SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

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(A Saudi Joint Stock Company)

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For the year ended 31 December 2017

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Independent auditors' report

To the Shareholders of
Saudi Industrial Services Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia.

Opinion

We have audited the consolidated financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

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

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Impairment assessment of intangible assets and property, plant and equipment	
Refer to notes: 3.5 and 3.6 for the accounting policy relating to property, plant and equipment and intangible assets respectively and to notes 4 and 5 respectively for their related disclosures.	
Key audit matter	**How the matter was addressed in our audit**
At 31 December 2017, the carrying value of the Group's intangible assets amounted to SR 1,239 million (2016: SR 1,308 million). Intangible assets comprise mainly of port concession rights and right to use land and were recognized by the Group as a result of Build-Operate-Transfer (BOT) agreement (the Agreement) with Saudi Arabian Seaport Authority for construction and operation of a container terminal at Jeddah Islamic Port. As at 31 December 2017, the Group also had property, plant and equipment amounting to SR 927.1 million (2016: SR 745.1 million). These mainly comprise of container terminals, berths, cranes, storage facilities, desalination plants and related assets. For impairment testing these are grouped together into the smallest group of assets that generates cash flow from continuing use (cash generating unit or CGU) that are largely independent of cash flows of other assets or other CGUs. The Group's assessment of the recoverable amount of CGU involves use of significant judgement. This involves use of modelling techniques and requires a significant amount of judgement and estimation uncertainty. It also requires estimates of future cash flows and associated discount and growth rates based on management's view of future business prospects at the time of assessment. We considered impairment assessment of intangible assets and property plant and equipment as a key audit matter due to involvement of significant judgements and estimation uncertainty.	Our audit procedures included the following: - Assessed the process established by the management of the Group in respect of impairment assessment of intangible assets and property, plant and equipment and tested the design and implementation and effectiveness of the controls; - Assessed the reasonableness and appropriateness of key assumptions in respect of estimated future cash flows, growth and discount rates used by the management in value in use calculation and performed sensitivity analysis on key assumptions through use of our internal valuation specialists; - Compared key assumptions against industry benchmarks, applied our understanding of the future prospects of the business from internal and external sources and compared forecasts to historical experience; - Checked the accuracy and completeness of the information used by the management for impairment assessment; and - Assessed the adequacy of the financial statement disclosures in terms of the applicable accounting standards, including disclosures of key assumptions, judgements and sensitivities.

Recoverability of trade receivables

Refer to Note: 3.3 for the accounting policy relating to trade receivables and note: 10 and 30.2.3 for the related disclosure.

Key audit matter	How the matter was addressed in our audit
At 31 December 2017, the Group's gross trade receivables including related party trade receivables amounted to SR 63.26 million (2016: SR 70.09 million), against which a provision for doubtful debts of SR 5.55 million (2016: SR 2.65 million) was recorded. The Group's provision for doubtful debts is based on management's best estimate which is estimated by taking into account the credit history of the Group's customers and current market and customer specific conditions. We identified assessing the recoverability of trade receivables as a key audit matter because estimating the recoverable amount involves inherent uncertainty and requires exercising significant management judgement.	Our audit procedures included the following: - Assessed the design and implementation and tested operating effectiveness of key internal controls established by the management relating to credit monitoring and determination of provision for doubtful debts; - Assessed the appropriateness of the model used by management for determining the provision for doubtful debts. Checked the mathematical accuracy of the provision for doubtful debts calculated by the management - Evaluated the reliability of trade receivables ageing report used by management in its assessment of the provision for doubtful debts through the use of our internal IT specialists; - For a sample of receivables; discussed and challenged management's understanding of the debtors' financial condition and the industry in which the customers operate; - Requested confirmations for major year end balances and reconciled the replies with the books of the Group; and - For a sample of receivables, reviewed post year-end cash receipts from the debtors to corroborate management's view on recoverability of these receivables.

Provision for assets replacement costs	
Refer to Note: 3.12 for the accounting policy relating to provision for assets replacement costs and note: 18 for the related disclosure.	
Key audit matter	How the matter was addressed in our audit
At 31 December 2017, the Group' held a provision of SR 65.84 million (2016: SR 54.39 million) in respect of its obligation to replace and maintain certain machinery and equipment ("the Equipment") during the tenure of its service concession agreement (the Agreement) with Saudi Arabian Seaport Authority. The Group's provision for asset replacement cost is recognised at the present value of depreciated replacement cost of future replaceable assets as per contractual requirements of the Agreement and is based on management's best estimate of the amount and timing of cash outflows, inflation rates and discount rates. We identified the provision for asset replacement cost as a key audit matter because estimating the amount and timing of cash outflows, inflation rates applicable in the future and selection of appropriate discount rates involves inherent uncertainty and requires exercise of significant management judgement.	Our audit procedures included the following: - Assessed appropriateness of the model used by management for determining the provision for asset replacement cost; - Checked on a sample basis, the completeness of the assets included in the calculation of the provision. - Evaluated the reasonableness of timing of cash outflows estimated by the management based on the remaining useful life of existing similar assets currently in use. Assessed the appropriateness of amount of cash outflow estimates through comparison with existing market prices of such equipment factored for inflation and depreciation in future periods. - Involved our internal valuation specialist to assist in evaluating the appropriateness of the discount rates and inflation rates applied and performed a sensitivity analysis on key assumptions; - Compared key assumptions against industry benchmarks, applied our understanding of the business. and compared forecast cash outflows to historical experience; - Checked the mathematical accuracy of the provision for asset replacement cost using the methodology adopted by the management and assumptions used. - Assessed adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Change in financial reporting framework

Refer to Note: 2 for basis of preparation of financial statements relating to IFRS adoption and note: 31 for the related disclosure of effects of IFRS adoption.

Key audit matter	How the matter was addressed in our audit
For all periods up to and including the year ended 31 December, 2016, the Group prepared and presented its statutory consolidated Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA. For the financial periods commencing 1 January, 2017, the applicable regulations require the Group to prepare and present its consolidated Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA (IFRS as endorsed in the Kingdom of Saudi Arabia). Accordingly, the Group has prepared its Consolidated Financial Statements, for the year ended 31 December 2017, under IFRS as endorsed in the Kingdom of Saudi Arabia using IFRS 1 - "First time Adoption of International Financial Reporting Standards" (IFRS 1). As part of this transition to IFRS as endorsed in the Kingdom of Saudi Arabia, the Group's management performed a detailed gap analysis to identify differences between the previous reporting framework and IFRS as endorsed in the Kingdom of Saudi Arabia, determined the transition adjustments in light of this gap analysis and relevant requirements of IFRS 1, and assessed the additional disclosures required in the financial statements. We considered this as a key audit matter as the transitional adjustments due to the change in the financial reporting framework and transition related disclosures in the financial statements require additional attention during our audit.	We performed the following procedures in relation to change in financial reporting framework: - Considered the Group's governance process around the adoption of IFRS as endorsed in the Kingdom of Saudi Arabia, especially, in relation to matters requiring management to exercise its judgment; - Obtained an understanding of the analysis performed by management to identify all significant differences between previous reporting framework and IFRS as endorsed in the Kingdom of Saudi Arabia which can impact the Group's financial statements; - Evaluated the results of management's analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in the Kingdom of Saudi Arabia and our understanding of the Group's business and its operations; - Tested the transition adjustments by considering management's gap analysis, the underlying financial information and the computation of these adjustments; and - Evaluated the disclosures made in relation to the transition to IFRS as endorsed in the Kingdom of Saudi Arabia by considering the relevant requirements of IFRS 1.

Other Information

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

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or the business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of ***Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group")***.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No: 382

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Certified Public Accountants
KPMG Al Fozan & Partners

10 Rajab 1439H
Corresponding to: 27 March 2018

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017
(Expressed in Saudi Arabian Riyals)

	Notes	**31 December 2017**	31 December 2016	1 January 2016
ASSETS				
Non-current assets:				
Property, plant and equipment	4	**927,089,954**	745,108,466	542,840,521
Intangible assets	5	**1,238,841,157**	1,307,795,154	1,372,639,229
Investment property	6	**152,430,488**	147,754,208	153,971,188
Investments	7	**180,297,457**	117,473,281	113,366,647
Trade receivables, long-term	10 (a)	**8,376,771**	--	--
Derivative financial instrument	8	--	--	4,236
Total non-current assets		**2,507,035,827**	2,318,131,109	2,182,821,821
Current assets:				
Inventories	9	**25,502,589**	31,120,218	27,113,415
Derivative financial instrument	8	--	24,930	--
Trade and other receivables	10	**101,588,415**	113,936,782	118,565,253
Cash and cash equivalents	11	**150,707,941**	195,404,320	252,669,021
Total current assets		**277,798,945**	340,486,250	398,347,689
Total assets		**2,784,834,772**	2,658,617,359	2,581,169,510
EQUITY				
Share capital	12	**816,000,000**	680,000,000	680,000,000
Share premium		**36,409,063**	36,409,063	36,409,063
Statutory reserve	13	**66,615,976**	39,758,712	30,549,496
Special reserve	13	--	19,869,813	15,265,205
Other reserves		**10,697,262**	8,061,385	13,151,743
Retained earnings		**137,569,208**	224,218,431	184,170,646
Total equity attributable to the shareholders' of Parent Company		**1,067,291,509**	1,008,317,404	959,546,153
Non-controlling interests	15	**476,769,749**	476,874,551	456,029,897
Total equity		**1,544,061,258**	1,485,191,955	1,415,576,050
LIABILITIES				
Non-current liabilities:				
Long-term loans and bank facilities	16	**839,710,326**	836,401,581	838,185,086
Employees' end of service benefits	17	**26,693,232**	21,883,821	20,635,597
Long-term provisions	18	**66,040,748**	54,602,445	44,661,233
Derivative financial instruments	8	--	--	17,276
Total non-current liabilities		**932,444,306**	912,887,847	903,499,192
Current liabilities:				
Current portion of long-term loans and bank facilities	16	**146,391,442**	116,017,870	112,482,638
Trade payables and other current liabilities	19	**156,841,685**	136,473,154	138,511,452
Zakat and income tax payable	26	**5,096,081**	7,536,803	11,100,178
Derivative financial instrument	8	--	509,730	--
Total current liabilities		**308,329,208**	260,537,557	262,094,268
Total liabilities		**1,240,773,514**	1,173,425,404	1,165,593,460
Total liabilities and equity		**2,784,834,772**	2,658,617,359	2,581,169,510

The accompanying notes 1 through 32 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017
(Expressed in Saudi Arabian Riyals)

	Notes	**2017**	2016
Revenue	21	**562,406,807**	690,772,150
Costs of revenue	22	**(363,719,899)**	(398,063,180)
Gross profit		**198,686,908**	292,708,970
Selling and distribution expenses	23	**(19,467,177)**	(12,982,042)
General and administrative expenses	24	**(105,299,727)**	(121,744,287)
Other income, net	25	**27,553,350**	10,365,647
Operating profit		**101,473,354**	168,348,288
Finance costs		**(34,993,996)**	(36,279,222)
Finance income		**608,742**	1,647,722
Share in results from equity accounted associates, net	7.2	**20,735,689**	11,650,224
Profit before Zakat and income tax		**87,823,789**	145,367,012
Zakat and income tax	26	**(6,702,089)**	(9,330,322)
Profit for the year		**81,121,700**	136,036,690
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement of employees' end of service benefits liability	17.2	**(2,999,425)**	(712,349)
Share of actuarial losses of equity accounted associates	7.2	**(521,236)**	(525,569)
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value		**484,800**	(471,760)
Available for sale financial assets – net change in fair value	7.3	**2,538,197**	(1,287,914)
Other comprehensive loss		**(497,664)**	(2,997,592)
Total comprehensive income for the year		**80,624,036**	133,039,098

The accompanying notes 1 through 32 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2017
(Expressed in Saudi Arabian Riyals)

	Notes	2017	2016
Net profit attributable to:			
- Shareholders' of the Parent Company		**58,811,404**	90,256,095
- Non-controlling interest's share of net income in subsidiaries	15	**22,310,296**	45,780,595
Net profit for the year		**81,121,700**	136,036,690
Total comprehensive income attributable to:			
- Shareholders' of the Parent Company		**58,974,105**	87,690,995
- Non-controlling interest's share of net income in subsidiaries	15	**21,649,931**	45,348,103
Total comprehensive income for the year		**80,624,036**	133,039,098
Earnings per share			
Basic and diluted earnings per share from net profit for the year attributable to the Shareholders' of the Parent Company	27	**0.72**	1.11

The accompanying notes 1 through 32 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 2017
(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 changes in shareholding percentage in subsidiaries (Note 14)	Cash flow hedging reserve	Unrealized gain on available for sale investment	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	680,000,000	36,409,063	39,758,712	19,869,813	1,133,474	(289,950)	7,217,861	224,218,431	1,008,317,404	476,874,551	1,485,191,955
Total comprehensive income											
Profit for the period	--	--	--	--	--	--	--	58,811,404	58,811,404	22,310,296	81,121,700
Other comprehensive income	--	--	--	--	--	289,950	2,345,927	(2,473,176)	162,701	(660,365)	(497,664)
Transactions with owners of the Company											
Issuance of bonus shares (Note 12)	136,000,000	--	--	--	--	--	--	(136,000,000)	--	--	--
Other transactions / changes											
Transfer to statutory reserve (Note 13)	--	--	5,881,141	1,106,310	--	--	--	(6,987,451)	--	--	--
Transfer between reserves (Note 13)	--	--	20,976,123	(20,976,123)	--	--	--	--	--	--	--
Dividends paid to non-controlling interests' by subsidiaries	--	--	--	--	--	--	--	--	--	(21,754,733)	(21,754,733)
Balance at 31 December 2017	**816,000,000**	**36,409,063**	**66,615,976**	**--**	**1,133,474**	**--**	**9,563,788**	**137,569,208**	**1,067,291,509**	**476,769,749**	**1,544,061,258**

