

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

with

INDEPENDENT AUDITOR'S REPORT



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

INDEPENDENT AUDITOR'S REPORT

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

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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



Opinion

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

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

For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
License No.382



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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED BALANCE SHEET

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

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

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

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

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

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

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

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

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

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

<u>Company</u>	<u>Country of incorporation</u>	<u>Effective shareholding</u>		<u>Principal activities</u>
		<u>2014</u>	<u>2013</u>	
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATION

Statement of compliance

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

Functional and presentation currency

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

Comparative figures

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

Accounting convention

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

Use of estimates and judgements

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

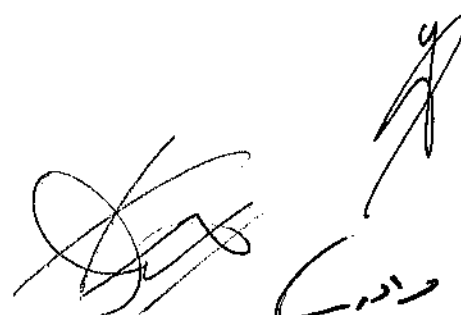
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. The key areas requiring significant management judgements and estimates are as follows:

Impairment of accounts receivable

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

Provision for slow moving inventory items

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATION (continued)

Use of estimates and judgements (continued)

Useful lives of property, plant and equipment

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

Impairment of property, plant and equipment

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

Impairment of available for sale investments

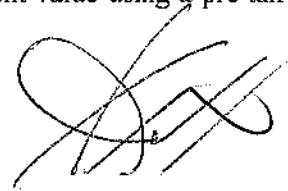


The Group exercises judgement to consider the impairment of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value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

Impairment of intangible assets

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

Impairment of non-financial assets

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset (including assets classified as held for disposal) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATION (continued)

Use of estimates and judgements (continued)

Impairment of non-financial assets (continued)

value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.

Provision for equipment replacement cost

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

Going concern

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

Subsidiaries

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

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

Non-controlling interests

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Accounts receivable

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

Inventories

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

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

Investment in associates

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

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

Dividends are recorded when received and credited to the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Available for sale investments

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

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

Property, plant and equipment

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

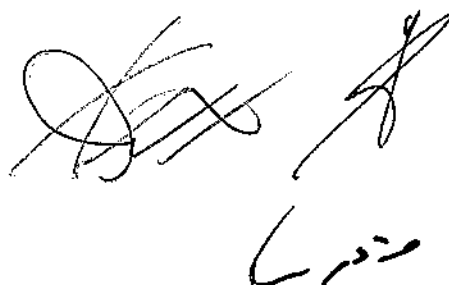
Expenditure for repair and maintenance are charged to the consolidated statement of income. Cost of improvements that increase the value or materially extend the life of the related assets are capitalized.

The estimated economic useful lives of assets are as follows:

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

The block contains two handwritten signatures in black ink. Below the signatures is a circular stamp, partially visible, which appears to contain Arabic text and a date. The signatures are written in a cursive style.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014
(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible asset - quay project

Port concession rights

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

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

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

Right to use land

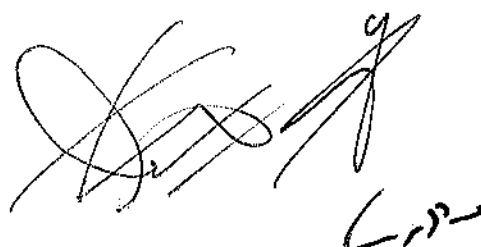
Right to use land is measured on initial recognition at cost. Following initial recognition, right to use land is carried at cost less any accumulated amortisation and any accumulated impairment losses. Right to use land is amortized over the concession period on straight line basis.

