,904)
Classified as held for disposal	**(10,054)**	--
December 31	**13,755,940**	11,204,387

16. DERIVATIVE FINANCIAL INSTRUMENT

During 2012, RSGT entered into a Profit Rate Swap contract with a commercial bank to hedge its exposure to the variability in cash flows arising from profit payments on Ijara facilities obtained from banks. The negative fair value of this instrument as at December 31, 2013 is SR 6.14 million (2012: SR 13.37 million)

During the year 2013, Tusdeer entered into a Profit Rate Swap contract to hedge its exposure to the variability in cash flows arising from profit payments on long-term loan facilities obtained from banks. The negative fair value of this instrument as at December 31, 2013 is SR 0.26 million.

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

	2013		2012	
	Negative fair value	**Notional amount**	Negative fair value	Notional amount
Profit Rate Swap	**6,407,680**	**698,784,218**	13,371,293	708,680,280

16. DERIVATIVE FINANCIAL INSTRUMENT (continued)

Movement in derivative financial instruments is as follows:

	2013	2012
Balance at the start of the year	**13,371,293**	--
Additions during the year	**260,408**	13,371,293
Change in fair value	**(7,224,021)**	--
Balance at the end of the year	**6,407,680**	13,371,293

The Profit Rate Swap contract is assessed to be highly effective and as at 31 December 2013, a net un-realised loss of SR 3.9 (2012: SR 8.1 million) has been included in equity as cash flow hedging reserve.

The amount shown as cash flow hedge reserve under equity as at 31 December 2013 is mainly expected to affect the profit and loss in the forthcoming one to three years.

During the year, ineffective portion of SR 7.2 million (2012: SR 3.8 million) was transferred from "cash flow hedging reserve" in the consolidated statement of Parent Company's equity to consolidated statement of income.

17. SHARE CAPITAL

The authorised and paid up capital of the Company is divided into 68 million (2012: 68 million) shares of SR 10 each.

18. STATUTORY RESERVE

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

19. SPECIAL RESERVE

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

20. EFFECT OF REDUCING SHAREHOLDING PERCENTAGE IN A SUBSIDIARY

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

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

21. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

Due from related parties – under trade receivables:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2013	2012	**2013**	2012
International Water Distribution Company Limited	Associate	Sales of goods and services	**31,091,729**	29,908,383	**7,636,155**	9,113,548

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due from related parties – under other receivables:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2013	2012	**2013**	2012
Stork Technical Services Saudi Arabia limited	Affiliate	Payments made by Group on behalf of affiliate	**7,496,015**	2,287,755	**9,783,770**	2,287,755
Al Jabr Talke Company Limited	Associate	Loan and sales of goods and services	**1,867,323**	250,524	**8,312,726**	6,445,403
Saudi Water and Electricity Company Limited	Associate	Loan and sales of goods and services	**3,095,180**	2,993,392	**5,806,030**	9,067,798
Xenel Industries Limited	Affiliate	Payments made by Group on behalf of affiliate	**42,169**	225,982	**--**	--
International Water And Distribution Company Limited	Associate	Services rendered to associate	**621,993**	600,000	**1,188,873**	1,166,880
Resource Science Arabia Limited	Affiliate	Payments made by Group on behalf of affiliate	**220,322**	103,072	**220,322**	--
					25,311,721	18,967,836

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Name	Relationship	Nature of transactions	Amount of transactions 2013	Amount of transactions 2012	Closing balance 2013	Closing balance 2012
Karam Fedics	Affiliate	Rendering of services	**8,891,815**	7,925,711	**2,566,250**	--
Ambro Limited	Affiliate	Payments made by the Group on behalf of affiliate	**174,991**	--	**174,991**	--
Resource Science Arabia Limited	Affiliate	Expenses incurred on behalf of the Group	**28,475**	21,993	**141,446**	118,249
Xenel Industries Limited	Affiliate	Expenses incurred on behalf of the Group	**1,623,815**	680,832	**57,432**	414,175
Alireza Travel and Tourism Company	Affiliate	Rendering of services	**2,221,001**	1,251,507	--	--
					2,940,119	532,424

b) Remuneration to key management personnel

Remuneration, compensation and bonuses of the key management personnel / executive directors and attendance fee of Board Directors and members of Board Committees paid during the year ended December 31, 2013 was SR 9,721,971 (2012: SR 7,768,702)

22. REVENUE

	2013	2012
Shipping and unloading services	**352,521,824**	305,455,453
Rentals and support services	**75,654,477**	65,086,795
Sale of potable water	**67,707,274**	65,704,142
Fuel and transport and support services	**24,140,346**	37,195,009
	520,023,921	473,441,399

23. COST OF REVENUE

	2013	2012
Shipping and unloading services	**181,009,867**	171,392,586
Cost of sale of potable water	**36,721,108**	35,640,318
Fuel and transport and support services	**22,865,554**	31,492,846
Rentals and support services	**19,803,703**	19,134,926
	260,400,232	257,660,676

24. SELLING AND DISTRIBUTION EXPENSES

	2013	2012
Salaries, wages and benefits	**3,925,583**	3,273,102
Depreciation (note 8.4)	**5,978,980**	3,963,629
Utilities and telecommunication	**117,739**	1,503,357
Repairs and maintenance	**69,541**	26,858
Others	**2,351,163**	3,120,155
	12,443,006	11,887,101

25. GENERAL AND ADMINISTRATION EXPENSES

	2013	2012
Salaries, wages and benefits	**55,019,263**	41,308,192
Depreciation (note 8.4)	**12,909,781**	15,623,827
Provision for impairment for capital work-in-progress (note 8.2)	**9,359,646**	--
Government and professional fees	**6,966,541**	3,172,739
Office supplies	**5,221,470**	3,664,366
Advertising	**1,657,210**	8,653,728
Utilities and telecommunication	**1,113,990**	745,030
Rent	**886,075**	784,411
Others	**11,344,193**	18,546,936
	104,478,169	92,499,229

26. OTHER INCOME

	2013	2012
Reversal of accrual no longer required	**--**	10,000,000
Others	**594,015**	597,627
	594,015	10,597,627

Reversal of an accrual no longer required represents a claim from a contractor, which is no longer required to be paid based on the final settlement with the contractor.