The accompanying notes 1 through 32 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2017
(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 changes in shareholding percentage in subsidiaries (Note 14)	Cash flow hedging reserve	Unrealized gain on available for sale investment	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	680,000,000	36,409,063	30,549,496	15,265,205	4,653,218	(7,250)	8,505,775	184,170,646	959,546,153	456,029,897	1,415,576,050
Total comprehensive income											
Profit for the period	--	--	--	--	--	--	--	90,256,095	90,256,095	45,780,595	136,036,690
Other comprehensive income	--	--	--	--	--	(282,700)	(1,287,914)	(994,486)	(2,565,100)	(432,492)	(2,997,592)
Transactions with owners of the Company											
Transaction with non-controlling interests without change in control	--	--	--	--	(3,519,744)	--	--	--	(3,519,744)	(11,480,256)	(15,000,000)
Dividends paid	--	--	--	--	--	--	--	(34,000,000)	(34,000,000)	--	(34,000,000)
Other distributions	--	--	--	--	--	--	--	(1,400,000)	(1,400,000)	--	(1,400,000)
Other transactions / changes											
Transfer to reserves (Note 13)	--	--	9,209,216	4,604,608	--	--	--	(13,813,824)	--	--	--
Dividends paid to non-controlling interests' by subsidiaries	--	--	--	--	--	--	--	--	--	(12,131,000)	(12,131,000)
Net movement in non- controlling interests'	--	--	--	--	--	--	--	--	--	(892,193)	(892,193)
Balance at 31 December 2016	680,000,000	36,409,063	39,758,712	19,869,813	1,133,474	(289,950)	7,217,861	224,218,431	1,008,317,404	476,874,551	1,485,191,955

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017
(Expressed in Saudi Arabian Riyals)

	Notes	2017	2016
Operating activities:			
Profit before Zakat and income tax		**87,823,789**	145,367,012
Adjustments for:			
Depreciation and amortization	4, 5 & 6	**137,592,260**	128,318,031
Provision for employees' end of service benefits	17.2	**5,709,749**	4,830,945
Loss on disposal of property, plant and equipment	25	**160,506**	135,569
Share of results from equity accounted associates, net	7.2	**(20,735,689)**	(11,650,224)
Provision / (reversal of provision) for doubtful debts	30.2.3	**3,777,935**	(366,014)
Amortization of advance rentals		**4,103,037**	4,103,037
Capital work in progress written off	4.1	**625,250**	--
Amortization of deferred revenue		**(18,910)**	(20,329)
Inventories written off		**--**	618,240
Provision for slow moving and obsolete inventories		**3,203,831**	--
Provision for asset replacement cost	18	**9,416,666**	8,093,785
Financial charges		**34,993,996**	36,279,222
		266,652,420	315,709,274
Changes in operating assets and liabilities:			
Trade and other receivables		**81,525**	4,994,485
Inventories		**2,413,798**	(4,625,043)
Trade payable and other current liabilities		**20,483,650**	(2,107,412)
Cash generated from operating activities		**289,631,393**	313,971,304
Employees' end of service benefits paid	17.2	**(3,981,921)**	(4,295,070)
Financial charges paid		**(32,414,745)**	(34,342,352)
Zakat and income-tax paid	26	**(9,684,498)**	(12,893,697)
Net cash generated from operating activities		**243,550,229**	262,440,185
Investing activities:			
Effect of transaction with non-controlling interests without change in control	15	**--**	(15,000,000)
Dividends received from equity accounted associates	7.2	**9,928,474**	5,730,107
Additions to property, plant and equipment	4, 5 & 6	**(257,004,033)**	(259,859,141)
Additions to investments classified as available for sale	7.3.1	**(50,000,000)**	--
Proceeds from disposal of property, plant and equipment		**1,004,404**	198,651
Net cash used in investing activities		**(296,071,155)**	(268,930,383)
Financing activities:			
Borrowings of loans and bank facilities		**145,763,944**	114,329,781
Repayment of loans and bank facilities		**(116,184,664)**	(116,681,091)
Dividend and other distributions		**--**	(35,400,000)
Dividends paid to non-controlling interests by subsidiaries		**(21,754,733)**	(12,131,000)
Net movement in non-controlling interests		**--**	(892,193)
Net cash generated from / (used in) financing activities		**7,824,547**	(50,774,503)
Net change in cash and cash equivalents		**(44,696,379)**	(57,264,701)
Cash and cash equivalents at the beginning of the year	11	**195,404,320**	252,669,021
Cash and cash equivalents at the end of the year	11	**150,707,941**	195,404,320

The accompanying notes 1 through 32 form an integral part of these consolidated financial statements.

1. ORGANISATION AND PRINCIPAL ACTIVITIES

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

The registered head office of the Parent Company is located at the following address:

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

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

Company	Country of incorporation	Effective shareholding 2017	2016	Principal activities
Saudi Trade and Export Development Company Limited ("Tusdeer")	Saudi Arabia	76%	76%	Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Company – Closed Joint Stock Company ("Kindasa")	Saudi Arabia	65%	65%	Water desalination and treatment plant and sale of water.
Support Services Operation Limited Company ("ISNAD")	Saudi Arabia	99.28%	99.28%	Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease.
Red Sea Gateway Terminal Company Limited ("RSGT")	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.
Red Sea Port Development Company – Closed Joint Stock Company ("RSPD")	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (here and after refer to as "IFRS as endorsed in KSA"). Up to and including the year ended 31 December 2016, the Group prepared and presented its statutory consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's Bylaws in so far as they relate to the preparation and presentation of the financial statements. In these consolidated financial statements, the term "SOCPA Standards" refers to SOCPA Standards before the adoption of IFRS.

For financial periods commencing 1 January 2017, the applicable regulations require the Group to prepare and present financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA. As part of this requirement, the Group has prepared these consolidated financial statements.

As required by the Capital Market Authority ("CMA") through its circular dated 16 October 2016 the Group needs to apply the cost model to measure the property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

These consolidated financial statements are prepared in accordance with IFRS 1: First time Adoption of International Financial Reporting Standards. The Group has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

An explanation of how the transition to IFRS has affected the previously reported equity as at 31 December 2016 and 1 January 2016; and comprehensive income of the Group for the year ended 31 December 2016, including the nature and effect of significant changes in accounting policies from those used in the Group's Financial Statements for the year ended 31 December 2016 is provided in Note 31.

These consolidated financial statements should be read in conjunction with the Group's annual consolidated SOCPA financial statements for the year ended 31 December 2016, and the Group's condensed consolidated interim financial statements for the quarters ended 31 March 2017, 30 June 2017 and 30 September 2017 prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

2. BASIS OF PREPARATION (continued)

2.2 Basis of Measurement

These consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale investments and derivative financial instruments which are stated at fair value, defined benefit obligation which is recognised at the present value of future obligations using the Projected Unit Credit Method and provision for asset replacement cost which is recognised at the present value of depreciated cost of future replaceable assets as per contractual requirements of service concession arrangement.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ("SR") which is the Group's functional and presentation currency. All amounts have been rounded off to the nearest Riyals, unless otherwise stated.

2.4 Critical accounting estimates and judgments

The preparation of consolidated financial statements, in conformity with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the consolidated statement of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the following years are stated below:

i) *Impairment of non-derivative financial assets - (Note 3.10 (a))* (impairment of non-derivative financial assets) describes the key assumption and estimation uncertainties underlying recoverable amounts for non-derivative financial assets.

ii) *Impairment of non-financial assets - (Note 3.10 (b))* (impairment of non-financial assets) describes the key assumption and estimation uncertainties underlying recoverable amounts for non-financial assets.

iii) *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 future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

2. BASIS OF PREPARATION (continued)

2.4 Critical accounting estimates and judgments (continued)

a) Assumptions and estimation uncertainties (continued)

iv) Employee benefits – defined benefit plan

Certain actuarial assumptions have been adopted as disclosed in Note 17 to the consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

v) 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. Significant assumptions included in the determination of this estimate are disclosed in Note 18.

b) Judgements

Further, information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

i) Classification of investment property (Note 3.7)
ii) Lease classification (Note 3.8)
iii) Provision and contingencies (Note 3.12)
iv) Consolidation: whether the Group has de facto control over an investee (Note 3.1)

c) Measurement of fair values

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

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Group's management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Operating Decision Maker (CODM) of the Group.

Group's management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the evidence obtained from the third parties is assessed to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

2. BASIS OF PREPARATION (continued)

2.4 Critical accounting estimates and judgments (continued)

c) Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

When quoted prices are available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in the consolidated statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3. SIGNIFICANT ACCOUNTING POLICIES

The accompanying accounting policies set out below have been adopted by the Group for the preparation of these consolidated financial statements. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements. Certain comparative amounts have been reclassified to conform to the current period's presentation.

3.1 Basis of consolidation

These consolidated financial statements comprising the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements of the Group include assets, liabilities and results of the operations of the Company and its subsidiaries as set out in Note 1. The Company and its subsidiaries are collectively referred to as the Group. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases.

The Group accounts for the business combinations (except for entities under common control) using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The excess of the cost of acquisition and the fair value of non-controlling interests ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in the consolidated statement of financial position. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. The portion of profit or loss and net assets not controlled by the Group are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. Intra-group balances and transactions, and any unrealized income and expenses arising from intra group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

Business combinations including entities or business under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. The components of equity of the acquired entities are added to the same components within the Group equity and any profit or loss arising is recognized directly in the consolidated statement of changes in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Investments in associates and jointly controlled entity (equity accounted investees)

The Group's interest in equity-accounted investee comprise interest in a joint venture and investments in associates.

A joint venture is an arrangement in which the Company has joint control whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in associates and joint ventures (equity accounted investees) are accounted for using the equity method and are recognised initially at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in equity accounted investees. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in associate / joint venture and its carrying value and recognises the loss in the consolidated statement of profit or loss.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the consolidated statement of profit or loss except for foreign currency differences arising on translation of available for sale investments and effective portion of qualifying cash flow hedge, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial recognition. Foreign currency gains and losses are reported on a net basis in consolidated statement of profit or loss.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Saudi Riyals at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Saudi Riyals at exchange rates at the dates of the transactions.

Foreign currency differences arising on translation of foreign operations are recognized in other comprehensive income and accumulated in the translation reserve except to the extent that the translation difference is allocated to non-controlling interests.

Dividends received from foreign associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of profit or loss.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated statement of profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments

a) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group has the following non-derivative financial assets: loans and receivables, available-for sale financial assets and cash and cash equivalents.

i) Loans and receivables

Loans and receivables comprise trade and other receivables that are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses and allowance for any doubtful debts. Allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such allowances are charged to consolidated statement of profit or loss. When account receivable is uncollectible, it is written-off against the allowances for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited in the consolidated statement of profit or loss.

ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified as loans and receivables, held to maturity financial assets or financial asset at fair value through profit or loss. The Group’s investments in equity securities are classified as available-for-sale financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value (unless the fair value for equity securities cannot be reliably measured and they are carried at cost). Changes in fair value, other than impairment losses on available-for sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

b) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognised initially at fair value minus, in case of financial liability not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss, which are measured at fair value. Changes in fair value of liabilities at fair value through profit or loss, along with any interest expense, are recognized in the consolidated statement of profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: long-term loans and bank facilities and trade payable and other current liabilities.

c) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognized in consolidated statement of profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

d) Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect net income, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve within consolidated statement of changes in equity. The amount recognised in other comprehensive income is removed and included in the consolidated statement of profit or loss in the same period as the hedged cash flows affect net income, under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

e) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Group without any restrictions.

3.5 Property, Plant and Equipment

a) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

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

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

b) Subsequent costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, Plant and Equipment (continued)

c) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets, development cost of leasehold land and building on leasehold land are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Useful life
Buildings	Shorter of lease / concession period or 10 – 50 years
Leasehold improvements	Shorter of lease / concession period or 10 – 28 years
Plant and equipment	Shorter of lease / concession period or 5 – 20 years
Machinery and equipment	2 – 25 years
Motor vehicles and tankers	5 – 10 years
Fixtures and furnishing	5 – 10 years
Computers and equipment	2 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Capital work-in-progress are carried at cost less any recognised impairment loss. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property, plant and equipment category and is accounted for in accordance with the Group's policies.

3.6 Intangibles

a) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Intangibles (continued)

a) Port concession rights (continued)

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided.

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. The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

b) 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.

c) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

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 share of non-controlling interests.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Intangibles (continued)

d) Other intangible assets

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

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

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

	Useful life
Computer software	2 – 5 years

3.7 Investment properties

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

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

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Realized gains or losses on disposal of investment properties, representing the difference between the net disposal proceeds and the carrying amount, are included in the consolidated statement of profit or loss in the period in which they arise.

Transfers are made to (or from) investment properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the depreciated value at the date of change.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Operating leases

Payments made under operating leases are recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.9 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.

3.10 Impairment

a) ***Non derivative financial assets***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (excluding equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

i) Loans and receivables

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in net income and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through net income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment (continued)

a) Non derivative financial assets (continued)

ii) Available for sale investments

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to consolidated statement of profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. However, any subsequent increase in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

iii) Investment in associates and joint venture

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the consolidated statement of profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, investment properties and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment (continued)

b) Non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.11 Employee benefits

Employee benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

The Group sets assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognized immediately in other comprehensive income. The Group determines net interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Revenue

Revenue represents the gross inflow of economic benefits arising in the course of the ordinary activities of the Group when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Group
- it can be reliably measured, regardless of when the payment is being made, and
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable under contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

i) *Sale of goods*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of goods including water, the transfer usually occurs when the product is delivered to the customer.

ii) *Rendering of services*

The Group is involved in provision of operational services at Jeddah Islamic Port, as well as provision of logistical and maintenance services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on the assessment of the work performed / completed under the contractual obligation undertaken to be performed as per the work order / contract / sales order.

Service revenue represents the invoiced value of services rendered by the Group during the period, net of trade discounts, wherever applicable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Revenue (continued)

iii) Rental revenue

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

iv) Contract revenue

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in the consolidated statement of profit or loss.

