

**SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI INDUSTRIAL SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying consolidated balance sheet of Saudi Industrial Services Company - a Saudi Joint Stock Company ("the Company") and its subsidiaries ("the Group") as at 31 December 2011 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Company's Board of Directors and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

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

- i) present fairly, in all material respects, the financial position of the Group as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's By-Laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Ahmed A. Reda
Certified Public Accountant
License No. 356



23 Rabi Awwal 1433 H
15 February 2012

Jeddah

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its subsidiaries

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	31 December 2011 SR	31 December 2010 SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash	3	219,904,549	225,296,079
Accounts receivable and other receivables	4	65,831,500	66,011,613
Inventories	5	11,074,506	10,182,459
TOTAL CURRENT ASSETS		296,810,555	301,490,151
NON-CURRENT ASSETS			
Investments	6	81,174,217	69,416,016
Property, plant and equipment	7	290,866,339	271,874,675
Property and equipment - bonded and re-export project	8	110,536,756	115,002,354
Projects-in- progress – bonded and re-export project	9	26,141,522	10,407,399
Property and equipment - quay project	10	81,327,377	86,064,472
Intangible assets – quay project	11	1,633,059,133	1,629,325,910
Goodwill	12	12,396,651	12,396,651
Deferred charges	13	47,710	74,345
TOTAL NON-CURRENT ASSETS		2,235,549,705	2,194,561,822
TOTAL ASSETS		2,532,360,260	2,496,051,973
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and other liabilities	14	127,833,705	95,419,299
Short term loan and current portion of long term loans	15	155,305,459	131,810,510
TOTAL CURRENT LIABILITIES		283,139,164	227,229,809
NON-CURRENT LIABILITIES			
Long term loans and bank facilities	15	1,167,457,794	1,215,684,435
Other long term obligations	16	7,732,502	-
Employees' end of service benefits		8,632,361	7,183,918
TOTAL NON-CURRENT LIABILITIES		1,183,822,657	1,222,868,353
TOTAL LIABILITIES		1,466,961,821	1,450,098,162
SHAREHOLDERS' EQUITY			
Share capital	17	680,000,000	680,000,000
Share premium		36,409,063	36,409,063
Statutory reserve	18	4,264,248	3,250,885
Special reserve	19	2,122,581	1,615,899
Effect of reducing the shareholding in a subsidiary	32	4,653,218	4,653,218
Retained earnings / (accumulated losses)		8,613,590	(907,482)
TOTAL SHAREHOLDERS' EQUITY OF PARENT COMPANY		736,062,700	725,021,583
MINORITY INTERESTS		329,335,739	320,932,228
TOTAL SHAREHOLDERS' EQUITY		1,065,398,439	1,045,953,811
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,532,360,260	2,496,051,973

The attached notes 1 to 33 form part of these consolidated financial statements.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its subsidiaries
 CONSOLIDATED STATEMENT OF INCOME
 For the year ended 31 December 2011

	<i>Note</i>	<i>31 December 2011 SR</i>	<i>31 December 2010 SR</i>
Sales and operating income	25	398,252,304	281,843,419
Cost of sales and operations		<u>(234,917,289)</u>	<u>(173,346,383)</u>
GROSS PROFIT		163,335,015	108,497,036
Selling and distribution expenses	21	(11,074,592)	(7,638,064)
General and administration expenses	22	(93,078,387)	(65,741,009)
Net income from main operations		59,182,036	35,117,963
Financial charges		(29,811,808)	(28,488,948)
Non-temporary decline in available for sale investment	6(a)	-	(7,700,000)
Share of results from associates		(615,895)	(1,508,422)
Realised gain from available for sale investment		-	11,082,620
Other income		1,991,374	1,639,610
NET INCOME BEFORE ZAKAT AND MINORITY INTERESTS		30,745,707	10,142,823
Zakat	23	(4,410,455)	(2,098,776)
NET INCOME BEFORE MINORITY INTERESTS		26,335,252	8,044,047
Income attributable to minority interests		(15,294,135)	(5,917,263)
NET INCOME FOR THE YEAR		11,041,117	2,126,784
Weighted average number of ordinary shares outstanding	17	<u>68,000,000</u>	<u>68,000,000</u>
Earnings per share on net income from main operations (in SR per share)	24(a)	<u>0.87</u>	<u>0.52</u>
Earnings per share on net income for the year (in SR per share)	24(b)	<u>0.16</u>	<u>0.03</u>