Goodwill

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred charges

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

Accounts payable and accruals

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

Employees' end of service benefits

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

Provisions

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

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

Derivative financial instruments

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

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

Revenue recognition

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

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

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

Expenses

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

Finance costs

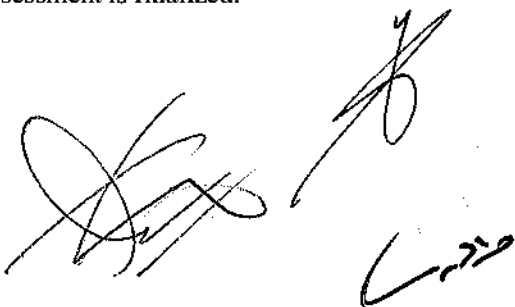
Finance costs except for those, that are directly attributable to the construction of an asset are capitalised using capitalised rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed, are charged to the consolidated statement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

Operating leases

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

Zakat

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions and balances

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

Foreign operations

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

Assets and liabilities classified as held for disposal and discontinued operations

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Offsetting

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

Segmental reporting

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

4. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Cash on hand	306,524	217,470
Cash at banks	223,131,976	134,165,071
Murabaha term deposits	50,000,000	75,035,625
	<u>273,438,500</u>	<u>209,418,166</u>

5. ACCOUNTS AND OTHER RECEIVABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014
(Expressed in Saudi Arabian Riyals)

5. ACCOUNTS AND OTHER RECEIVABLES (continued)

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

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

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

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

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

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

c) The ageing of trade receivables is as follows:

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

6. INVENTORIES

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

7. INVESTMENTS

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

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

<u>Associates</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Effective Shareholding percentage</u>	<u>2014</u>	<u>2013</u>
- International Water Distribution Company Limited	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	50%	44,503,751	44,340,722
- Saudi Water and Environmental Services Company (note 'i' below)	Electrical, water and mechanical works and related operation and maintenance	Kingdom of Saudi Arabia	29.4%	16,925,767	14,189,490
- Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	33.3%	16,514,221	11,398,692
- Stork Technical Services Saudi Arabia limited (note 'ii' below)	Maintenance and operations of power, oil, gas, desalination and petrochemical plants and calibration of machinery and electrical equipment	Kingdom of Saudi Arabia	45%	7,724,250	--
- Xenmet SA, Vaduz (note 'iii' below)	Trading, storage and brokerage of commodities	Principality of Liechtenstein	19%	3,691,655	8,485,242
				<u>89,359,644</u>	<u>78,414,146</u>

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

SAUDI INDUSTRIAL SERVICES COMPANY

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For the year ended 31 December 2014

(Expressed in Saudi Arabian Riyals)

7. INVESTMENTS (continued)

- ii. During the year ended 31 December 2014, the Company invested SR 11.25 million which represents 45% of the share capital of Stork Technical Services Saudi Arabia Limited.
- iii. Xenmet SA, Vaduz is 25% (31 December 2013: 25%) owned by Saudi Trade and Export Development Company Limited (a subsidiary), which is 76% (31 December 2013: 76%) owned by the Parent Company.

7.2 Movements in investments in associates are as follows:

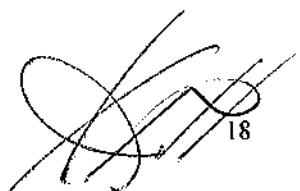
	<u>2014</u>	<u>2013</u>
At the beginning of the year	78,414,146	58,021,717
Investments during the year (note 7.1 (ii))	11,250,000	21,647,311
Share of results of associates, net	(304,502)	(1,254,882)
At the end of the year	<u>89,359,644</u>	<u>78,414,146</u>

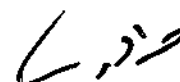
Summarised financial information of equity accounted investees are as follows:

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

7.3 Movement in available for sale investments is as follows:

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





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8. PROPERTY, PLANT AND EQUIPMENT, NET