3.14 Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in consolidated statement of profit or loss, using the effective interest method. Dividend income is recognised in the consolidated statement of profit or loss on the date that the Group’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and impairment losses recognised on financial assets and foreign currency gain or loss on financial assets and liabilities. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in consolidated statement of profit or loss using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Segment reporting

a) Business segment is group of assets, operations or entities:

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

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

b) Geographical segment

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

3.16 Dividends

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

3.17 Zakat and income tax

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Income tax for mixed and foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and income tax assessments are recorded in the period in which such assessments are made.

3.18 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 New Standards, Amendments and Standards issued and not yet effective

a) New Standards, Amendment to Standards and Interpretations

The Group has adopted, as appropriate, the following new and amended IASB Standards:

1) *Disclosure Initiative (Amendments to IAS 7)*

The amendments require disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Group's financing activities, as disclosed in the consolidated statement of cash flows, represents only cash flow changes, except for finance cost for which non cash change is reflected in cash flow from operating activities.

2) *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

Group does not hold any debt instruments measured at fair value; therefore, there is no impact of this amendment on the consolidated financial statements.

3) *Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities)*

The amendments clarify that disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

There is no impact of this amendment on these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 New Standards, Amendments and Standards issued and not yet effective (continued)

b) Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after 1 January 2018. As of this year end, the Company is in the process of completing its evaluation of impact of IFRS 15 on its revenue recognition policy.

ii) IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Classification – Financial assets
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 requires that derivatives embedded in the contracts should not be separated from the host contract which is a financial asset instead the hybrid financial instrument as a whole is assessed for classification.

Impairment – Financial Assets and Contract Assets
IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs are those that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 New Standards, Amendments and Standards issued and not yet effective (continued)

b) Standards issued but not yet effective (continued)

ii) IFRS 9 Financial Instruments (continued)

Impairment – Financial Assets and Contract Assets (continued)
An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Classification – Financial Liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI;
- the remaining amount of change in the fair value is presented in profit or loss.

Hedge accounting
When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9.

IFRS 9 will require the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss. However, under IFRS 9, for cash flow hedges of foreign currency risk associated with forecast non-financial asset purchases, the amounts accumulated in the cash flow hedge reserve and the cost of hedging reserve will instead be included directly in the initial cost of the non-financial asset when it is recognised.

Disclosures
IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. As of this year-end, the Group is in the process of completing its evaluation of impact of expected credit loss model on impairment of its financial assets.

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively except as described below:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 New Standards, Amendments and Standards issued and not yet effective (continued)

b) Standards issued but not yet effective (continued)

ii) IFRS 9 Financial Instruments (continued)

Transition (continued)

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

- New hedge accounting requirements should generally be applied prospectively. However the Group may elect to apply the expected change in accounting for forward points retrospectively.

iii) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Determining whether an arrangement contains a lease
On transition to IFRS 16, the Company can choose whether to:
- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition
As a lessee, the Company can either apply the standard using a:
- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Company currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 New Standards, Amendments and Standards issued and not yet effective (continued)

b) Standards issued but not yet effective (continued)

iv) Annual Improvements to IFRSs 2014–2016 Cycle

- IFRS 1 First-time Adoption of IFRS - Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 01 January 2018.
- IAS 28 Investments in Associates and Joint Ventures - A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.

v) Other Amendments

The following new or amended standards are not yet effective and neither expected to have a significant impact on the Company's financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) Amendments respond to industry concerns about the impact of differing effective dates.

- Transfers of Investment Property (Amendments to IAS 40) – A property asset is transferred when, and only when, there is evidence of an actual change in its use.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies the transaction date used to determine the exchange rate.

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment comprises of the following:

	31 December 2017	31 December 2016	1 January 2016
Property, plant and equipment (Note 4.1)	**298,137,823**	289,245,301	277,005,982
Property and equipment of bonded and re-export project (Note 4.2)	**32,637,572**	32,353,303	32,857,082
Property and equipment – port terminal operations (Note 4.3)	**596,314,559**	423,509,862	232,977,457
	927,089,954	745,108,466	542,840,521

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

4.1 Property, plant and equipment

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

	Land	Leasehold improvements	Motor vehicles & tankers	Tools & equipments	Furniture & fixtures	Computers	Desalination plants	Capital work-in-progress	Total
Cost:									
Balance at 1 January 2017	66,808,150	131,943	13,953,315	15,538,731	11,621,299	3,022,950	315,155,265	46,714,078	472,945,731
Additions during the year	--	--	653,749	293,899	377,326	580,886	668,278	44,472,508	47,046,646
Disposals during the year	--	--	(1,033,424)	(646,841)	(220,826)	--	(2,669,886)	--	(4,570,977)
Written off during the year	--	--	--	--	--	--	--	(625,250)	(625,250)
Transfer to investment property (Note 6)	--	--	--	--	--	--	--	(13,001,484)	(13,001,484)
Transfers during the year	--	--	--	--	170,712	2,456,335	7,087,594	(9,714,641)	--
Balance at 31 December 2017	66,808,150	131,943	13,573,640	15,185,789	11,948,511	6,060,171	320,241,251	67,845,211	501,794,666
Depreciation:									
Balance at 1 January 2017	--	131,943	10,347,331	9,485,122	6,563,903	2,741,267	154,430,864	--	183,700,430
Charge for the year	--	--	1,124,795	778,923	1,216,644	179,342	20,063,603	--	23,363,307
Disposals during the year	--	--	(904,002)	(626,647)	(95,847)	--	(1,780,398)	--	(3,406,894)
Balance at 31 December 2017	--	131,943	10,568,124	9,637,398	7,684,700	2,920,609	172,714,069	--	203,656,843
Net book value:									
As at 31 December 2017	**66,808,150**	**--**	**3,005,516**	**5,548,391**	**4,263,811**	**3,139,562**	**147,527,182**	**67,845,211**	**298,137,823**
As at 31 December 2016	66,808,150	--	3,605,984	6,053,609	5,057,396	281,683	160,724,401	46,714,078	289,245,301
As at 1 January 2016	66,808,150	--	3,871,672	6,845,762	5,608,039	279,736	176,261,331	17,331,292	277,005,982

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 Dhul Hijjah 1420H. Kindasa Water Services Company has the option of renewing the lease agreement on expiry of the initial lease term.

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

4.1 Property, plant and equipment (continued)

b) The property, plant and equipment of Kindasa Water Services Company are mortgaged to Saudi Industrial Development Fund (Note 16 (a)).

c) Capital work-in-progress mainly represents extension and upgradation of desalination facilities and construction work on Rabigh desalination facility and new logistic hub and logistic park projects in Jeddah.

4.2 Property and equipment of bonded and re-export project

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

	Leasehold improvements	Buildings on leasehold land	Equipment	Capital work-in-progress	Total
Cost:					
Balance at 1 January 2017	25,068,470	20,564,261	1,203,875	--	46,836,606
Additions during the year	--	--	--	2,010,220	2,010,220
Transfers from Capital work in progress	2,010,220	--	--	(2,010,220)	--
Balance at 31 December 2017	27,078,690	20,564,261	1,203,875	--	48,846,826
Depreciation:					
Balance at 1 January 2017	10,777,404	2,505,457	1,200,442	--	14,483,303
Charge for the year	820,429	902,089	3,433	--	1,725,951
Balance at 31 December 2017	11,597,833	3,407,546	1,203,875	--	16,209,254
Net book value:					
At 31 December 2017	**15,480,857**	**17,156,715**	**--**	**--**	**32,637,572**
At 31 December 2016	14,291,066	18,058,804	3,433	--	32,353,303
As at 1 January 2016	13,865,500	18,960,893	30,689	--	32,857,082

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

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

4.3 Property and equipment – port terminal operations

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

	Leasehold improvements	Motor vehicles	Furniture and fixtures	Computers and equipments	Machinery and equipments	Capital work-in-progress	Total
Cost:							
Balance at 1 January 2017	70,142,955	4,288,219	17,607,831	7,268,698	201,555,208	206,376,892	507,239,803
Additions during the year	1,775,431	254,609	519,182	897,861	1,592,149	201,754,908	206,794,140
Disposals during the year	--	--	(241,018)	--	(17,879)	--	(258,897)
Transfers during the year	260,732,444	310,000	--	94,149	146,034,757	(407,171,350)	--
Balance at 31 December 2017	332,650,830	4,852,828	17,885,995	8,260,708	349,164,235	960,450	713,775,046
Depreciation:							
Balance at 1 January 2017	9,144,159	2,327,765	7,529,763	4,795,314	59,932,940	--	83,729,941
Charge for the year	12,881,642	568,034	2,095,936	1,225,322	17,217,682	--	33,988,616
Disposals during the year	--	--	(240,191)	--	(17,879)	--	(258,070)
Balance at 31 December 2017	22,025,801	2,895,799	9,385,508	6,020,636	77,132,743	--	117,460,487
Net book value:							
At 31 December 2017	**310,625,029**	**1,957,029**	**8,500,487**	**2,240,072**	**272,031,492**	**960,450**	**596,314,559**
At 31 December 2016	60,998,796	1,960,454	10,078,068	2,473,384	141,622,268	206,376,892	423,509,862
As at 1 January 2016	32,262,138	1,005,583	9,848,481	2,223,956	106,984,065	80,653,234	232,977,457

a) Capital-work-in progress mainly represents ongoing construction and expansion works on terminal berths.

b) RSGT's Ijara facility has been secured against property and equipment – port terminal operations (Note 16 (b) and (d)).

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

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

	31 December 2017	31 December 2016
Cost of revenue	**47,246,026**	37,916,865
Selling and distribution expenses (Note 23)	**7,482,663**	7,247,898
General and administration expenses (Note 24)	**4,349,185**	5,411,690
	59,077,874	50,576,453

5. INTANGIBLE ASSETS

Intangible assets comprise of the following:

	31 December 2017	31 December 2016	1 January 2016
Port concession rights (Note 'a')	**1,198,629,009**	1,265,051,723	1,331,555,732
Right to use land (Note 'b')	**27,298,792**	28,432,583	29,565,153
Goodwill (Note 'c')	**8,776,760**	8,776,760	8,776,760
Other intangible assets (Note 'd')	**4,136,596**	5,534,088	2,741,584
	1,238,841,157	1,307,795,154	1,372,639,229

RSGT's Ijara facility has been secured against intangible assets – port concession rights (Note 16 (b)).

a) Port concession rights

The movement in port concession rights is as follows:

	31 December 2017
Cost:	
Balance at 1 January and 31 December 2017	1,711,145,484
Amortisation:	
Balance at 1 January 2017	446,093,761
Charge for the year	66,422,714
Balance at 31 December 2017	512,516,475
Net book value:	
At 31 December 2017	**1,198,629,009**
At 31 December 2016	1,265,051,723
As at 1 January 2016	1,331,555,732

Amortization charge for the year has been allocated to cost of sales.

b) Right to use land

Saudi Trade and Export Development Company (Tusdeer) had an agreement with Saudi Arabian Seaport 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.

5. INTANGIBLE ASSETS (continued)

c) Goodwill

Goodwill of SR 9.3 million was recognised on acquisition of Kindasa Water Services Company (Kindasa), a subsidiary; and its carrying value as of 31 December 2017 is SR 8.8 million (31 December 2016: SR 8.8 million and 1 January 2016: SR 8.8 million).

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

During the year ended 31 December 2017, goodwill has been reviewed for indicators of impairment and no indicators for impairment have been identified.

d) Other intangible assets

Other intangible assets comprise of computer software and software licenses used by the Group companies to manage their financial and operational activities.

The movement in other intangible assets is as follows:

	31 December 2017
Cost:	
Balance at 1 January 2017	19,714,440
Additions during the year	516,040
Balance at 31 December 2017	20,230,480
Amortisation:	
Balance at 1 January 2017	14,180,352
Charge for the year	1,913,532
Balance at 31 December 2017	16,093,884
Net book value:	
At 31 December 2017	**4,136,596**
At 31 December 2016	5,534,088
As at 1 January 2016	2,741,584

Amortization charge for the year has been allocated as follows:

	31 December 2017	31 December 2016
General and administration expenses (Note 24)	**1,813,386**	1,454,494
Selling and distribution expenses (Note 23)	**87,062**	112,179
Cost of revenue	**13,084**	10,903
	1,913,532	1,577,576

6. INVESTMENT PROPERTIES

The movement in investment property is as follows:

	Leasehold improvements	Buildings on leasehold land	Capital work-in-progress	Total
Cost:				
Balance at 1 January 2017	94,739,623	129,336,624	2,477,055	226,553,302
Additions during the year	--	--	719,145	719,145
Transfer from property and equipment (Note 4.2)	13,001,484	--	--	13,001,484
Transfers during the year	--	3,196,200	(3,196,200)	--
Balance at 31 December 2017	107,741,107	132,532,824	--	240,273,931
Depreciation:				
Balance at 1 January 2017	34,036,249	44,762,845	--	78,799,094
Charge for the year	2,841,553	6,202,796	--	9,044,349
Balance at 31 December 2017	36,877,802	50,965,641	--	87,843,443
Net book value:				
At 31 December 2017	**70,863,305**	**81,567,183**	**--**	**152,430,488**
At 31 December 2016	60,703,374	84,573,779	2,477,055	147,754,208
As at 1 January 2016	63,434,328	90,536,860	--	153,971,188

Investment properties represent warehouses rented to customers for storage and warehousing purposes, for a minimum period of 12 months.

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

Depreciation charge for the year has been allocated to cost of sales.