The attached notes 1 to 33 form part of these consolidated financial statements.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	<i>Note</i>	<i>31 December 2011 SR</i>	<i>31 December 2010 SR</i>
OPERATING ACTIVITIES			
Net income before zakat and minority interest		30,745,707	10,142,823
Adjustments for:			
Depreciation		32,260,680	28,936,676
Amortisation	11	64,385,183	44,352,625
Provision for projects in progress		3,173,020	-
Employees' end of service benefits		2,126,657	2,146,454
Share of results from associates		615,895	1,508,422
Other long term obligations	16	7,732,502	-
Loss from sale of property, plant and equipment		52,929	-
Non-temporary decline in available for sale investment		-	7,700,000
Gain from sale of available for sale investment		-	(11,082,620)
Deferred charges	13	26,635	
Financial charges		29,811,808	28,488,948
		<u>170,931,016</u>	<u>112,193,328</u>
Changes in operating assets and liabilities:			
Accounts receivable and other receivables		180,113	4,387,094
Inventories		(892,047)	(159,340)
Accounts payable and other liabilities		32,822,706	1,145,687
Cash from operations		<u>203,041,788</u>	<u>117,566,769</u>
Zakat paid	23	(4,818,755)	(4,083,958)
Employees' end of service benefits paid		(678,214)	(674,113)
Financial charges paid		(29,811,808)	(28,488,948)
Net cash from operating activities		<u>167,733,011</u>	<u>84,319,750</u>
INVESTING ACTIVITIES			
Investment in associates		(12,374,096)	(8,675,035)
Proceeds from sale of investments		-	31,058,665
Additions to property, plant, equipment and intangible assets		(129,759,745)	(446,433,957)
Proceeds from sale of property, plant and equipment		631,616	711,219
Net cash used in investing activities		<u>(141,502,225)</u>	<u>(423,339,108)</u>
FINANCING ACTIVITIES			
Net change in loans and bank facilities		(24,731,692)	115,281,859
Net change in minority interests		(6,890,624)	8,005,806
Net cash (used in)/from financing activities		<u>(31,622,316)</u>	<u>123,287,665</u>
DECREASE IN BANK BALANCES AND CASH		(5,391,530)	(215,731,693)
Bank balances and cash at the beginning of the year		<u>225,296,079</u>	<u>441,027,772</u>
BANK BALANCES AND CASH AT THE END OF THE YEAR		219,904,549	225,296,079
Major non-cash transactions:			
Transfer of property, plant and equipment from work in progress		-	25,511,285

The attached notes 1 to 33 form part of these consolidated financial statements.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For year ended 31 December 2011

	Share capital SR	Share premium SR	Statutory reserve SR	Special reserve SR	Effect of reducing the shareholding in a subsidiary SR	Unrealized income/(loss) on available for sale investment SR	(Accumulated losses)/retained earnings SR	Total shareholders' equity SR	Minority interest SR	Total SR
Balance at 31 December 2009	680,000,000	36,409,063	3,250,885	1,615,899	4,653,218	6,627,660	(3,034,266)	729,522,459	307,009,159	1,036,531,618
Net income for the year	-	-	-	-	-	-	2,126,784	2,126,784	5,917,263	8,044,047
Unrealized gain on available for sale investment	-	-	-	-	-	(6,627,660)	-	(6,627,660)	-	(6,627,660)
Net movement in minority interests	-	-	-	-	-	-	-	-	8,005,806	8,005,806
Balance at 31 December 2010	680,000,000	36,409,063	3,250,885	1,615,899	4,653,218	-	(907,482)	725,021,583	320,932,228	1,045,953,811
Net income for the year	-	-	-	-	-	-	11,041,117	11,041,117	15,294,135	26,335,252
Transfer to reserves	-	-	1,013,363	506,682	-	-	(1,520,045)	-	-	-
Net movement in minority interests	-	-	-	-	-	-	-	-	(6,890,624)	(6,890,624)
Balance at 31 December 2011	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

The attached notes 1 to 33 form part of these consolidated financial statements.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

1 ACTIVITIES

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

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Basis of consolidation

These consolidation financial statements include assets, liabilities and the results of the operations of 'Saudi Industrial Services Company' (A Saudi Joint Stock Company) ("Company") and its subsidiaries (the "Group"). A subsidiary company is that in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts control. A subsidiary company is consolidated from the date on which the Group obtains control until the date that control ceases. The consolidated financial statements are prepared on the basis of the individual financial statements of the subsidiaries, which are prepared for the same reporting period as the parent company, using consistent financial policies. All intra-group balances, income and expenses, unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the portion of the income or loss and net assets that are not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separated from parent shareholders' equity.

Following are the details of consolidated subsidiaries:

Company	Country of incorporation	Shareholding		Principal activity
		direct	indirect	
		2011	2010	
Saudi Trade and Export Development Company (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	Saudi Arabia	60%	60%	Water desalination and treatment plant and sale of water.
Support Services Operation Company Limited (ISNAD)	Saudi Arabia	100%	100%	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	Saudi Arabia	63%	63%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.
Red Sea Port Development Company – (Closed Joint Stock Company)	Saudi Arabia	63%	63%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting convention

The consolidated financial statements are prepared under the historical cost convention modified to measure at fair value available for sale investments.

Use of estimate

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Sales and revenue recognition

Sales are recognized when the goods are delivered and the services rendered to customers and are stated net of trade discount and volume rebates and the share of Saudi Arabian Seaports Authority (SEAPA). Lease revenue from leased spaces and warehouses is distributed over respective lease periods. Lease revenue relating to subsequent years is deferred and recognized in the subsequent years.