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

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

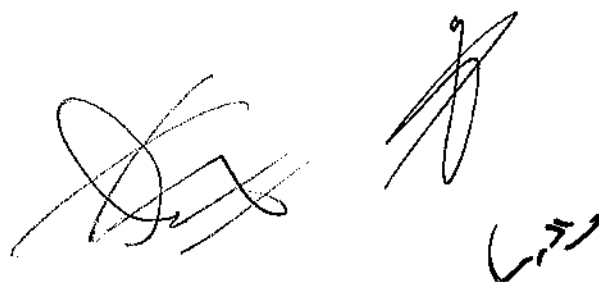
- a) The desalination plant and filling stations are situated on land leased from the Jeddah Islamic Port for a period of 20 years from 7 March 2000 corresponding to 1 Thual Hujja 1420 H. Kindasa Water Services Company Limited has the option of renewing the lease agreement on expiry of the initial lease term.
- b) The property, plant and equipment of Kindasa Water Services Company Limited with a net book value of SR 201,395,010 (2013: SR 205,843,458) are mortgaged to Saudi Industrial Development Fund (note 13(a)).
- c) Capital work-in-progress mainly represents extension to water desalination pipeline.

8.2 Property and equipment of bonded and re-export project

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

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

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



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At 31 December 2013

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8. PROPERTY, PLANT AND EQUIPMENT, NET (continued)**8.3 Property and equipment - quay project**

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

	<u>Leasehold improvements</u>	<u>Motor vehicles</u>	<u>Furniture and fixtures</u>	<u>Computers and equipments</u>	<u>Machinery and equipments</u>	<u>Capital work- in-progress</u> (note 8.3(a))	<u>Total</u>
Cost:							
At the beginning of the year	12,078,062	4,127,700	4,486,025	8,774,963	105,706,162	13,127,710	148,300,622
Additions	1,621,404	537,500	165,998	2,646,715	16,635,779	36,676,919	58,284,315
Disposals	--	(541,675)	(78,973)	(266,097)	(109,000)	--	(995,745)
Transfers	--	--	3,531,229	--	12,876,740	(16,407,969)	--
At the end of the year	<u>13,699,466</u>	<u>4,123,525</u>	<u>8,104,279</u>	<u>11,155,581</u>	<u>135,109,681</u>	<u>33,396,660</u>	<u>205,589,192</u>
Depreciation:							
At the beginning of the year	1,127,367	2,549,976	3,275,270	6,209,800	16,308,280	--	29,470,693
Charge for the year	1,031,239	548,483	796,776	1,840,766	8,663,486	--	12,880,750
Disposals	--	(281,357)	(78,773)	(261,264)	(55,673)	--	(677,067)
At the end of the year	<u>2,158,606</u>	<u>2,817,102</u>	<u>3,993,273</u>	<u>7,789,302</u>	<u>24,916,093</u>	<u>--</u>	<u>41,674,376</u>
Net book value:							
At 31 December 2014	<u>11,540,860</u>	<u>1,306,423</u>	<u>4,111,006</u>	<u>3,366,279</u>	<u>110,193,588</u>	<u>33,396,660</u>	<u>163,914,816</u>
At 31 December 2013	<u>10,950,695</u>	<u>1,577,724</u>	<u>1,210,755</u>	<u>2,565,163</u>	<u>89,397,882</u>	<u>13,127,710</u>	<u>118,829,929</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

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

8.3 Property and equipment - quay project (continued)

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

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

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

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

9. INTANGIBLE ASSETS - QUAY PROJECT

Quay project's intangible assets consist of:

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

a) **Intangible assets -- Quay project**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

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INTANGIBLE ASSETS - QUAY PROJECT (continued)

- b) Saudi Trade and Export Development Company (Tusdeer) ("an affiliate of RSGT") had an agreement with Saudi Arabian Seaports Authority ("SEAPA") for the construction of a container terminal at the re-export zone of Jeddah Islamic Port. This Build-Operate-Transfer ("BOT") Service Concession Agreement with SEAPA has been novated by Tusdeer to RSGT, effective from 22 Shawal 1428H (corresponding to 3 November 2007), and the duration of this agreement is 32 years. As per the BOT agreement, at the end of the concession period, the property and equipment underlying the quay project's intangible assets shall be transferred to SEAPA.
- c) The amortisation charge for the year ended December 31, 2014 in the amount of SR 66,312,771 (2013: SR 66,885,385) has been included under cost of revenue.
- d) The Ijara facilities have been secured against the intangible assets – quay project (note 13(b)).
- e) Quay projects intangible assets are being amortised over the useful lives of the underlying assets (representing the property and equipment) or the remaining term of concession, whichever is shorter.