7. INVESTMENTS

Investments comprise of following:

	31 December 2017	31 December 2016	1 January 2016
Investment in associates (Note 7.1)	**110,971,249**	100,685,270	95,290,722
Available for sale investment - unquoted (Note 7.3)	**69,326,208**	16,788,011	18,075,925
	180,297,457	117,473,281	113,366,647

7. INVESTMENTS (continued)

7.1 As at 31 December 2017, the investment in associates comprises the following:

Associates	Principal activity	Country of incorporation	Effective shareholding percentage 2017	2016	Carrying amount 31 December 2017	31 December 2016	1 January 2016
International Water Distribution Company Limited	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	**50%**	50%	**63,825,428**	54,907,347	47,724,045
Saudi Water and Environmental Services Company (Note 'i' below)	Electrical, water and mechanical works and related operation and maintenance	Kingdom of Saudi Arabia	**31.85%**	31.85%	**15,976,838**	18,150,041	17,516,874
Saudi Al Jabr Talke Company Limited (Note 'iv' below)	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	**33.3%**	33.3%	**30,502,211**	26,746,494	22,256,766
Stork Technical Services Saudi Company limited (Note 'ii')	Maintenance and operations of power, oil, gas, desalination and petrochemical plants and calibration of machinery and electrical equipment	Kingdom of Saudi Arabia	**45%**	45%	**--**	--	6,012,269
Xenmet SA, Vaduz (Note 'iii' below)	Trading, storage and brokerage of commodities	Principality of Liechtenstein	**19%**	19%	**666,772**	881,388	1,780,768
					110,971,249	100,685,270	95,290,722

i. Saudi Water and Environmental Services Company is 49% owned by Kindasa Water Services Company (a subsidiary), which is 65% owned by the Parent Company.

ii. During 2016, the Group had recognized a provision for impairment loss amounting to SR 4,195,416 in addition to share of losses amounting to SR 1,816,853 and accordingly the carrying amount was reduced to SR Nil.

During 2017, Stork Technical Services Holding B.V. ("Stork Netherlands") and Saudi Industrial Services Company ("SISCO") (together referred to as the shareholders of Stork Technical Services Saudi Company Limited (Stork KSA)) had entered into a settlement agreement, wherein SISCO has agreed to sell and transfer its entire 45% shareholding in Stork KSA to Stork Netherlands against consideration of SR 6 million. The agreement provides Stork Netherlands full management and control of Stork KSA and SISCO relinquishes all its rights and claims against Stork KSA and Stork Netherlands. Legal formalities in respect of updation of commercial registration and Articles of Association have not been initiated as of the date of the audit report (Note 25 (b)).

7. INVESTMENTS (continued)

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

iv. During 2017, the name of Al Jabr Talke Company Limited was changed to "Saudi Al Jabr Talke Company Limited". The Commercial Registration was updated accordingly on 03 August 2017 corresponding to 11 Dhu-al-Qadah 1438 to reflect the change.

7.2 Movements in investments in associates are as follows:

	31 December 2017	31 December 2016
As at 1 January	**100,685,270**	95,290,722
Dividend received during the year	**(9,928,474)**	(5,730,107)
Share of actuarial losses of associates recognised in OCI	**(521,236)**	(525,569)
Share in results of associates, net	**20,735,689**	11,650,224
As at 31 December	**110,971,249**	100,685,270

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 Company Limited	Xenmet SA, Vaduz
31 December 2017					
Assets	**268,879,118**	**34,188,991**	**138,176,610**	**--**	**3,345,278**
Liabilities	**(141,228,627)**	**(1,584,769)**	**(60,482,241)**	**--**	**(673,320)**
Revenues	**268,906,397**	**25,659,809**	**208,376,131**	**--**	**1,971,971**
Net income / (loss)	**18,177,972**	**6,064,892**	**27,629,172**	**--**	**(824,499)**
31 December 2016					
Assets	270,163,286	38,412,967	100,303,652	4,153,393	4,718,777
Liabilities	(160,348,591)	(1,373,637)	(35,845,549)	(5,477,072)	(1,222,221)
Revenues	230,722,660	22,523,623	157,509,761	1,016,185	113,554
Net income / (loss)	14,798,226	5,290,608	19,956,393	(9,780,880)	(3,613,163)
1 January 2016					
Assets	260,927,365	37,526,265	85,350,635	10,247,599	7,815,116
Liabilities	(165,479,276)	(1,777,543)	(29,662,223)	(7,957,001)	(578,546)

7. INVESTMENTS (continued)

7.3 Available for sale investments comprise of the following:

	31 December 2017	31 December 2016	1 January 2016
Mutual fund – quoted (Note 7.3.1)	**50,487,996**	--	--
Equity securities - unquoted (Note 7.3.2)	**18,838,212**	16,788,011	18,075,925
	69,326,208	16,788,011	18,075,925

7.3.1 Investment in quoted mutual fund classified as available for sale comprises of:

Mutual fund	**31 December 2017** Units	Costs of investment	Fair value
Al Rajhi Commodities Mudaraba Fund - SAR	**334,290**	**50,000,000**	**50,487,996**

a) Investments in mutual fund represents investments made by one of the subsidiaries of the Company by utilizing the funds available in the debt service reserve account, held with a commercial bank, in accordance with the terms of Ijara financing arrangement.

b) The investment and realization / redemption decision rests with the management of the subsidiary. However, the amount invested and realized / redeemed can only deposited back into debt service reserve account (Note 11.1).

7.3.2 Investment in quoted equity securities classified as available for sale comprises of investment in Growth Gate Capital Corporation B.S.C.

Movement in unquoted equity securities classified as available for sale is as follows:

	31 December 2017	31 December 2016
Balance at beginning of the year	**16,788,011**	18,075,925
Changes in fair value	**2,050,201**	(1,287,914)
Balance at end of the year	**18,838,212**	16,788,011

8. 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 profit rate swap was settled during the period on its maturity date of 30 June 2017.

8. 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 are as follows:

	31 December 2017		31 December 2016		1 January 2016	
	Positive Fair Value	**Notional Amount**	Negative Fair Value	Notional Amount	Negative Fair Value	Notional Amount
Profit Rate Swap	**--**	**--**	(509,730)	509,330,638	(17,276)	564,335,119

Movement in derivative financial instruments is as follows:

	31 December 2017	31 December 2016
Balance at 1 January	**(509,730)**	(17,276)
Change in fair value	**509,730**	(492,454)
Balance at 31 December	**--**	(509,730)

During 2013, a subsidiary "Saudi Trade and 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 profit rate swap was settled during the period on its maturity date of 31 December 2017.

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

	31 December 2017		31 December 2016		1 January 2016	
	Positive Fair Value	**Notional Amount**	Positive Fair Value	Notional Amount	Positive Fair Value	Notional Amount
Profit Rate Swap	**--**	**--**	24,930	8,750,000	4,236	17,500,000

Movement in derivative financial instruments is as follows:

	31 December 2017	31 December 2016
Balance at 1 January	**24,930**	4,236
Change in fair value	**(24,930)**	20,694
Balance at 31 December	**--**	24,930

9. INVENTORIES

Inventories comprise of following:

	31 December 2017	31 December 2016	1 January 2016
Spare parts	**28,497,994**	31,040,759	27,036,143
Raw materials and chemicals	**349,049**	64,090	85,250
Fuel, oil and desalinated water	**151,871**	150,369	127,022
	28,998,914	31,255,218	27,248,415
Less: provision for slow moving and obsolete inventories	**(3,496,325)**	(135,000)	(135,000)
	25,502,589	31,120,218	27,113,415

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise of following:

	31 December 2017	31 December 2016	1 January 2016
Trade receivables, net (Note 'a' below)	**49,334,582**	67,438,037	70,072,009
Prepayments and other receivables	**28,301,081**	21,511,383	27,029,691
Margin deposits (Note 28)	**12,427,722**	19,727,723	11,510,996
Receivable in respect of disposal of an associate (Note 7.1 (ii) and 25 (b))	**6,000,000**	--	--
Amounts due from related parties, non-trade (Note 20)	**2,996,520**	1,425,726	3,471,436
Advances to suppliers	**1,986,823**	3,833,913	6,481,121
Advance income tax (Note 26)	**541,687**	--	--
	101,588,415	113,936,782	118,565,253

a) Trade receivables comprise the following:

	31 December 2017	31 December 2016	1 January 2016
Current	**49,334,582**	67,438,037	70,072,009
Non-current	**8,376,771**	--	--
	57,711,353	67,438,037	70,072,009

During the year, the Group, upon request of one of the customer in one of its subsidiaries agreed to reschedule the amount due as at 31 December 2017 amounting to SR 10.3 million in respect of lease of land space at bonded and re-export zone. Under the rescheduling arrangement, these amounts will now become due over a period of next three to four years till January 2021. Accordingly, the balance overdue is discounted at market interest rates and recorded as long-term receivables at their present values as at 31 December 2017 (refer note 30.2.3).

10. TRADE AND OTHER RECEIVABLES (continued)

b) Trade receivables comprise the following:

	31 December 2017	31 December 2016	1 January 2016
Due from related parties (Note 20)	**9,248,654**	10,960,385	16,105,621
Third party customers	**54,013,638**	59,126,451	57,051,357
	63,262,292	70,086,836	73,156,978
Less: provision for doubtful debts	**(5,550,939)**	(2,648,799)	(3,084,969)
	57,711,353	67,438,037	70,072,009

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of following:

	31 December 2017	31 December 2016	1 January 2016
Cash on hand	**352,924**	300,778	284,146
Cash at banks (Note 11.1)	**135,355,017**	173,849,042	146,384,875
Murabaha term deposits (Note 11.2)	**15,000,000**	21,254,500	106,000,000
	150,707,941	195,404,320	252,669,021

11.1 Cash at banks include restricted balances amounting to

- SR 13.12 million (31 December 2016: SR 61 million and 1 January 2016: SR 58.7 million) held in debt service reserve account with a commercial bank held in accordance with the terms of Ijara financing arrangement.

- SR 0.54 million (31 December 2016: SR 0.54 million and 1 January 2016: SR 0.25 million) held with a commercial bank in respect of accumulated unclaimed dividends (Note 19).

11.2 Term deposits are placed with local commercial banks having maturity of less than three months and yield financial income at prevailing market rates.

12. SHARE CAPITAL

As at 31 December 2017, the authorised and paid up capital of the Company is divided into 81.6 million shares (31 December 2016: 68 million shares and 1 January 2016: 68 million shares) of SR 10 each.

During the meeting held on 26 February 2017, the Board of Directors recommended an increase in the share capital from SR 680 million to SR 816 million, through issuance of one bonus share for every five ordinary shares held by utilizing SR 136 million from the Company's existing retained earnings.

On 14 March 2017, the CMA issued its resolution approving the increase in Company's share capital. Thereafter, the shareholders' of the Company, in their extraordinary general meeting held on 16 April 2017 approved the capital increase by the issuance of bonus shares and the related changes in the Company's Bylaws. The transaction related to the issuance of bonus shares was brought into effect at Tadawul on 17 April 2017. Legal formalities related to the proposed amendments in the Company's Bylaws were completed on 29 May 2017 and the revised Commercial Registration was received on 23 July 2017.

13. STATUTORY AND SPECIAL RESERVE

Statutory reserve
In accordance with the Company's Bylaws, the Company sets aside 10% of its net income in each year to a statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company.

Special reserve
Upto 16 April 2017, under the Company's old Bylaws, 5% of the net income for the year was required to be transferred to a special reserve to be spent on matters of benefit to the Company.

The shareholders' of the Company in an extraordinary general meeting held on 16 April 2017 approved the new Bylaws and discontinuation of transfer to special reserve. The shareholders also resolved to transfer the outstanding balance as at 31 December 2016 and 30 September 2017 from special reserve to statutory reserve in their meetings held on 16 April 2017 and 29 November 2017 respectively. Legal formalities related to the proposed amendments in the Company's Bylaws were completed during the year.

14. EFFECT OF CHANGES IN SHAREHOLDING PERCENTAGE IN SUBSIDIARIES

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 condensed consolidated statement of financial position.

During 2016, the Company acquired additional 5% stake in Kindasa from other shareholders in the entity amounting to SR 11,480,256 against considerations of SR 15,000,000. The Company has accounted for this transaction as an equity transaction with non-controlling interests without change in control and excess of consideration paid over additional stake acquired is recognized in equity.

15. NON CONTROLLING INTERESTS

Summarized aggregate financial information of the Group's subsidiaries that has non-controlling interests (Refer note 1) is set out below. The summarized financial information below represents amounts before and after intra-group eliminations.

	31 December 2017	Intra-group eliminations	31 December 2017
Non-current assets	**2,941,098,684**	**(632,348,607)**	**2,308,750,077**
Current assets	**227,583,692**	**(12,931,675)**	**214,652,017**
Non-current liabilities	**929,877,682**	**(623,584)**	**929,254,098**
Current liabilities	**297,773,233**	**(12,931,675)**	**284,841,558**
Net assets	**1,941,031,461**	**(631,725,023)**	**1,309,306,438**
Net assets attributable to non-controlling interests	**476,769,749**	**--**	**476,769,749**
Revenue	**577,596,891**	**(15,190,084)**	**562,406,807**
Profit for the year	**89,404,672**	**--**	**89,404,672**
Other comprehensive income	**(1,898,742)**	**--**	**(1,898,742)**
Total comprehensive income	**87,505,930**	**--**	**87,505,930**
Profit attributable to non-controlling interests	**22,310,296**	**--**	**22,310,296**
Other comprehensive loss attributable to non-controlling interests	**(660,365)**	**--**	**(660,365)**
Total comprehensive income attributable to non-controlling interests	**21,649,931**	**--**	**21,649,931**

15. NON CONTROLLING INTERESTS (continued)

	31 December 2016	Intra-group eliminations	31 December 2016
Non-current assets	2,758,355,919	(615,589,490)	2,142,766,429
Current assets	324,862,717	(9,671,213)	315,191,504
Non-current liabilities	910,962,257	(683,466)	910,278,791
Current liabilities	245,338,935	(9,671,213)	235,667,722
Net assets	1,926,917,444	(614,906,024)	1,312,011,420
Net assets attributable to non-controlling interests	476,874,551	--	476,874,551
Revenue	705,939,089	(15,166,939)	690,772,150
Profit for the year	184,292,097	--	184,292,097
Other comprehensive income	(1,067,246)	--	(1,067,246)
Total comprehensive income	183,224,851	--	183,224,851
Profit attributable to non-controlling interests	45,780,595	--	45,780,595
Other comprehensive loss attributable to non-controlling interests	(432,492)	--	(432,492)
Total comprehensive income attributable to non-controlling interests	45,348,103	--	45,348,103

16. LONG-TERM LOANS AND BANK FACILITIES

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

	31 December 2017	31 December 2016	1 January 2016
Saudi Industrial Development Fund loan (note 16 (a))	**--**	9,000,000	18,000,000
Ijara facilities obtained from banks (note 16 (b))	**726,174,839**	820,163,125	907,734,221
Long-term loan (note 16 (c))	**--**	8,926,545	21,875,000
Long-term loan	**--**	--	1,558,503
Long-term loan	**--**	--	1,500,000
Long-term loan (note 16 (e))	**3,993,725**	--	--
Long-term loan (note 16 (d))	**255,933,204**	114,329,781	--
Total long-term loans	**986,101,768**	952,419,451	950,667,724
Less: current portion	**(146,391,442)**	(116,017,870)	(112,482,638)
Non-current portion	**839,710,326**	836,401,581	838,185,086

a) During 2003, Kindasa obtained a loan of SAR 64.5 million from Saudi Industrial Development Funds ("SIDF") to finance the extension of the desalination plant. During 2011, the facility amount was increased to SAR 109.1 million. The loan was secured by the mortgage over Kindasa's property and equipment (Note 4.1 (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 loan was repaid in full in July 2017.