Expenses

Selling and distribution expenses primarily comprise the cost incurred for distributing and selling of subsidiaries' goods. Other expenses are classified as general expenses and administrative.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the weighted average method.

Investment in associates

The Company's investment in an associate is accounted for under the equity method of accounting. This is an entity over which the Company exercises significant influence and which are neither a subsidiary nor a joint venture. Investment in an associate is carried in the balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value based on its latest financial statements at each reporting date. The income statement reflects the Company's share of the results of its associates. 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 shareholders' equity.

Unrealised gains and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

Dividends are recorded when received and credited to the investment.

Available for sale investments

Investments which are neither bought with the intention of being held to maturity nor for trading purposes are classified as available for sale and are stated at fair value. Changes in the fair value are credited or charged to the consolidated statement of changes in equity. However, any non-temporary decline in value is charged to the consolidated income statement.

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 the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

a) Property, plant and equipment

Free hold land is not depreciated. 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.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

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

b) Bonded and re-export project

Property, plant and equipment of bonded and re-export project is stated at cost net of accumulated depreciation and any impairment in value. The development cost of leasehold land and the buildings constructed thereon is amortized over the shorter of estimated useful life or remaining period of lease.

Intangible assets

Intangible assets are recognized on acquisition at cost. Subsequently, intangible assets are stated at cost net of any amortisation and impairment provisions. Intangible assets consist of finite and infinite useful life assets.

Intangible assets with finite useful lives are amortized over their respective useful lives and reviewed for impairment where an impairment indicator exists. Amortisation period and amortisation method of intangible assets with a finite useful lives are reviewed at least at the end of each financial year.

The changes in useful life of intangible asset or change in the depreciation pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or amortisation method, as appropriate. Such changes are treated as changes in accounting estimates. Amortisation expense of intangible assets with finite useful lives are recognized in the consolidated statement of income together with similar items.

Intangible assets with infinite useful lives are not amortized. Instead they are annually reviewed for impairment either on an individual basis or at cash generating unit level. The useful life of intangible assets is reviewed annually to determine whether the infinite useful life still can be supported at consolidated financial statement date. Where this cannot be supported, the change in useful life from infinite to finite is made on a prospective basis.

Gains or loss on disposal of intangible assets are measured as the difference between the cash from sale and carrying value of intangible asset and is recognized in consolidated statement of income. Intangible assets impairment loss is recognized in consolidated statement of income.

Capitalization of borrowing costs

Borrowing cost attributable to the construction of quay project is capitalized during construction phase and then borrowing cost are recorded as expense in consolidated statement of income.

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.

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.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Impairment and uncollectibility of financial assets

An assessment is made at each consolidated balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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. Such expenses are amortised using straight line method over seven years.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the consolidated statement of income.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the consolidated balance sheet date. The resulting losses and profit are taken to consolidated statement of income.

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. Because the Group carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

3 BANK BALANCES AND CASH

	2011 SR	2010 SR
Cash on hand	26,000	-
Cash at banks	185,878,549	212,097,591
Bank deposits	34,000,000	13,198,488
	<u>219,904,549</u>	<u>225,296,079</u>

The bank deposits are placed with local banks and have maturity of less than three months.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

4 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<i>2011</i> <i>SR</i>	<i>2010</i> <i>SR</i>
Accounts receivable, net	30,697,173	23,271,780
Advances to suppliers	4,046,088	1,539,191
Margin deposits on letters of guarantees	11,462,991	15,024,914
Amounts due from related parties (see note 20)	840,842	17,938,740
Prepaid expenses and other receivables	18,784,406	8,236,988
	<u>65,831,500</u>	<u>66,011,613</u>

Trade accounts receivable are considered to be unimpaired and are expected to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

5 INVENTORIES

	<i>2011</i> <i>SR</i>	<i>2010</i> <i>SR</i>
Spare parts	10,981,967	9,817,599
Fuel, oil and desalinated water	92,539	364,860
	<u>11,074,506</u>	<u>10,182,459</u>

6 INVESTMENTS

	<i>2011</i> <i>SR</i>	<i>2010</i> <i>SR</i>
Available for sale investment – unquoted (see note ‘a’ below)	9,570,150	9,570,150
Advance for purchase of investment (see note ‘b’ below)	9,375,000	-
Investment in associates (see note ‘c’ below)	62,229,067	59,845,866
	<u>81,174,217</u>	<u>69,416,016</u>

a) During the year ended 31 December 2010, the Company’s management decided to record non-temporary decline in market value of one of its un-quoted investments, amounting to SR 7.7 million, in the consolidated statement of income.

b) The amount represents advance paid by one of the subsidiaries to acquire 25% ownership interest in Xenmet SA, Vaduz.