27. ZAKAT

Movement in zakat provision during the year was as follows:

	2013	2012
At the beginning of the year	**6,204,947**	6,048,105
Charge for the year	**6,465,227**	5,594,969
Amounts paid during the year	**(4,457,627)**	(5,438,127)
At the end of the year	**8,212,547**	6,204,947

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

Zakat assessments status

The Department of Zakat and Income Tax ("DZIT") has raised assessments for the years ended 31 December 2002 through 2008 with an additional liability of SR 25.8 million. The Company has filed an objection against the DZIT's assessment.The Preliminary Appeal Committee ("PAC") rendered its decision on the Company's objection reducing the assessed liability to SR 3.9 million. The Company has paid the additional liability of SR 3.9 million under protest and filed an appeal with the Higher Appeal Committee ("HAC") with respect to the additional amount. Moreover, DZIT raised initials assessments for the year ended 31 December 2009, 2010, 2011 and 2012 with an additional liability of SR 1.3 million. The Company has filed an objection against this additional liability.

28. EARNINGS PER SHARE

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

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

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

29. COMMITMENTS AND CONTINGENCIES

The Group's bankers have issued letters of guarantee amounting to SR 35.3 million on which there is a cash margin of SR 14 million (2012: SR 38 million on which there was a cash margin of SR 14 million).

As at December 31, 2013, the group's bankers have issued letters of credit amounting to SR 0.42 million on which there is a cash margin of SR 0.42 million (2012: SR 0.2 million, against which there was a cash margin of SR 0.2 million).

29. COMMITMENTS AND CONTINGENCIES (continued)

As at December 31, 2013, the Company has commitments for capital work in progress of SR 41 million (December 31, 2012: SR 54 million).

One of subsidiary's supplier has raised a claim for SR 3.2 million as compensation for the services provided to the Company. Management expects a favourable outcome of the case and as such no provision has been made in these consolidated financial statement in respect of this claim.

30. RISK MANAGEMENT

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

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

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

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

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

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

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

	2013	
	+10 bps	-10 bps
Loans and bank facilities	(401,492)	401,492

	2012	
	+10 bps	-10 bps
Loans and bank facilities	(427,323)	427,323

30. RISK MANAGEMENT (continued)

Credit risk

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

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

Liquidity risk

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

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

Year ended 31 December 2013	***Less than 3 months***	***3 to 12 Months***	***1 to 5 years***	***> 5 years***	***Total***
Accounts payables and other liabilities	**86,434,469**	**28,538,244**	**--**	**--**	**114,972,713**
Loans and bank facilities	**4,086,298**	**94,377,258**	**417,339,563**	**625,320,160**	**1,141,123,279**
Total	**90,520,767**	**122,915,502**	**417,339,563**	**625,320,160**	**1,256,095,992**

Year ended 31 December 2012	*Less than 3 months*	*3 to 12 Months*	*1 to 5 years*	*> 5 years*	*Total*
Accounts payables and other liabilities	37,856,054	83,396,046	--	--	121,252,100
Loans and bank facilities	2,724,240	83,043,318	374,448,438	726,174,838	1,186,390,834
Total	40,580,294	166,439,364	374,448,438	726,174,838	1,307,642,934

Currency risk

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

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

32. BUSINESS SEGMENTS

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

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

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

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

	Port development and quay projects (SR'000)	Storage and re-export (SR'000)	Sea water desalination (SR'000)	Logistics and support services (SR'000)	Corporate office (SR'000)	Total (SR'000)
2013						
Assets	**1,740,985**	**285,766**	**288,394**	**22,371**	**189,356**	**2,526,872**
Liabilities	**1,153,828**	**66,499**	**54,471**	**2,741**	**29,628**	**1,307,167**
Revenue	**352,522**	**75,654**	**67,708**	**24,140**	**--**	**520,024**
Net income / (loss) before non-controlling interest	**72,770**	**32,181**	**12,049**	**(3,205)**	**(17,168)**	**96,627**
Net income / (loss) for the period	**46,006**	**23,193**	**7,214**	**(3,205)**	**(17,168)**	**56,040**

32. BUSINESS SEGMENTS (continued)

	Port development and quay projects (SR'000)	Storage and re-export (SR'000)	Sea water desalination (SR'000)	Logistics and support services (SR'000)	Corporate office (SR'000)	Total (SR'000)
2012						
Assets	1,752,643	225,829	286,362	23,930	192,714	2,481,478
Liabilities	1,245,358	26,123	55,906	2,831	28,373	1,358,591
Revenue	305,455	65,087	65,704	37,195	--	473,441
Net income / (loss) before non-controlling interest	56,296	31,760	17,563	(238)	(30,628)	74,753
Net income / (loss) for the period	35,466	22,919	10,706	(238)	(30,627)	38,226

The Group mainly operates in the Kingdom of Saudi Arabia.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised to issue by the Board of Directors on Rabi Al Thani 18, 1435H, corresponding to February 18, 2014.