	31 December 2017	31 December 2016	1 January 2016
Long-term loan	**--**	9,000,000	18,000,000
Less: current portion	**--**	(9,000,000)	(9,000,000)
Long-term portion	**--**	--	9,000,000

16. LONG-TERM LOANS AND BANK FACILITIES (continued)

b) During 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 property and equipment – port terminal operations and intangible assets – port concession rights of RSGT (Note 4.3 and 5 (a)). The remaining amount of loan is repayable in twelve semi-annual installments, with maturity of up to 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.

	31 December 2017	31 December 2016	1 January 2016
Long-term Ijara financing	**750,793,068**	848,884,395	940,558,528
Less: unamortized portion of advance rentals paid	**(24,618,229)**	(28,721,270)	(32,824,307)
	726,174,839	820,163,125	907,734,221
Less: current portion	**(104,957,717)**	(98,091,325)	(91,674,135)
Non-current portion	**621,217,122**	722,071,800	816,060,086

c) During 2013, Tusdeer entered into an agreement for a long-term loan facility with a commercial bank up to a maximum aggregate amount of SR 35 million. The loan carries commission at commercial rates and the remaining amount of loan was repaid in full in 2017. The loan is secured by assigning rights of the rental income and through promissory notes.

	31 December 2017	31 December 2016	1 January 2016
Long-term loan	**--**	8,926,545	21,875,000
Less: current portion of term loan	**--**	(8,926,545)	(8,750,000)
Non-current portion	**--**	--	13,125,000

d) During 2016, RSGT entered into an Ijara arrangement with two banks to obtain a loan of SR 260 million for expansion of its existing berths. The Ijara facility is secured by the property and equipment – port terminal operations and intangible assets – port concession rights of RSGT (Note 4.3 and 5 (a)). The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in twelve semi-annual installments ending in December 2023. The first installment of the loan facility is payable in June 2018.

	31 December 2017	31 December 2016	1 January 2016
Long-term loans	**260,000,000**	118,229,781	--
Less: unamortized portion of advance rentals paid	**(4,066,796)**	(3,900,000)	--
	255,933,204	114,329,781	
Less: current portion	**(37,440,000)**	--	--
Non-current portion	**218,493,204**	114,329,781	--

16. LONG-TERM LOANS AND BANK FACILITIES (continued)

e) During 2016, Kindasa entered into an agreement for a long-term facility with a commercial bank amounting to SR 24 million to finance the construction of a new water desalination facility at Rabigh. The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in quarterly instalments commencing one year after the first drawdown. The loan is secured by secondary mortgage over Kindasa's property and equipment. The loan agreement include certain covenants such as capital expenditure, routing of proceeds, dividend payments and maintenance of financial ratios. As at 31 December 2017, Kindasa has drawn down SR 3.99 million (31 December 2016 and 1 January 2016: SR Nil) out of total facility of SR 24 million.

	31 December 2017	31 December 2016	1 January 2016
Long-term loan	**3,993,725**	--	--
Less: current portion of term loan	**(3,993,725)**	--	--
Non-current portion	**--**	--	--

17. EMPLOYEES' END OF SERVICE BENEFITS

17.1 General description of the plan

The Company and its subsidiaries operate an approved unfunded employees' end of service benefits scheme / plan for its permanent employees.

The amount recognized in the consolidated statement of financial position is determined as follows:

	31 December 2017	31 December 2016	1 January 2016
Present value of defined benefit obligation	**26,693,232**	21,883,821	20,635,597

17.2 Movement in net defined benefit liability

Net defined benefit liability comprises only of defined benefit obligation. The movement in the defined benefit obligation over the year is as follows:

	31 December 2017	31 December 2016
Balance at 1 January	**21,883,821**	20,635,597
Included in profit or loss		
Current service cost	**4,688,404**	3,851,378
Interest cost	**1,021,345**	979,567
	5,709,749	4,830,945
Included in other comprehensive income		
Re-measurement (gain) / loss:		
Actuarial loss arising from change in financial assumptions	**2,999,425**	712,349
Capitalized during the year	**82,158**	--
Benefits paid	**(3,981,921)**	(4,295,070)
Balance at 31 December	**26,693,232**	21,883,821

17. EMPLOYEES' END OF SERVICE BENEFITS (continued)

17.3 The expense is recognised in the following line items in the statement of comprehensive income:

	December 31, 2017	December 31, 2016
Cost of sales	**3,059,137**	2,621,284
Selling and distribution expenses	**292,660**	294,861
General and administrative expenses	**2,357,952**	1,914,800
	5,709,749	4,830,945

17.4 Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	31 December 2017	31 December 2016	1 January 2016
Discount rate	**3.71%**	4.22%	4.38%
Future salary growth / expected rate of salary increase	**3%**	3%	3%
Price inflation rate	**2%**	2%	2%
Retirement age	**60 years**	60 years	60 years

17.5 The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation – Increase / (decrease)		
	Change in assumption	Increase in assumption	Decrease in assumption
		Amount in Saudi Riyals	
Discount rate	1%	**23,750,662**	30,392,296

The weighted average duration of the defined benefit obligation is 12.32 years (2016: 11.83 years).

During the year ended 31 December 2017, an independent actuarial exercise has been conducted to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labour and Workmen Law by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

The defined benefit plan is exposed to a number of actuarial risks, the most significant of which are final salary risk, discount / interest rate fluctuation risk, longevity risk and inflation risk.

18. LONG-TERM PROVISIONS

Long-term provisions comprise of:

	31 December 2017	31 December 2016	1 January 2016
Provision for asset replacement cost (Note "a")	**65,843,827**	54,386,614	44,425,073
Others	**196,921**	215,831	236,160
	66,040,748	54,602,445	44,661,233

a) Provision for asset replacement cost

As per the BOT agreement with SEAPA, 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. The management of RSGT has estimated that RSGT will be required to incur an amount of SR 429 million (31 December 2016: SR 429 million and 1 January 2016: SR 429 million) to replace the Equipment. The useful life of the Equipment shall extend beyond the expiry of the BOT agreement and the remaining net book value of the Equipment at the end of the concession agreement is estimated to be SR 304.9 million (31 December 2016: SR 304.9 million and 1 January 2016: SR 304.9 million). As at 31 December 2017, an amount of SR 65.84 million (31 December 2016: SR 54.39 million and 1 January 2016: SR 44.43 million) has been recorded as provision for asset replacement cost.

During 2017, RSGT has used 3.7038% (31 December 2016: 3.9218% and 1 January 2016: 3.8806%) as discount rate for determining the present value of obligation. The management believes that the discount rate used is reflective of the term of obligation.

The movement in the provision for asset replacement cost is as follows:

	31 December 2017	31 December 2016
Balance at 1 January	**54,386,614**	44,425,073
Provided during the year		
- Charge for the year	**9,416,666**	8,093,785
- Unwinding of discount	**2,040,547**	1,867,756
Balance at 31 December	**65,843,827**	54,386,614

19. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 December 2017	31 December 2016	1 January 2016
Accrued expenses	**55,164,605**	51,970,355	63,990,707
Trade payables	**54,420,177**	17,522,378	5,785,929
Provision for Zakat contingency (Note 26)	**18,412,058**	19,696,598	24,074,592
Other payables	**13,403,203**	17,608,302	13,785,039
Unearned revenue	**6,609,165**	12,155,846	18,977,068
Payable to Port authorities	**2,759,432**	7,843,226	4,012,511
Amounts due to related parties (Note 20)	**3,040,026**	6,486,925	5,038,080
Advances from customers	**1,465,067**	1,825,830	553,814
Unclaimed dividends	**538,668**	538,668	249,159
Others	**1,029,284**	825,026	2,044,553
	156,841,685	136,473,154	138,511,452

20. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party transactions mainly represent purchase and sale of goods and services, payments made, expenses cross-charged and other related transactions. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non related companies on an arm's length basis.

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

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due from related parties – under trade receivables:

Name	Relationship	Nature of transactions	Amount of transactions			Closing balance		
			31 December 2017	31 December 2016	1 January 2016	**31 December 2017**	31 December 2016	1 January 2016
International Water Distribution Company Limited	Associate	Sales of goods and services	**60,296,987**	64,309,157	59,777,135	**9,084,846**	10,442,000	14,984,937
Halwani Bros Co.	Affiliate	Sale of goods	--	186,870	753,432	--	2,640	168,720
Arabian Bulk Trade Limited	Affiliate	Lease of land, warehouses and sale of services	**875,759**	769,290	1,494,372	**111,978**	67,318	485,649
Ambro limited	Affiliate	Lease of land and warehouses	**--**	--	--	**--**	274,101	338,071
Saudi Cable Company Limited	Affiliate	Lease of land, warehouses and sale of services	**530,615**	990,828	854,179	**51,830**	174,326	128,244
						9,248,654	10,960,385	16,105,621

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due from related parties – under other receivables:

Name	Relationship	Nature of transactions	Amount of transactions			Closing balance		
			31 December 2017	31 December 2016	1 January 2016	**31 December 2017**	31 December 2016	1 January 2016
Stork Technical Services Saudi Arabia Limited	Associate	Payments made by the Group on behalf of Associate	**1,046,956**	1,388,754	1,869,550	**365,063**	--	1,358,843
		Service charges charged to Associate	--	--	34,209	--	--	--
		Expenses incurred by subsidiary on behalf of Associate	**833,221**	2,400	626,560	**833,221**	2,400	144,157
Al Jabr Talke Company Limited	Associate	Services rendered to Associate	**325,025**	333,332	617,533	--	--	13,755
		Repayment of advances by Associate	--	--	(5,146,825)	--	--	--
		Dividend received from Associate	**4,783,474**	3,770,107	--	--	--	--
		Expenses cross charged by Associate	**(18,016)**	(1,727)	(603,778)	--	--	--
Saudi Water and Environmental Services Company Limited	Associate	Sale of goods and services	**5,128,654**	4,765,535	1,151,739	**234,010**	348,539	383,850
		Dividend received from Associate	**5,145,000**	1,960,000	1,960,000	--	--	--
		Payments made by Group on behalf of Associate	--	--	6,441,476	--	--	--
Xenel Industries Limited	Shareholder	Payments made by the Group on behalf of the Shareholder	**365,429**	799,202	680,988	--	212,782	--
International Water Distribution Company Limited	Associate	Services rendered to Associate	**660,000**	660,000	660,000			
		Expenses incurred by Associate on behalf of the Group	**(5,540)**	(16,600)	--			
		Expenses incurred by Group on behalf of the Associate	**1,644,821**	144,235	99,050	**1,500,000**	797,779	1,543,544
Aecom Arabia Limited (formerly Resource Science Arabia Limited)	Affiliate	Payments made by the Group on behalf of Affiliate	--	36,939	27,287	**64,226**	64,226	27,287
						2,996,520	1,425,726	3,471,436

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due to related parties under trade payables and other current liabilities:

Name	Relationship	Nature of transactions	Amount of transactions **31 December 2017**	Amount of transactions 31 December 2016	Amount of transactions 1 January 2016	Closing balance **31 December 2017**	Closing balance 31 December 2016	Closing balance 1 January 2016
Al Karam Fedics Services Company	Affiliate	Purchase of goods and services	**(8,594,971)**	(8,590,778)	(10,514,876)	**785,363**	2,155,204	889,907
Aecom Arabia Limited (formerly Resource Science Arabia Limited)	Affiliate	Purchase of goods and services	--	--	(93,533)	--	--	--
Hidada Limited	Affiliate	Purchase of goods and services	--	(3,161,333)	(950,604)	--	722,868	722,868
Xenel Industries Limited	Shareholder	Expenses incurred by the shareholder on behalf of the Group	**(2,119,136)**	(1,783,825)	(2,108,884)	**482,452**	--	143,894
Water and Environmental Services Company Limited	Affiliate	Purchase of goods and services	**(21,776,761)**	(21,874,814)	(21,782,741)	**1,745,951**	3,266,309	3,138,566
Saudi Cable Company Limited	Affiliate	Purchase of goods	--	(1,068,699)	--	--	--	--
Haji Abdullah Ali Reza & Co. Limited - General Technical Division	Affiliate	Purchase of goods	**(271,997)**	(225,236)	(34,335)	--	28,439	--
Alireza Travel and Tourism Company	Affiliate	Purchase of goods and services	**(881,227)**	(2,021,846)	(2,140,910)	**26,260**	314,105	142,845
						3,040,026	6,486,925	5,038,080

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Key management personnel remuneration and compensation

Key management personnel remuneration and compensation comprised of the following:

	31 December 2017	31 December 2016
Short term employee benefits	**10,676,126**	10,074,178
Post-employment benefits	**388,047**	382,682
	11,064,713	10,456,860

Short term employee benefits of the Group's key management personnel includes salaries and bonuses.

c) Board of directors / Committee members remuneration

Board of Directors remuneration and compensation comprised of the following:

	31 December 2017	31 December 2016
Meeting attendance Fees	**731,000**	212,000
Other remuneration	**7,783,000**	7,104,167
	8,514,000	7,316,167

21. REVENUE

	31 December 2017	31 December 2016
Shipping and unloading services	**369,056,975**	483,412,522
Sale of potable water	**98,420,294**	105,782,052
Rentals and support services	**94,929,538**	101,577,576
	562,406,807	690,772,150