6 INVESTMENTS (continued)

c) As at 31 December the investment in associates comprises the following:

Associate's name	Principal activity	Shareholding %	2011 SR	2010 SR
- International Water Distribution Company Limited	Water/waste works, water treatment and lease of water equipment	50%	28,004,943	32,893,116
- Saudi Water and Environmental Services Company (see note 'a' below)	Electrical, water and mechanical works and operation and maintenance	Indirect shareholding	22,196,420	18,808,293
- Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	33.33%	12,027,704	8,144,457
			<u>62,229,067</u>	<u>59,845,866</u>

a) Saudi Water and Environment Services Company is 49% owned by Kindasa Water Service Company (a subsidiary) which is 60% owned by the Company.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 At 31 December 2011

7 PROPERTY, PLANT AND EQUIPMENT

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

	Buildings		Motor vehicle and tankers		Fixtures and furnishing		Computers		Desalination plants, water filling stations and accessories		8-21 years		6.67-25 years		Shorter of lease period or 5 years	
	Land SR	Buildings SR	Leasehold improvements SR	Motor vehicles and tankers SR	Plant and equipment SR	Fixtures and furnishing SR	Computers SR	Desalination plants SR	Work-in-progress SR	Total 2011 SR	Total 2010 SR	Total 2011 SR	Total 2010 SR			
Cost:																
At the beginning of the year	66,808,150	8,795,775	131,943	14,212,830	10,090,212	5,141,341	579,580	217,805,465	29,071,654	352,636,950	315,633,187					
Additions	-	-	-	1,015,561	800,972	227,209	50,619	1,826,657	29,899,139	33,820,157	38,708,148					
Disposals	-	(686,318)	-	(224,100)	(2,150)	(48,091)	-	(186,985)	(8,120)	(1,155,764)	(1,704,385)					
Transfers	-	-	-	-	-	-	-	13,616,795	(13,616,795)	-	-					
At the end of the year	66,808,150	8,109,457	131,943	15,004,291	10,889,034	5,320,459	630,199	233,061,932	45,345,878	385,301,343	352,636,950					
Depreciation:																
At the beginning of the year	-	4,154,629	117,204	7,122,340	5,983,906	2,988,864	476,071	59,919,261	-	80,762,275	65,969,522					
Charge for the year	-	262,158	10,847	1,435,625	657,811	569,198	89,391	11,212,174	-	14,237,204	15,785,919					
Disposals	-	(284,967)	-	(170,087)	(717)	(3,115)	-	(105,589)	-	(564,475)	(993,166)					
At the end of the year	-	4,131,820	128,051	8,387,878	6,641,000	3,554,947	565,462	71,025,846	-	94,435,004	80,762,275					
Net book value:																
At 31 December 2011	66,808,150	3,977,637	3,892	6,616,413	4,248,034	1,765,512	64,737	162,036,086	45,345,878	290,866,339	271,874,675					
At 31 December 2010	66,808,150	4,641,146	14,739	7,090,490	4,106,306	2,152,477	103,509	157,886,204	29,071,654							

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

7 PROPERTY, PLANT AND EQUIPMENT (continued)

- a) The desalination plant and filling station 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 195,819,222 (2010: SR 178,919,266) are mortgaged to Saudi Industrial Development Fund.

8 PROPERTY AND EQUIPMENT - 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	10 to 36 years
Equipment	2 to 6.67 years

	<i>Leasehold improvements SR</i>	<i>Buildings SR</i>	<i>Equipment SR</i>	<i>Total 2011 SR</i>	<i>Total 2010 SR</i>
Cost:					
At the beginning of the year	111,289,609	45,362,656	1,064,575	157,716,840	157,674,840
Additions and transfers	468,225	539,670	1,108,800	2,116,695	62,000
Disposals	-	-	-	-	(20,000)
Transfers (see note 9)	-	-	1,072,500	1,072,500	-
At the end of the year	<u>111,757,834</u>	<u>45,902,326</u>	<u>3,245,875</u>	<u>160,906,035</u>	<u>157,716,840</u>
Depreciation:					
At the beginning of the year	24,471,998	17,177,913	1,064,575	42,714,486	35,245,088
Charge for the year	3,100,506	4,392,958	161,329	7,654,793	7,469,398
At the end of the year	<u>27,572,504</u>	<u>21,570,871</u>	<u>1,225,904</u>	<u>50,369,279</u>	<u>42,714,486</u>
Net book value:					
At 31 December 2011	<u>84,185,330</u>	<u>24,331,455</u>	<u>2,019,971</u>	<u>110,536,756</u>	
At 31 December 2010	<u>86,817,611</u>	<u>28,184,743</u>	-		<u>115,002,354</u>

- a) Bond and re-export project has been built on land in Jeddah Islamic Port ("JIP") leased from Saudi Arabian Sea Port Authority ("SEAPA") for an annual rent of SR 945,000. The initial lease agreement is for 20 Hijra years starting from 15 Muharram 1419H (corresponding to 11 May 1998) with a grace period of two Hijra years, and on 22 Ramadan 1424H (corresponding to 16 November 2003) the lease agreement was extended to 40 Hijra years. These assets will be handed over to the government at the end of the lease period.
- b) During 2007, Tusdeer transferred, to Red Sea Gateway Company Limited (RSGT), the right to use part of the leased land for SR 75 million. The total cost of the transferred land was SR 22.3 million; therefore Tusdeer recognized in 2007 a profit from the transfer of SR 50.8 million and recorded a deferred income of SR 1.9 million as at 31 December 2007, which has been adjusted in 2008. Tusdeer's share of this profit is SR 38.6 million, which represents unrealized profits eliminated on consolidation. The minority share of profit of SR 12.2 million and has been is shown under minority interests.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