10. GOODWILL

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

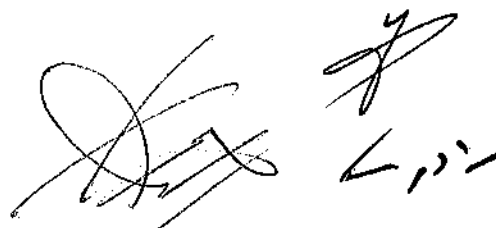
The management reviews goodwill for impairment annually and when there is an indicator of impairment. For the purposes of impairment testing, goodwill has been allocated to the associate (i.e. cash generating unit). The recoverable amount of the cash generating unit has been determined based on a value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

11. ASSETS AND LIABILITIES HELD FOR DISPOSAL

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

Results of the discontinued operation were as follows:

	December 31, 2014	December 31, 2013
Expenses incurred and net loss for the period from Discontinued Operation	(169,173)	(1,485,520)



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At 31 December 2014

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11. ASSETS AND LIABILITIES HELD FOR DISPOSAL (continued)

Assets classified as held for disposal	<u>2014</u>	<u>2013</u>
Property, plant and equipment	--	600,000
Accounts and other receivables	--	20,426
Total assets	--	620,426
Liabilities classified as held for disposal		
Accounts and other payables	--	110,926
Employees' end of service benefits	--	10,054
Total liabilities	--	120,980

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

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<u>2014</u>	<u>2013</u>
Accounts payable	17,626,976	8,904,536
Accrued expenses	49,316,782	39,077,989
Unearned revenue	21,317,087	11,861,356
Zakat payable (note 27)	7,596,044	8,212,547
Payable to a contractor (see note 14 (b))	--	4,500,000
Amounts due to related parties (note 21)	1,251,790	4,815,026
Income tax payable	4,136,003	1,405,865
Retention payable	440,974	2,978,158
Provision for zakat contingency (note 27)	23,200,000	23,200,000
Other payables	8,641,844	10,017,236
	<u>133,526,600</u>	<u>114,972,713</u>

13. LONG TERM LOANS AND BANK FACILITIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

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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 (2013: SR 52.3 million), the outstanding balance of which amounted to SR 26.80 million as at 31 December 2014 (2013: SR 24.68 million).

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

Expressed in Saudi Arabian Riyals

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.

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

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

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

14. OTHER LONG-TERM LIABILITIES

Other long term liabilities are as follows:

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

a) Provision for equipment replacement cost

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

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14. OTHER LONG-TERM OBLIGATIONS (continued)

b) Payable to a contractor

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

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

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

15. EMPLOYEES' END OF SERVICE BENEFITS

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

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

16. DERIVATIVE FINANCIAL INSTRUMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. DERIVATIVE FINANCIAL INSTRUMENT (continued)

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:

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

Movement in derivative financial instruments is as follows:

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

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

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

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

17. SHARE CAPITAL

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

18. STATUTORY RESERVE

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

19. SPECIAL RESERVE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

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20. EFFECT OF REDUCING SHAREHOLDING PERCENTAGE IN A SUBSIDIARY

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

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

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

21. RELATED PARTY TRANSACTIONS AND BALANCES

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

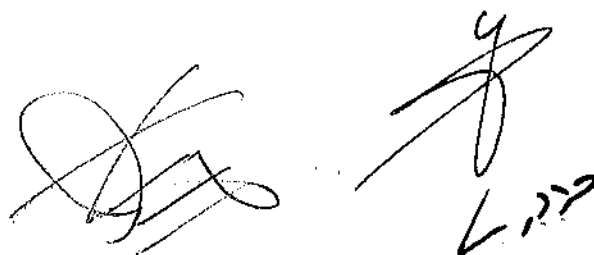
Related parties include the shareholder, directors, associated companies and key management personnel of the Group. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

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

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

Due from related parties – under trade receivables:

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



SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

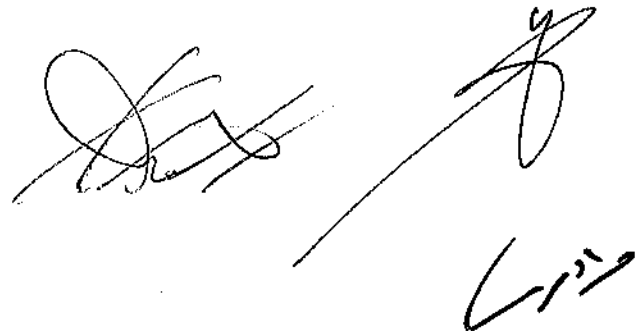
At 31 December 2014

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21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due from related parties – under other receivables:

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

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

b) Remuneration to key management personnel

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

22. REVENUE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. COST OF REVENUE

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

24. SELLING AND DISTRIBUTION EXPENSES

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

25. GENERAL AND ADMINISTRATION EXPENSES

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

26. OTHER INCOME / EXPENSES, NET

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. ZAKAT

Movement in zakat provision during the year was as follows:

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

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

Zakat assessments status

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

28. EARNINGS PER SHARE

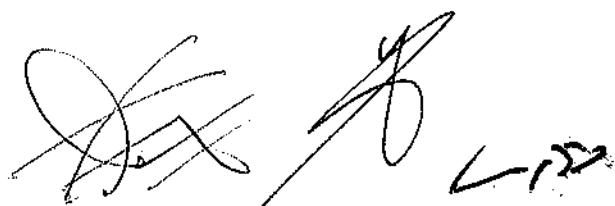
- Earnings per share on net income from main operations for the year is calculated by dividing net income from main operations by the weighted average number of outstanding shares during the year. Earnings per share has been calculated on net income from main operations attributable to the Group (including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

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

29. COMMITMENTS AND CONTINGENCIES

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

Expressed in Saudi Arabian Riyals

29. COMMITMENTS AND CONTINGENCIES (continued)

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

30. RISK MANAGEMENT

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

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

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

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

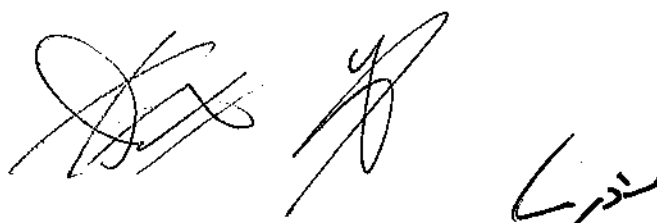
Commission rate risk

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

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

Currency risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

32. BUSINESS SEGMENTS

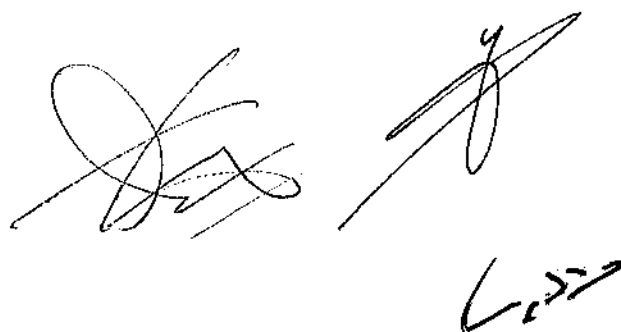
The Company and its subsidiaries consist of the following main business segments of business:

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

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

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

	Port develop- ment and quay projects (SR'000)	Storage and re-export (SR'000)	Sea water desalination (SR'000)	Fuel stations and maintenance (SR'000)	Corporate office (SR'000)	Total (SR'000)
2014						
Assets	1,753,981	282,597	275,800	22,555	246,519	2,581,452
Liabilities	1,099,001	68,843	49,579	3,033	31,129	1,251,585
Revenue	366,519	101,814	91,474	18,247	--	578,054
Net income / (loss) before non- controlling interest	77,122	48,491	14,342	(6,634)	(9,689)	123,632
Net income / (loss) for the year	49,711	36,084	8,605	(6,634)	(9,689)	78,077



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. BUSINESS SEGMENTS (continued)

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

The Group mainly operates in the Kingdom of Saudi Arabia.

33. SUBSEQUENT EVENT

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

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