22. COSTS OF REVENUE

	31 December 2017	31 December 2016
Shipping and unloading services	**257,241,102**	296,666,814
Cost of sale of potable water	**66,319,660**	67,717,026
Rentals and support services	**40,159,137**	33,679,340
	363,719,899	398,063,180

23. SELLING AND DISTRIBUTION EXPENSES

	31 December 2017	31 December 2016
Depreciation (Note 4.4)	**7,482,663**	7,247,898
Salaries, wages and benefits	**4,448,796**	3,488,161
Provision for bad debts (Note 30.2.3)	**3,777,935**	(366,014)
Advertising and marketing	**1,386,696**	--
Utilities and telecommunication	**500,278**	570,196
Amortization (Note 5 (d))	**87,062**	112,179
Others	**1,783,747**	1,929,622
	19,467,177	12,982,042

24. GENERAL AND ADMINISTRATION EXPENSES

	31 December 2017	31 December 2016
Salaries, wages and benefits	**73,099,545**	79,017,018
Government and professional fees	**10,056,851**	12,732,327
Utilities, telecommunication and office supplies	**4,776,579**	5,977,675
Depreciation (Note 4.4)	**4,349,185**	5,411,690
Travelling	**4,068,699**	4,057,280
Amortization (Note 5 (d))	**1,813,386**	1,454,494
Business development expenses	**1,652,862**	2,478,811
Provisions for Zakat contingency	**688,460**	2,497,869
Others	**4,794,160**	8,117,123
	105,299,727	121,744,287

25. OTHER INCOME / EXPENSES, NET

	31 December 2017	31 December 2016
Loss on sale of property, plant and equipment	**(160,506)**	(135,569)
Other income (Note 'a' to 'e' below)	**27,713,856**	10,501,216
	27,553,350	10,365,647

Other income includes:

a) SR 11.19 million received as full and final compensation from a contractor of one of the subsidiaries of the Group. This relates to claims made against the contractor in prior years for the terminal design and supervision consultancy services.

b) SR 6 million as full and final settlement pertaining to disposal of Parent Company's 45% shareholding in Stork Technical Services Saudi Company Limited (Note 7.1 (ii)).

c) SR 4.89 million pertaining to reversal of provision in respect of litigation matter with Jeddah Islamic Port in relation to lease of land and warehouses in accordance with the advice of legal counsel of one of the subsidiaries of the Group.

d) SR 1.97 million (31 December 2016: SR 6.88 million) pertaining to reversal of excess provision against Zakat contingencies made in prior years, on account of recent decisions and hearings of GAZT.

e) During 2016, SR 2.5 million was received as compensation by one of the subsidiaries of the Company against claims made in prior years.

26. ZAKAT AND INCOME TAX

Movement in Zakat provision during the year was as follows:

	31 December 2017	31 December 2016	1 January 2016
Balance at 1 January	**6,593,665**	9,962,179	9,572,066
Charge for the year	**4,378,881**	5,513,222	8,119,685
Amounts paid during the year	**(5,876,465)**	(8,881,736)	(7,729,572)
Balance at 31 December	**5,096,081**	6,593,665	9,962,179

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

Movement in tax provision during the year was as follows:

	31 December 2017	31 December 2016	1 January 2016
Balance at 1 January	**943,138**	1,137,999	1,402,517
Charge for the year	**2,323,208**	3,817,100	3,738,265
Amounts paid during the year	**(3,808,033)**	(4,011,961)	(4,002,783)
Balance at 31 December	**(541,687)**	943,138	1,137,999

Tax charge during the year relates to share of non-controlling interests in subsidiaries.

26. ZAKAT AND INCOME TAX (continued)

Zakat assessments status of the Group

Parent Company
The General Authority for Zakat and Tax (GAZT) raised assessments for the years 2002 through 2008 with an additional liability of SR 25.8 million. The Company had filed an objection against the GAZT's assessment. The Higher Appeal Committee issued their decision in 2016. Following the issuance of the decision, the GAZT raised a revised assessment amounting to SR 9.5 million. The assessment does not take into consideration SR 3.9 million paid "under protest" at the time of filing an appeal with HAC. The Company has filed an appeal against the decision issued by the Higher Appeal Committee with the Board of Grievances. In addition, the Company has also requested the GAZT to reconsider their revised assessment.

Furthermore, the GAZT raised assessments for the years 2009 through 2013 with an additional Zakat and withholding tax liability of SR 10.95 million. The Company accepted and paid the imposition of Zakat amounting to SR 0.016 million. An appeal against the remaining amount was filed by the Company with the GAZT. The Appeal Committee (PAC) issued their decision reducing the liability to SR 7.1 million. The Company has filed an appeal with the Higher Appeal Committee (HAC) and submitted a bank guarantee of SR 7.1 million, based on their understanding of the PAC decision.

During the year, the GAZT raised assessments for the years 2014 and 2015 with an additional liability of SR 0.688 million. The Company has filed an appeal against the GAZT's assessments.

The Parent Company has filed its Zakat returns for the years upto 31 December 2016. Upto the date of this report, GAZT is yet to raise the assessment for the year ended 31 December 2016.

Subsidiaries

Red Sea Gateway Terminal Company Limited and Red Sea Ports Development Company ("the Subsidiaries")
The GAZT has raised final assessment for the years 2011 through 2013 and claimed an additional tax, withholding tax and Zakat differences amounting to SR 4,761,905. An appeal has been filed against these assessments. During the year, the GAZT issued the revised assessment by reducing the liability to SR 1,228,929. Taking into account the earlier payment made by the Company amounting to SR 268,564, the total outstanding liability decreased to SR 960,365. The Company has accepted the GAZT revised assessments and is in process of settling the liability.

RSGT has finalized its Zakat and tax assessments with GAZT up to 2010 and have filed their Zakat and income tax returns up to 2016. Upto the date of this report, GAZT is yet to raise the assessment for the years ended 31 December 2014 through 2016.

RSPD has filed its Zakat and income tax returns up to the year 2016. Upto the date of this report, GAZT is yet to raise assessments.

Saudi Trade and Export Development Company Limited ("the Subsidiary")
The Subsidiary has finalized its Zakat assessments with GAZT up to 2008 and has filed its Zakat returns up to 2016. Upto the date of this report, GAZT is yet to raise the assessment for the years from 31 December 2009 to 31 December 2016.

Support Services Operation Company Limited ("the Subsidiary")
The Subsidiary has filed its Zakat returns up to 2016. Upto the date of this report, no assessments have been received from GAZT.

26. ZAKAT AND INCOME TAX (continued)

Zakat assessments status of the Group (continued)

Kindasa Water Service Company ("the Subsidiary")
The Subsidiary has finalized its Zakat assessments with GAZT up to 2008 and has filed its Zakat returns up to 2016. Upto the date of this report, GAZT is yet to raise the assessment for the years from 31 December 2009 to 31 December 2016.

27. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue outstanding during the year.

	31 December 2017	31 December 2016
Profit for the period attributable to ordinary equity holders of the Parent Company	**58,811,404**	90,256,095
Weighted average number of ordinary shares in issue	**81,600,000**	81,600,000
Basic and diluted earnings per share	**0.72**	1.11

The earnings per share for the prior year ending 31 December 2016 of SR 1.33 per share, has been restated and computed based on the weighted average number of shares in issue after increase in share capital to 81,600,000 shares due to issuance of bonus shares, as if this event had occurred at the beginning of the earliest period presented in accordance with the requirements of relevant IFRS.

The diluted EPS is same as the basic EPS as the Group does not have any dilutive instruments in issue.

28. COMMITMENTS AND CONTINGENCIES

In addition to the Zakat contingency matters as disclosed in Note 26, the Group has the following contingencies and commitments:

At 31 December 2017, the Group's bankers have issued letters of guarantee amounting to SR 50.27 million (31 December 2016: SR 41.1 million and 1 January 2016: SR 32.88 million) against which cash margin of SR 12.43 million (31 December 2016: SR 19.73 million and 1 January 2016: SR 11.51 million) was paid.

At 31 December 2017, the Group's bankers have issued letters of credit amounting to SR 29.6 million (31 December 2016: SR 77.8 million and 1 January 2016: SR Nil).

As at 31 December 2017, the Group has commitments for capital work in progress amounting to SR 14.71 million (31 December 2016: SR 245.4 million and 1 January 2016: SR 26.09 million) mainly relating to new logistic hub and park construction project and new desalination plant construction and development project.

The Group has various operating leases for offices, facilities at port site (under concession arrangements), land for projects under construction and employees' accommodations. The leases are for initial period for one year up to 40 Hijra years with options to renew the leases after lease periods. Lease payments are either fixed or increase annually to reflect market rentals. Rental expenses for the year ended 31 December 2017 amounted to SR 18.05 million (31 December 2016: SR 27.53 million and 1 January 2016: SR 22.34 million).

At 31 December, the Group's obligations under non-cancellable operating leases are aggregated as follows:

	31 December 2017	31 December 2016	1 January 2016
2016	**--**	--	37,273,876
2017	**--**	25,735,596	25,735,596
2018	**19,039,607**	17,505,473	17,505,473
2019	**19,005,472**	17,505,473	17,505,473
2020	**20,024,136**	18,524,136	18,524,136
2021	**18,461,470**	18,461,470	18,461,470
Thereafter	**364,642,636**	364,642,635	364,642,636
	441,173,321	462,374,783	499,648,660

29. BUSINESS SEGMENTS

The Group has the following main business segments:

- Port development and operations
- Water desalination and distribution
- Logistic parks and support services
- Unallocated: Consists of investment activities and head office functions.

These business segments are located within the Kingdom of Saudi Arabia and are the Group's strategic business units.

The Company's top management reviews internal management reports of each strategic business unit at least quarterly. Segment results that are reported to the top management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues, as included in the internal management reports that are reviewed by the top management. The following table presents segment information (assets, liabilities, revenue and net income) for each of the business segments as at and for the year ended 31 December:

	Reportable Segments					
31 December 2017	**Port development and operations (SR'000)**	**Logistic parks and support services (SR'000)**	**Water desalination and distribution (SR'000)**	**Total (SR'000)**	**Unallocated (SR'000)**	**Total (SR'000)**
External revenues	369,057	109,407	99,133	577,597	--	577,597
Inter-segment revenue	--	(14,477)	(713)	(15,190)	--	(15,190)
Segment Revenue	**369,057**	**94,930**	**98,420**	**562,407**	**--**	**562,407**
Cost of revenue	261,535	51,055	66,320	378,910	--	378,910
Inter-segment cost of revenue	(4,294)	(10,896)	--	(15,190)	--	(15,190)
Segment cost	**257,241**	**40,159**	**66,320**	**363,720**	**--**	**363,720**
Segment gross profit	**111,816**	**54,771**	**32,100**	**198,687**	**--**	**198,687**
Profit attributable to shareholders of the Parent Company	**20,598**	**21,300**	**8,404**	**50,302**	**8,509**	**58,811**
Segment assets	**1,995,726**	**302,773**	**228,414**	**2,526,913**	**257,922**	**2,784,835**
Segment liabilities	**1,158,431**	**36,428**	**19,158**	**1,214,017**	**26,757**	**1,240,774**

29. BUSINESS SEGMENTS (continued)

31 December 2016	Reportable Segments: Port development and operations (SR'000)	Logistic parks and support services (SR'000)	Water desalination and distribution (SR'000)	Total (SR'000)	Unallocated (SR'000)	Total (SR'000)
External revenues	483,413	116,246	106,280	705,939	--	705,939
Inter-segment revenue	--	(14,669)	(498)	(15,167)	--	(15,167)
Segment Revenue	483,413	101,577	105,782	690,772	--	690,772
Cost of revenue	304,431	41,082	67,717	413,230	--	413,230
Inter-segment cost of revenue	(7,765)	(7,402)	--	(15,167)	--	(15,167)
Segment cost	296,666	33,680	67,717	398,063	--	398,063
Segment gross profit	186,747	67,897	38,065	292,709	--	292,709
Profit / (loss) attributable to shareholders of the Parent Company	51,998	25,710	12,965	90,673	(417)	90,256
Segment assets	1,893,044	307,281	261,230	2,461,555	197,062	2,658,617
Segment liabilities	1,078,785	40,806	26,355	1,145,946	27,479	1,173,425

30. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and other price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

30.1 Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk, liquidity risk and fair value and commission rate risks.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and reports to the Board of Directors on its activities.

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other receivables, investments, borrowings, derivative financial instruments, accounts payable and other current liabilities. The particular recognition methods adopted are disclosed in the significant accounting policies note 3.

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Market risk

Market risk is the risk that the fair value or future cash flows or income from a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk.

30.2.1 Commission and interest rate risk

Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's commission rate risks arise mainly from its short-term deposits. Majority of the Group's borrowings are at floating rate of interest and are subject to re-pricing on a regular basis. Management regularly monitors the changes in interest rates. During 2012 and 2013, the Group entered into Interest Rate Swaps ("IRS") (Derivative financial instruments) to manage its exposure to interest rate risk. Such IRS is designated as a Cash flow hedge.

The Group's commission and interest bearing financial instruments are as follows:

	31 December 2017	31 December 2016	1 January 2016
Fixed rate instruments			
Financial assets – Murabaha term deposits	**15,000,000**	21,254,500	106,000,000
Financial liabilities – Loans and borrowings	**--**	(8,926,545)	(24,933,503)
Variable rate instruments			
Financial liabilities – Loans and borrowings	**(1,010,793,068)**	(967,114,176)	(940,558,528)
Derivative financial instrument – asset	**--**	24,930	4,236
Derivative financial instrument – liability	**--**	(509,730)	(17,276)

Sensitivity analysis for fixed rate instruments
The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for variable rate instruments
If SIBOR had been 1% higher / lower with all other variables held constant, the impact on the equity and profit before Zakat and income tax for the year would have been SR 10.11 million (31 December 2016: SR 4.58 million and 1 January 2016: SR 3.76 million).

30.2.2 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's transactions are principally in Saudi Riyal and United States Dollar. Other transactions in foreign currencies are not material. The Group's management believes that their exposure to currency risk is limited as US Dollar is pegged to Saudi Riyal. Currency risk is managed on a regular basis and fluctuation in the exchange rates are monitored on a continuous basis.