9 PROJECTS IN PROGRESS – BONDED AND RE-EXPORT PROJECT

	<i>2011</i>	<i>2010</i>
	<i>SR</i>	<i>SR</i>
At the beginning of the year	10,407,399	9,095,988
Additions during this year	19,979,643	1,311,411
Transferred to property and equipment (see note 8)	(1,072,500)	-
Provision made during the year (see note 22)	(3,173,020)	-
At the end of the year	<u>26,141,522</u>	<u>10,407,399</u>

Transfers represent equipments completed during 2011 and transferred to property and equipment.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its Subsidiaries
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 At 31 December 2011

10 PROPERTY AND EQUIPMENT – QUAY PROJECT

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

	5 years 4 to 10 years	Computers and equipments	3 years				
Motor vehicles Furniture and office equipment							
	SR	Furniture and fixtures SR	Computers and equipments SR	Machinery and equipments SR	Capital work- in-progress SR	Total 2011 SR	Total 2010 SR
Cost:							
At the beginning of the year	4,133,031	2,383,979	13,945,241	-	72,668,446	93,130,697	16,277,048
Additions	540,000	1,153,162	1,829,988	-	2,192,644	5,715,794	77,765,873
Disposals	(199,226)	-	-	-	-	(199,226)	(912,224)
Transfers	-	-	1,379,490	71,288,956	(72,668,446)	-	-
At the end of the year	4,473,805	3,537,141	17,154,719	71,288,956	2,192,644	98,647,265	93,130,697
Depreciation:							
At the beginning of the year	1,232,278	809,767	5,024,180	-	-	7,066,225	2,297,090
Charge for the year	786,016	781,175	5,490,714	3,310,778	-	10,368,683	5,681,359
Disposal	(115,020)	-	-	-	-	(115,020)	(912,224)
At the end of the year	1,903,274	1,590,942	10,514,894	3,310,778	-	17,319,888	7,066,225
Net book value:							
At 31 December 2011	2,570,531	1,946,199	6,639,825	67,978,178	2,192,644	81,327,377	-
At 31 December 2010	2,900,753	1,574,212	8,921,061	-	72,668,446	-	86,064,472

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

11 INTANGIBLE ASSETS - QUAY PROJECT

Quay project's intangible assets consist of:

	2011 SR	2010 SR
Quay project's intangible assets (see note 'a' below)	1,601,003,390	1,577,348,826
Right to use land	32,055,743	36,808,463
Advances to suppliers	-	15,168,621
	<u>1,633,059,133</u>	<u>1,629,325,910</u>

(a) Intangible assets – Quay project

The intangible assets are amortised over its useful life.

	<i>Right to use quay</i> SR	<i>Intangible assets under construction</i> SR	<i>Total</i> 2011 SR	<i>Total</i> 2010 SR
Cost:				
At the beginning of the year	1,453,804,951	168,656,848	1,622,461,799	1,145,974,603
Additions	39,474,747	48,574,050	88,048,797	476,490,816
Disposals	(11,500)	-	(11,500)	(3,620)
Transfers	217,230,898	(217,230,898)	-	-
At the end of the year	<u>1,710,499,096</u>	<u>-</u>	<u>1,710,499,096</u>	<u>1,622,461,799</u>
Amortisation:				
At the beginning of the year	45,112,973	-	45,112,973	763,968
Charge for the year	64,385,183	-	64,385,183	44,352,625
Disposal	(2,450)	-	(2,450)	(3,620)
At the end of the year	<u>109,495,706</u>	<u>-</u>	<u>109,495,706</u>	<u>45,112,973</u>
Net book value:				
At 31 December 2011	<u>1,601,003,390</u>	<u>-</u>	<u>1,601,003,390</u>	
At 31 December 2010	<u>1,408,691,978</u>	<u>168,656,848</u>		<u>1,577,348,826</u>

Red Sea Gateway Terminal Company Limited, a subsidiary, entered into a Build-Operate-Transfer (BOT) concession service agreement with Saudi General Ports Authority.

In accordance with Generally accepted accounting standards in the Kingdom of Saudi Arabia, in such agreement, the Group should recognize during construction period nominal construction revenue and corresponding construction costs incurred up to date on percentage of completion basis. Also, the construction costs for capital assets are required to be shown as intangible assets. Accordingly, Group's management has recognized total construction costs and nominal construction revenue of SR 48,574,050 during the year ended 31 December 2011 (2010: SR 528,180,691). Amortisation charge is allocated over the useful life of the intangible assets.