30. FINANCIAL RISK MANAGEMENT (continued)

30.2.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

	31 December 2017	31 December 2016	1 January 2016
Financial assets			
Derivative financial instruments	**--**	24,930	4,236
Trade receivables	**63,262,292**	70,086,836	73,156,978
Other receivables	**44,106,813**	29,719,375	26,163,893
Balances with banks	**150,355,017**	195,103,542	252,384,875
	257,724,122	294,934,683	351,709,982

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from A2 to A1 based on Moody’s credit rating. All bank accounts are held with banks within Saudi Arabia.
- The Group does not have a policy to obtain security / collaterals from its customers.
- Financial position of related parties is stable.

The ageing of gross trade receivables at the reporting date is as follows:

	31 December 2017	31 December 2016	1 January 2016
Not past due	**18,767,946**	33,559,616	27,463,867
Past due but not impaired			
Not more than three months	**33,076,203**	32,223,298	41,475,505
More than three months and not more than six months	**3,282,587**	1,007,352	1,123,405
Past due and impaired			
More than six months and not more than one year	**6,312,718**	1,364,228	1,030,853
More than one year	**1,822,838**	1,932,342	2,063,348
	63,262,292	70,086,836	73,156,978
Less: provisions for doubtful trade receivables	**(5,550,939)**	(2,648,799)	(3,084,969)
	57,711,353	67,438,037	70,072,009

Provision for doubtful debts is calculated based on ageing profile and history. There were no past due or impaired receivables from related parties.

30. FINANCIAL RISK MANAGEMENT (continued)

30.2.3 Credit risk (continued)

One of the subsidiary of the Group has obtained promissory notes from one of the customers amounting to SR 10.3 million as collateral in respect of overdue balance outstanding as at 31 December 2017.

There were no past due or impaired receivables from related parties.

Movement of provision for doubtful trade receivables is as follows:

	31 December 2017	31 December 2016
Balance at beginning of the year	2,648,799	3,084,969
Charge / (reversal) for the year	3,777,935	(366,014)
Written off during the year	(875,795)	(70,156)
Balance at end of the year	5,550,939	2,648,799

Concentration Risk

The maximum exposure to credit risk for trade and other receivables by geographic region is as follows:

	31 December 2017	31 December 2016	1 January 2016
Saudi Arabia	**107,354,986**	99,791,920	99,280,545
Other Regions – Yemen	**14,119**	14,291	40,326
	107,369,105	99,806,211	99,320,871
Less: provision for doubtful trade receivables	**(5,550,939)**	(2,648,799)	(3,084,969)
	101,818,166	97,157,412	96,235,902

As at 31 December 2017, 6 largest customers (31 December 2016: 4 largest customers and 1 January 2016: 4 largest customers) account for approximately 76% (31 December 2016: 69% and 1 January 2016: 74%) of gross outstanding trade receivables.

30. FINANCIAL RISK MANAGEMENT (continued)

30.2.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments as well as close monitoring of cash inflows and outflows from operations. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted.

		Contractual cash flows		
31 December 2017	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
Non derivative financial liabilities				
Loans and borrowings	986,101,768	178,960,569	750,371,551	201,614,411
Trade payables and other current liabilities	127,595,963	127,595,963	--	--
	1,113,697,731	**306,556,532**	**750,371,551**	**201,614,411**

		Contractual cash flows		
31 December 2016	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
Non derivative financial liabilities				
Loans and borrowings	952,419,451	147,953,289	624,614,439	341,578,536
Trade payables and other current liabilities	94,951,654	94,951,654	--	--
	1,047,371,105	242,904,943	624,614,439	341,578,536
Derivative financial liabilities				
Interest rate swaps used for hedging	509,730	509,730	--	--
	509,730	509,730	--	--

30. FINANCIAL RISK MANAGEMENT (continued)

30.2.4 Liquidity risk (continued)

1 January 2016	Carrying amount	Contractual cash flows		
		Less than 1 year	1 year to 5 years	More than 5 years
Non derivative financial liabilities				
Loans and borrowings	950,667,724	144,978,040	540,895,357	437,619,155
Trade payables and other current liabilities	90,893,467	90,893,467	--	--
	1,041,561,191	235,871,507	540,895,357	437,619,155
Derivative financial liabilities				
Interest rate swaps used for hedging	17,276	17,276	--	--
	17,276	17,276	--	--

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

30.2.5 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its businesses.

The Group manages the capital structure in the context of economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may, for example, adjust the amount of dividends paid to shareholders and issue new shares.

The Group monitors return on capital employed and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a debt equity ratio.

	31 December 2017	31 December 2016	1 January 2016
Total liabilities	**1,240,773,514**	1,173,425,404	1,165,593,460
Less: cash and cash equivalents	**(150,707,941)**	(195,404,320)	(252,669,021)
Net debt	**1,090,065,573**	978,021,084	912,924,439
Total equity	**1,544,061,258**	1,485,191,955	1,415,576,050
Less: cash flow hedging reserve	**--**	289,950	7,250
Adjusted equity	**1,544,061,258**	1,485,481,905	1,415,583,300
Net debt to adjusted equity ratio - %	**70.60%**	65.84%	64.49%

30. FINANCIAL RISK MANAGEMENT (continued)

30.2.6 Fair value of assets and liabilities

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

	Carrying amount				**Fair value**			
31 December 2017	**Fair value hedging instruments**	**Available for sale investments**	**Held to Maturity**	**Loans and receivables**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:								
Derivative financial instruments	--	--	--	--	--	--	--	--
Trade and other receivables	--	--	--	101,818,166	--	--	--	--
Balances with banks and in hand	--	--	--	135,707,941	--	--	--	--
Murabaha term deposits	--	--	15,000,000	--	--	--	--	--
Investment in mutual funds	--	50,487,996	--	--	--	50,487,996	--	50,487,996
Investment in equity securities	--	18,838,212	--	--	--	--	--	--
	--	**69,326,208**	**15,000,000**	**237,526,107**	**--**	**50,487,996**	**--**	**50,487,996**

	Carrying amount		**Fair value**			
31 December 2017	Fair value hedging instruments	Loans and receivables	Level 1	Level 2	Level 3	Total
Financial liabilities:						
Loans and borrowings	--	986,101,768	--	--	--	--
Trade payable and other current liabilities	--	127,595,963	--	--	--	--
Derivative financial instruments	--	--	--	--	--	--
	--	**1,113,697,731**	**--**	**--**	**--**	**--**

30. FINANCIAL RISK MANAGEMENT (continued)

30.2.6 Fair value of assets and liabilities

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

	Carrying amount				Fair value			
31 December 2016	Fair value hedging instruments	Available for sale investments	Held to maturity	Loans and receivables	Level 1	Level 2	Level 3	Total
Financial assets:								
Derivative financial instruments	24,930	--	--	--	--	24,930	--	24,930
Trade and other receivables	--	--	--	97,157,412	--	--	--	--
Balances with banks and in hand	--	--	--	174,149,820	--	--	--	--
Murabaha term deposits	--	--	21,254,500	--	--	--	--	--
Investment in equity securities	--	16,788,011	--	--	--	--	--	--
	24,930	16,788,011	21,254,500	271,307,232	--	24,930	--	24,930

	Carrying amount		Fair value			
31 December 2016	Fair value hedging instruments	Loans and receivables	Level 1	Level 2	Level 3	Total
Financial liabilities:						
Loans and borrowings	--	952,419,451	--	--	--	--
Trade payable and other current liabilities	--	94,951,654	--	--	--	--
Derivative financial instruments	509,730	--	--	509,730	--	509,730
	509,730	1,047,371,105	--	509,730	--	509,730

30. FINANCIAL RISK MANAGEMENT (continued)

30.2.6 Fair value of assets and liabilities

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

	Carrying amount				Fair value			
1 January 2016	Fair value hedging instruments	Available for sale investments	Held to maturity	Loans and receivables	Level 1	Level 2	Level 3	Total
Financial assets:								
Derivative financial instruments	4,236	--	--	--	--	4,236	--	4,236
Trade and other receivables	--	--	--	99,320,871	--	--	--	--
Balances with banks and in hand	--	--	--	146,669,021	--	--	--	--
Murabaha term deposits	--	--	106,000,000	--	--	--	--	--
Investment in equity securities	--	18,075,925	--	--	--	--	--	--
	4,236	18,075,925	106,000,000	245,989,892	--	4,236	--	4,236

	Carrying amount		Fair value			
1 January 2016	Fair value hedging instruments	Loans and receivables	Level 1	Level 2	Level 3	Total
Financial liabilities:						
Loans and borrowings	--	950,667,724	--	--	--	--
Trade payable and other current liabilities	--	90,893,467	--	--	--	--
Derivative financial instruments	17,276	--	--	17,276	--	17,276
	17,276	1,041,561,191	--	17,276	--	17,276

31. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2.1, these consolidated financial statements, for the year ended 31 December 2017, are the Group's first annual consolidated financial statements prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. Further, the Group's opening consolidated statement of financial position was prepared as at 1 January 2016, being the Group's date of transition to IFRS.

Note 31.1 to 31.7 set out an explanation of how the transition to IFRS has affected the previously reported consolidated statement of financial position as at 31 December 2016 and 1 January 2016; and consolidated statements of profit or loss and other comprehensive income of the Group for the year ended 31 December 2016, including the nature and effect of significant changes in accounting policies from those used in the Group's annual consolidated financial statements, under SOCPA, for the year ended 31 December 2016.

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.1 Reconciliation of consolidated statement of financial position

		As at 31 December 2016			
	Notes	SOCPA GAAP	Effect of transition to IFRS	Reclassification	IFRS
ASSETS					
Non-current assets:					
Property, plant and equipment	31.5 (b) (e) & 31.6 (b & c)	911,134,352	(12,737,590)	(153,288,296)	745,108,466
Intangible assets	31.6 (b & d)	1,293,484,306	--	14,310,848	1,307,795,154
Goodwill	31.6 (d)	8,776,760	--	(8,776,760)	--
Investment property	31.6 (c)	--	--	147,754,208	147,754,208
Investments	31.5 (a, b & f)	118,776,922	(1,303,641)	--	117,473,281
Total non-current assets		2,332,172,340	(14,041,231)	--	2,318,131,109
Current assets:					
Inventories	31.5 (e)	41,178,880	(10,058,662)	--	31,120,218
Derivative financial instrument		24,930	--	--	24,930
Trade and other receivables		113,936,782	--	--	113,936,782
Cash and cash equivalents		195,404,320	--	--	195,404,320
Total current assets		350,544,912	(10,058,662)	--	340,486,250
Total assets		2,682,717,252	(24,099,893)	--	2,658,617,359
EQUITY AND LIABILITIES					
Share capital		680,000,000	--	--	680,000,000
Share premium		36,409,063	--	--	36,409,063
Statutory reserve		39,758,712	--	--	39,758,712
Special reserve		19,869,813	--	--	19,869,813
Other reserves	31.5 (d)	8,446,560	(385,175)	--	8,061,385
Retained earnings	31.3 (a)	239,516,540	(15,298,109)	--	224,218,431
Equity attributable to the shareholders' of Parent Company		1,024,000,688	(15,683,284)	--	1,008,317,404
Non-controlling interests	31.3 (b) & (d)	483,800,164	(6,925,613)	--	476,874,551
Total equity	31.3 (c)	1,507,800,852	(22,608,897)	--	1,485,191,955
Non-current liabilities:					
Long-term loans and bank facilities		836,401,581	--	--	836,401,581
Employees' end of service benefits	31.5 (a)	23,374,817	(1,490,996)	--	21,883,821
Long term provisions		54,602,445	--	--	54,602,445
Total non-current liabilities		914,378,843	(1,490,996)	--	912,887,847
Current liabilities:					
Current portion of long-term loans and bank facilities		116,017,870	--	--	116,017,870
Zakat and income tax payable	31.6 (a)	--	--	7,536,803	7,536,803
Trade payables and other current liabilities	31.6 (a)	144,009,957	--	(7,536,803)	136,473,154
Derivative financial instrument		509,730	--	--	509,730
Total current liabilities		260,537,557	--	--	260,537,557
Total liabilities		1,174,916,400	(1,490,996)	--	1,173,425,404
Total equity and liabilities		2,682,717,252	(24,099,893)	--	2,658,617,359

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.1 Reconciliation of consolidated statement of financial position (continued)

	Notes	As at 1 January 2016 SOCPA GAAP	Effect of transition to IFRS	Reclassification	IFRS
ASSETS					
Non-current assets:					
Property, plant and equipment	31.5 (b) (e) & 31.6 (b & c)	707,653,503	(8,100,210)	(156,712,772)	542,840,521
Intangible assets	31.6 (b & d)	1,361,120,885	--	11,518,344	1,372,639,229
Goodwill	31.6 (d)	8,776,760	--	(8,776,760)	--
Investment property	31.6 (c)	--	--	153,971,188	153,971,188
Investments	31.5 (a, b & f)	114,541,576	(1,174,929)	--	113,366,647
Derivative financial instrument		4,236	--	--	4,236
Total non-current assets		2,192,096,960	(9,275,139)	--	2,182,821,821
Current assets:					
Inventories	31.5 (e)	37,172,077	(10,058,662)	--	27,113,415
Trade and other receivables		118,565,253	--	--	118,565,253
Cash and cash equivalents		252,669,021	--	--	252,669,021
Total current assets		408,406,351	(10,058,662)	--	398,347,689
Total assets		2,600,503,311	(19,333,801)	--	2,581,169,510
EQUITY AND LIABILITIES					
Share capital		680,000,000	--	--	680,000,000
Share premium		36,409,063	--	--	36,409,063
Statutory reserve		30,549,496	--	--	30,549,496
Special reserve		15,265,205	--	--	15,265,205
Other reserves		13,151,743	--	--	13,151,743
Retained earnings	31.3 (a)	196,638,201	(12,467,555)	--	184,170,646
Equity attributable to the shareholders' of Parent Company		972,013,708	(12,467,555)	--	959,546,153
Non-controlling interests	31.3 (b)	461,892,802	(5,862,905)	--	456,029,897
Total equity	31.3 (c)	1,433,906,510	(18,330,460)	--	1,415,576,050
Non-current liabilities:					
Long-term loans and bank facilities		838,185,086	--	--	838,185,086
Employees' end of service benefits	31.5 (a)	21,638,938	(1,003,341)	--	20,635,597
Long term provisions		44,661,233	--	--	44,661,233
Derivative financial instrument		17,276	--	--	17,276
Total non-current liabilities		904,502,533	(1,003,341)	--	903,499,192
Current liabilities:					
Current portion of long-term loans and bank facilities		112,482,638	--	--	112,482,638
Zakat and income tax payable	31.6 (a)	--	--	11,100,178	11,100,178
Trade payables and other current liabilities	31.6 (a)	149,611,630	--	(11,100,178)	138,511,452
Total current liabilities		262,094,268	--	--	262,094,268
Total liabilities		1,166,596,801	(1,003,341)	--	1,165,593,460
Total equity and liabilities		2,600,503,311	(19,333,801)	--	2,581,169,510