The Group's management believes the pricing of such projects is generally determined on the basis that any gain realized solely from construction activities cannot be separately determined. Therefore, in line with prudence concept the Group's management has decided not to recognize such gain in the consolidated financial statements.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

12 GOODWILL

	<i>2011</i> <i>SR</i>	<i>2010</i> <i>SR</i>
Goodwill arose on acquisition of:		
- Kindasa Water services Company – subsidiary	8,776,760	8,776,760
- Al Jabr Talke Company Limited – associate	3,619,891	3,619,891
	<u>12,396,651</u>	<u>12,396,651</u>

Goodwill is reviewed for impairment. For the purpose of impairment testing, goodwill has been allocated to the 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.

13 DEFERRED CHARGES

	<i>2011</i> <i>SR</i>	<i>2010</i> <i>SR</i>
Cost:		
At the beginning and end of the year	24,740,585	24,740,585
Amortisation:		
At the beginning of the year	24,666,240	24,301,308
Charge for the year	26,635	364,932
At the end of the year	24,692,875	24,666,240
Net book value	<u>47,710</u>	<u>74,345</u>

14 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<i>2011</i> <i>SR</i>	<i>2010</i> <i>SR</i>
Accounts payable	16,049,381	36,490,395
Accrued expenses	38,162,965	3,897,466
Zakat payable (see note 23)	6,048,105	6,456,405
Amounts due to related parties (see note 20)	4,652,714	1,276,627
Income tax payable	658,843	129,274
Retention payable	2,244,099	13,340,059
Other payables	60,017,598	33,829,073
	<u>127,833,705</u>	<u>95,419,299</u>

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

15 LONG TERM LOANS AND BANK FACILITIES

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

	2011 SR	2010 SR
Saudi Industrial Development Fund loans (note 'a' below)	37,459,257	31,264,484
Ijara facilities obtained from banks (see note 'b' below)	1,187,625,124	1,205,010,423
Short term loans (note 'c' below)	70,395,523	90,019,740
Long term loan (note 'd' below)	7,500,000	11,243,250
Long term loan (note 'e' below)	19,783,349	9,957,048
Total Long Term loans	<u>1,322,763,253</u>	<u>1,347,494,945</u>
Less: current portion of term murabaha finance loans	<u>(155,305,459)</u>	<u>(131,810,510)</u>
Non-current portion	<u><u>1,167,457,794</u></u>	<u><u>1,215,684,435</u></u>

- a) During 2003, Kindasa Water Services Company ('Kindasa') signed a long term loan agreement with Saudi Industrial Development Fund ("SIDF") for an amount of SR 64.5 million. During 2011, Kindasa signed a new long term loan agreement with ("SIDF") for an amount of SR 44.6 million, out of which an amount of SR 20.25 million was obtained during 2011. The loan is secured by a mortgage on the subsidiary's property and equipment, and personal guarantees from the partners of the subsidiary. The loan is obtained to finance the extension of desalination plant. The loan agreements include certain covenants including setting of a maximum limit on rents, capital expenditure and dividend payments and maintaining the financial ratios within certain limits. The loans are repayable in semi-annual instalments. The amounts due in 2012 are shown as a current liability.

	2011 SR	2010 SR
Long term loan	37,459,257	31,264,484
Less: current portion	<u>(21,009,257)</u>	<u>(14,655,227)</u>
Long term portion	<u><u>16,450,000</u></u>	<u><u>16,609,257</u></u>

- b) On 3 December 2007, one of subsidiary of the Company, Red Sea Gateway Terminal Company Limited (RSGT) entered into an Ijara arrangement with two banks to obtain a loan of SR 1,271 million. The Ijara facility is secured against assets of RSGT. The remaining amount of loan will be repaid in six monthly instalments, ending in December 2023. The loan bears special commission rate of SIBOR plus an agreed margin. The amounts due in 2012 are shown as a current liability.

	2011 SR	2010 SR
Long term Ijara financing	1,187,625,124	1,205,010,423
Less: current portion	<u>(55,721,154)</u>	<u>(21,488,338)</u>
Long term portion	<u><u>1,131,903,970</u></u>	<u><u>1,183,522,085</u></u>

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

15 LONG TERM LOANS AND BANK FACILITIES (continued)

- c) Short term loans represent the Murabaha facilities obtained from a local bank. These are repayable within six months from the balance sheet date and bear the special commission rate at prevailing market rates. These facilities are secured against the assets of RSGT.
- d) During 2009, one of subsidiary of the Company, Tusdeer entered into agreements for a long term loan with The National Commercial Bank ("NCB") amounting to SR 15 million. The loan carries commission at commercial rates and is repayable in four equal annual instalments. The loan is secured by promissory note signed by the partners of Tusdeer, loan collateral amounted SR 4 million and guaranteed by SISCO. The amounts due in 2012 are shown as a current liability.

	<i>2011</i>	<i>2010</i>
	<i>SR</i>	<i>SR</i>
Long term loan	7,500,000	11,243,250
Less: current portion of term loan	<u>(3,750,000)</u>	<u>(3,750,000)</u>
Long term portion of term loan	<u>3,750,000</u>	<u>7,493,250</u>

- e) During 2011, Kindasa Water Services Company Limited ("Kindasa") obtained two (2010: three) long term Murabaha loans from The National Commercial Bank, repayable in quarterly instalments. The loans bear interest rate of 5.72% and 5.51%, respectively. The amounts due in 2012 are shown as a current liability.

	<i>2011</i>	<i>2010</i>
	<i>SR</i>	<i>SR</i>
Long term loans	19,783,349	9,957,048
Less: current portion	<u>(4,429,525)</u>	<u>(1,897,205)</u>
Long term portion	<u>15,353,824</u>	<u>8,059,843</u>

16 OTHER LONG TERM OBLIGATIONS

As per the BOT agreement, RSGT, one of the subsidiaries of the Company, has an obligation to replace certain machinery and equipment ("the Equipment") during the tenure of the agreement. During the year ended 31 December 2011, an amount of SR 7.73 million has been recorded as provision for equipment replacement cost.

17 SHARE CAPITAL

Capital is divided into 68 million shares (2010: 68 million shares) of SR 10 each.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

18 STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies, 10% of the income for the year has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the capital.

19 SPECIAL RESERVE

As required by the Company's by- 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 TRANSACTIONS WITH RELATED PARTIES

During the year, the Company conducted transactions with the following related parties:

<u>Name</u>	<u>Relationship</u>
Resource Science Arabia Limited	Affiliate
City Island Holding	Affiliate
HIDADA	Affiliate
Alireza Travel & Tourism Company	Affiliate
Alfred Talke Gmbh & Co. KG	Affiliate
Azmeel Contracting Establishment	Affiliate
Aljabr Talke Co. LLC, Oman	Affiliate
Talke Belgie N V	Affiliate
Xenel Industries Limited	Affiliate
Saudi Water and Environmental Services	Affiliate
Amiantit Group Company	Affiliate

The material transactions with related parties during the year were as follows:

	<u>2011</u>	<u>2010</u>
	<u>SR</u>	<u>SR</u>
Technical and consulting fee	179,989	224,080
Water sales	3,928,488	1,191,267
Loan interest charges	428,544	1,501,664
Expenses paid on behalf of an affiliate	2,329,892	2,928,078
Settlement of liabilities on behalf of an affiliate	198,158	133,024
Settlement of liabilities on behalf of an affiliate	129,747	-
Costs and expenses charged by affiliates	669,544	3,546,827
Sales to affiliates	18,702,454	2,154,543
Expenditures incurred by an affiliate	263,661	551,010
Recharge of expenses incurred by the Group on behalf of an affiliate	86,080	-
Charge to the Group for technical manpower services	2,344,640	1,824,872
Recharge of expenses incurred by the Company on behalf of an affiliate	154,698	-
Purchase of equipment	-	4,835,611
Purchase of air tickets	1,823,776	1,064,639
Director's attendance fee and key executive managers' salaries, allowances and compensation	4,293,458	3,814,693

The amounts due to/from the above related parties are disclosed in note 4 and 14, respectively.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

21 SELLING AND DISTRIBUTION EXPENSES

	<i>2011</i> <i>SR</i>	<i>2010</i> <i>SR</i>
Salaries and benefits	3,976,555	3,364,256
Depreciation and amortisation	2,181,212	1,313,894
Utilities and telecommunication	1,870,399	1,074,781
Repairs and maintenance	131,126	48,205
Other	2,915,300	1,836,928
	<u>11,074,592</u>	<u>7,638,064</u>

22 GENERAL AND ADMINISTRATION EXPENSES

	<i>2011</i> <i>SR</i>	<i>2010</i> <i>SR</i>
Salaries, wages and benefits	39,435,382	33,403,728
Contractor's claims	13,000,000	-
Depreciation and amortisation	12,637,051	6,559,181
Government and professional fees	3,683,681	2,506,726
Provision for projects in progress (see note 9)	3,173,020	-
Rent	758,580	4,471,582
Utilities and telecommunication	213,851	217,192
Other	20,176,822	18,582,600
	<u>93,078,387</u>	<u>65,741,009</u>

23 ZAKAT

Movement in zakat provision during the year was as follows:

	<i>2011</i> <i>SR</i>	<i>2010</i> <i>SR</i>
At the beginning of the year	6,456,405	8,441,587
Provided during the year	4,410,455	2,098,776
Amounts paid during the year	(4,818,755)	(4,083,958)
At the end of the year	<u>6,048,105</u>	<u>6,456,405</u>

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

Zakat assessments

All years up to 31 December 2001 have been finalized with Department of Zakat and Income Tax (DZIT). The DZIT raised final 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.

Final assessments for the years ended 31 December 2009 and 2010 have not been issued by the DZIT. However during the year, the DZIT issued initial assessment for the year ended 31 December 2010 with additional liability of SR 773 thousand. The Company has filed an objection against the DZIT's initial assessment.

Saudi Industrial Services Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2011

24 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 average number of outstanding shares during the year ended 31 December 2011.
- b) Earnings per share from net income for the year is calculated by dividing the net income for the year by the average number of outstanding shares during the year ended 31 December 2011.

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

25 SALES AND OPERATING INCOME

	2011 SR	2010 SR
Notional construction revenue from 'Build-Operate-Transfer' project	48,574,050	528,180,691
Notional construction cost on 'Build-Operate-Transfer' project	(48,574,050)	(528,180,691)
Revenue of selling potable water	73,920,545	78,662,742
Selling of fuel and transport and support services revenue	39,778,065	38,156,319
Shipping and unloading services revenue	239,759,623	121,282,218
Rent services revenue	44,794,071	43,742,140
Total	398,252,304	281,843,419

26 CONTINGENCIES

Civil work contractor of Red Sea Gateway Terminal Company Limited (a subsidiary) has notified three major claims relating to extension of time, shortage of reclamation materials and late provision of drawings. Management of the subsidiary has not yet reached an agreement with the contractor in respect of settlement of such claims.

27 COMMITMENTS

The Group's bankers have issued letters of guarantee amounting to SR 25 million on which cash margin of SR 7.5 million was paid (2010: SR 25 million on which cash margin of SR 25 million was paid).

During the twelve-month period ended 31 December 2011, the Group's bankers have issued letters of credit amounting to SR 16.93 million on which cash margin of SR 1.3 million was paid.

As at 31 December 2011, the Company has commitments for capital work in progress amounting to SR 24 million (2010: SR 126.5 million).

28 RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including bank deposits, and bank loans.

Management limits interest rate risk by monitoring changes in interest rates in the currencies in which its interest bearing liabilities are denominated.

28 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 undiscounted financial liabilities at 31 December, based on contractual payment dates.

<i>Year ended 31 December 2011</i>	<i>Less than 3 months SR</i>	<i>3 to 12 Months SR</i>	<i>1 to 5 years SR</i>	<i>> 5 years SR</i>	<i>Total SR</i>
Accounts payables and other	68,333,705	59,500,000	-	-	127,833,705
Loans and bank facilities	70,395,523	84,909,936	367,809,863	848,684,393	1,371,799,715
Total	138,729,228	144,409,936	367,809,863	848,684,393	1,499,633,420

<i>Year ended 31 December 2010</i>	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>1 to 5 Years SR</i>	<i>>5 years SR</i>	<i>Total SR</i>
Accounts payables and other	76,542,715	18,876,584	-	-	95,419,299
Loans and bank facilities	-	131,810,510	410,139,542	805,544,893	1,347,494,945
Total	76,542,715	150,687,094	410,139,542	805,544,893	1,442,914,244

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 Riyals during the year.

29 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.

30 KEY SOURCES OF ESTIMATION UNCERTAINTY

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, based on historical recovery rates.

30 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on expected selling prices.

Useful lives of property and equipment

The management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Amortisation period of intangible assets

The management determines the estimated useful lives of its intangible assets for calculating amortisation. This estimate is determined after considering the expected benefit to be obtained from the use of intangible asset. Management reviews the carrying value and useful lives annually and future amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

31 BUSINESS SEGMENTS

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

- Fuel station and maintenance
- Quay project
- Ports development
- Sea water desalination
- Storage and re-export
- Main office which comprises main 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:

	<i>Fuel stations and maintenance</i>	<i>Quay project and ports development</i>	<i>Desalination</i>	<i>Storage and re-export</i>	<i>Main office</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
2011						
Assets	24,755	1,812,594	286,059	200,325	208,627	2,532,360
Liabilities	3,335	1,350,793	65,981	24,136	22,717	1,466,962
Sales and operations revenue	39,778	239,759	73,921	44,794	-	398,252
Net income/(loss) before minority interests	2,014	8,728	23,193	11,979	(19,579)	26,335
Net income/(loss)	2,013	5,499	14,128	8,980	(19,579)	11,041
2010						
Assets	22,638	1,814,016	259,419	185,435	214,544	2,496,052
Liabilities	2,837	1,352,002	50,830	25,625	18,804	1,450,098
Sales and operations revenue	38,156	121,282	78,663	43,742	-	281,843
Net income/(loss) before minority interests	1,959	(22,985)	29,215	16,055	(16,200)	8,044
Net income/(loss)	1,959	(14,481)	17,998	12,850	(16,199)	2,127

The Group operates only in Kingdom of Saudi Arabia.

32 EFFECT OF REDUCING SHAREHOLDING PERCENTAGE IN A SUBSIDIARY

During 2005, Saudi Trade Export Development Company Limited - Tusdeer (a subsidiary) increased its capital by SR 35 million to become SR 80 million. The Company has contributed SR 17,300,000 (divided into 17,300 shares) for the increase in subsidiary's capital. Accordingly, the Company now holds 60,800 shares representing 76% of the subsidiary's capital compared to a shareholding of 96.67% before the increase in capital. Due to the decrease in the shareholding in the subsidiary, the Company's share in the accumulated losses of the subsidiary has consequently decreased as other partners of the subsidiary have partially absorbed accumulated losses of SR 4,641,143, in addition to SR 12,075 arising from decreasing of shareholding percentage in other subsidiaries during 2008. The above transactions were included in shareholders' equity in the consolidated balance sheet.

33 COMPARATIVE FIGURES

Certain prior year's figures have been reclassified to conform to the presentation in the current year.