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.2 Reconciliation of consolidated statement of profit or loss and other comprehensive income

		For the year ended 31 December 2016			
	Notes	**SOCPA GAAP**	**Effect of transition to IFRS**	**Reclassifications**	**IFRS**
Revenue	31.6 (f)	640,318,392	--	50,453,758	690,772,150
Costs of revenue	31.5 (b) (e) & 31.6 (f)	(342,972,042)	(4,637,380)	(50,453,758)	(398,063,180)
Gross profit		297,346,350	(4,637,380)	--	292,708,970
Selling and distribution expenses		(12,982,042)	--	--	(12,982,042)
General and administrative expenses	31.5 (a)	(122,944,291)	1,200,004	--	(121,744,287)
Other income	31.6 (e)	12,013,369	--	(1,647,722)	10,365,647
Operating profit		173,433,386	(3,437,376)	(1,647,722)	168,348,288
Finance costs		(36,279,222)	--	--	(36,279,222)
Finance income	31.6 (e)	--	--	1,647,722	1,647,722
Share in results from equity accounted associates, net	31.5 (a, b & f)	11,253,367	396,857	--	11,650,224
Profit before Zakat and income tax		148,407,531	(3,040,519)	--	145,367,012
Zakat and income tax	31.5 (c)	(5,513,222)	(3,817,100)	--	(9,330,322)
Profit for the period		142,894,309	(6,857,619)	--	136,036,690
Other comprehensive income					
Items that that will not be reclassified to profit or loss					
Re-measurement of defined benefit liability	31.5 (a)	--	(712,349)	--	(712,349)
Share of actuarial losses of equity accounted associates	31.5 (a)	--	(525,569)	--	(525,569)
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedges – effective portion of changes in fair value		--	(471,760)	--	(471,760)
Available for sale financial assets – net change in fair value		--	(1,287,914)	--	(1,287,914)
Other comprehensive income for the period, net of Zakat and income tax		--	(2,997,592)	--	(2,997,592)
Total comprehensive income for the period		142,894,309	(9,855,211)	--	133,039,098

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.3 Reconciliation of equity

a) Retained earnings

Details of (decrease) / increase in retained earnings resulting from transition to IFRS are as follows:

	Notes	31 December 2016	01 January 2016
Retained earnings under SOCPA GAAP as at		239,516,540	196,638,201
Property, plant and equipment	31.5 (b) & (e)	(14,512,471)	(11,455,121)
Investment in equity accounted associates	31.5 (a, b & f)	(1,303,641)	(1,174,929)
Employee benefits	31.5 (a)	1,357,864	533,439
Inventories	31.5 (e)	(370,944)	(370,944)
Share in OCI of subsidiaries	31.5 (a)	(468,917)	--
Change in retained earnings		(15,298,109)	(12,467,555)
Retained earnings under IFRS as at		224,218,431	184,170,646

b) Non-controlling interests

Details of (decrease) / increase in non-controlling interests resulting from transition to IFRS are as follows:

	Notes	31 December 2016	01 January 2016
Non-controlling interests under SOCPA GAAP as at		483,800,164	461,892,802
Property, plant and equipment	31.5 (b) & (e)	(7,665,541)	(6,085,511)
Employee benefits	31.5 (a)	845,481	469,902
Inventories	31.5 (e)	(247,296)	(247,296)
Effect of increase in shareholding of a subsidiary	31.5 (d)	385,175	--
Share in OCI of subsidiaries	31.5 (a)	(243,432)	--
Change in non-controlling interests		(6,925,613)	(5,862,905)
Non-controlling interests under IFRS as at		476,874,551	456,029,897

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.3 Reconciliation of equity (continued)

c) Total equity

	31 December 2016	01 January 2016
Total equity under SOCPA GAAP as at	1,507,800,852	1,433,906,510
Property, plant and equipment (Note 31.5 (b) & (e))	(22,178,012)	(17,540,632)
Investment in associates (Note 31.5 (a, b & f))	(1,303,641)	(1,174,929)
Employee benefits (Note 31.5 (a))	2,203,345	1,003,341
Inventories (Note 31.5 (e))	(618,240)	(618,240)
Share in OCI of subsidiaries (Note 31.5 (a))	(712,349)	--
	(22,608,897)	(18,330,460)
Total equity under IFRS as at	1,485,191,955	1,415,576,050

31.4 Index to the notes to the reconciliations

Changes due to transition from SOCPA GAAP to IFRS

a) Employee benefits (Note 31.5 (a))

b) Componentization and revision of useful lives of property, plant and equipment (Note 31.5 (b))

c) Income tax charge (Note 31.5 (c))

d) Effect of increase in shareholding of a subsidiary (Note 31.5 (d))

e) Capital spares and related depreciation (including provision against inventories) (Note 31.5 (e))

f) Intangible assets – pre-operating expenses of associate (Note 31.5 (f))

Changes due to presentation enhancement and reclassification

a) Zakat and income tax payable (Note 31.6 (a))
b) Other intangible assets (Note 31.6 (b))
c) Investment properties (Note 31.6 (c))
d) Goodwill (Note 31.6 (d))
e) Finance income (Note 31.6 (e))
f) Revenue and costs of revenue (Note 31.6 (f))

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.5 Notes to the reconciliations

The effects of transition to IFRS can be summarized as follows:

a) Employee benefits

Under SOCPA GAAP, the Group accounted for employees' end of service benefit obligations ("EOSB") in accordance with the requirements under the Saudi Arabian Labor law. Upon transition to IFRS, the Group accounted for EOSB as a defined benefit obligation. Accordingly, the Group performed detailed actuarial valuation for the computation of the IFRS transitional defined benefit liability as at 1 January 2016 and onwards using Projected Unit Credit Method. The impact of this transition to IFRS on employees' end of service benefits liability, profit and loss, other comprehensive income, equity and its effect on investment in associates and related share of profit or loss is as follows:

	31 December 2016	1 January 2016
Effect on statement of financial position		
Employee end of service benefits		
Decrease in liability – profit and loss effect in prior period	(1,200,004)	--
Increase in liability due to actuarial loss in prior period	712,349	--
Decrease in liability - as of Group's date of transition to IFRS	(1,003,341)	(1,003,341)
Total decrease in employees' end of services benefits liability (A)	(1,490,996)	(1,003,341)
Investment in associates		
Increase in investment due to share of results of associates – prior periods	93,708	--
Decrease in investment due to share of OCI of associates – prior periods	(525,569)	--
Decrease in investment in associates - as of Group's date of transition to IFRS	(63,547)	(63,547)
Total decrease in investment in associates (B)	(495,408)	(63,547)
Total effect on net liability (C = A – B)	(995,588)	(939,794)
Effect on equity		
Due to decrease in liability		
Increase in retained earnings	1,357,864	533,439
Decrease in retained earnings due to actuarial loss	(468,917)	--
Increase in non-controlling interests	845,481	469,902
Decrease in non-controlling interests due to share in actuarial loss of subsidiaries	(243,432)	--
Net increase in equity (D)	1,490,996	1,003,341
Due to changes in share in result from associates		
Decrease in retained earnings due to actuarial gain / loss	(525,569)	--
Increase / (decrease) in retained earnings	30,161	(63,547)
Net decrease in equity (E)	(495,408)	(63,547)
Total net increase in equity (F = D + E)	995,588	939,794

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.5 Notes to the reconciliations (continued)

a) Employee end of service benefits (continued)

Effect on statement of profit or loss and other comprehensive income	For the year ended 31 December 2016
Decrease in general and administrative expenses	1,200,004
Increase in share in results from equity accounted associates	93,708
Increase in profit or loss	1,293,712

b) Componentization and revision of useful lives of property, plant and equipment

Upon transition to IFRS, the Group (including the associates) separately accounted for significant components of items of property, plant and equipment that have useful lives which are materially different from that of the overall item or other component. Based on management's detailed analysis such significant components were identified in the property, plant and equipment of the subsidiaries of the Group. The impact of this adjustment on Property and Equipment, investment in associate, depreciation expense and the share in results from associates is given as follows:

Effect on statement of financial position	31 December 2016	1 January 2016
Effect on assets		
Property, plant and equipment		
Increase in depreciation charge – prior period	(4,018,430)	--
Increase in depreciation charge - as of Group's date of transition to IFRS	(14,351,389)	(14,351,389)
Total decrease in property, plant and equipment (A)	(18,369,819)	(14,351,389)
Investment in associates		
(Decrease) / increase in investment in associates – prior periods	12,053	--
Decrease in investment in associates - as of Group's date of transition to IFRS	(393,064)	(393,064)
Total decrease in property, plant and equipment (B)	(381,011)	(393,064)
Total effect on assets (C = A + B)	(18,750,830)	(14,744,453)
Effect on equity		
Due to additional depreciation		
Decrease in retained earnings	(12,196,606)	(9,541,575)
Decrease in non-controlling interests	(6,173,213)	(4,809,814)
Net decrease in equity	(18,369,819)	(14,351,389)
Due to changes in share in result from associates		
Decrease in retained earnings	(381,011)	(393,064)
Total decrease in equity	(18,750,830)	(14,744,453)

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.5 Notes to the reconciliations (continued)

b) Componentization and revision of useful lives of property, plant and equipment (continued)

Effect on statement of profit or loss and other comprehensive income	For the year ended 31 December 2016
Increase in cost of sales	(4,018,430)
Decrease in share in results from equity accounted associates	12,053
Net decrease in profit or loss	(4,006,377)

c) Income tax charge

Income tax charge, relating to one of the subsidiaries of the Company, being a mixed company, was previously presented and charged directly to statement of changes in equity as part of non-controlling interests under SOCPA GAAP. Upon transition to IFRS, income tax charge for the year ended December 31, 2016 amounting to SR 3.8 million is classified and charged to the consolidated statement of profit or loss under Zakat and income tax charge for the year.

d) Effect of increase in shareholding of a subsidiary

During 2016, the Company increased its shareholding in one of its subsidiaries (Kindasa Water Services Company) by acquisition of additional 5% stake from other shareholder. Upon transition to IFRS, the impact of SR 385,175 pertaining to opening IFRS adjustments as at 1 January 2016 relating to its subsidiary have been reclassified from non-controlling interests to “effect of changes in shareholding percentage in subsidiaries” under other reserves within equity.

e) Capital spares and related depreciation (including provision against inventories)

Under SOCPA GAAP, the Group accounted for certain strategic spare parts and stand-by/servicing equipment as inventory. Upon transition to IFRS, such assets, upon meeting the relevant recognition criteria have been classified as separate components of property, plant and equipment. Accordingly, at the date of transition, such strategic spare parts and equipments amounting to SR 9.4 million have been reclassified from inventories to property, plant and equipment. Resultantly, as of January 1, 2016 and for the year ended 31 December 2016 additional depreciation amounting to SR 3.2 million and SR 0.62 million respectively have been recognized.

The Group also re-assessed its inventory after reclassification of capital spares and identified additional provision amounting to SR 0.62 million against slow moving, damaged and expired inventory items as of the Group’s date of transition to IFRS.

The impact of this adjustment on inventories, property, plant and equipment, depreciation expense and equity is given as follows:

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.5 Notes to the reconciliations (continued)

e) Capital spares and related depreciation (including provision against inventories) (continued)

	31 December 2016	1 January 2016
Effect on statement of financial position		
Effect on assets		
Property, plant and equipment		
Transfer of capital spare parts from inventories	9,440,422	9,440,422
Increase in depreciation charge – prior period	(618,950)	--
Increase in depreciation charge - as of Group's date of transition to IFRS	(3,189,243)	(3,189,243)
Net increase in property, plant and equipment (A)	5,632,229	6,251,179
Inventory		
Transfer of capital spare parts to property, plant and equipment	(9,440,422)	(9,440,422)
Increase in inventory provision	(618,240)	(618,240)
Net decrease in inventory (B)	(10,058,662)	(10,058,662)
Net decrease in assets (A - B)	(4,426,433)	(3,807,483)
Effect on equity		
Due to additional depreciation		
Decrease in retained earnings	(2,315,865)	(1,913,546)
Decrease in non-controlling interests	(1,492,328)	(1,275,697)
	(3,808,193)	(3,189,243)
Due to inventory provision		
Decrease in retained earnings	(370,944)	(370,944)
Decrease in non-controlling interests	(247,296)	(247,296)
	(618,240)	(618,240)
Net decrease in equity	(4,426,433)	(3,807,483)
Effect on statement of profit or loss and other comprehensive income		
Increase in cost of sales	(618,950)	--
Decrease in profit or loss	(618,950)	--

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.5 Notes to the reconciliations (continued)

f) Intangible assets – pre-operating expenses of associate

Under SOCPA GAAP, one of the associates of the Company (Al Jabr Talke Limited) had capitalized certain expenses on projects as pre-operating expenses amortized over the life of the projects. Under transition to IFRS, the associate has charged off the entire outstanding balance of pre-operating expenses as of the Group's date of transition. The impact of this adjustment on investments, share of results and equity is given as follows:

	31 December 2016	1 January 2016
Effect on statement of financial position		
Effect on assets		
Investments		
Increase in investment in associates – prior periods	291,096	--
Decrease in investment in associate - as of Group's date of transition to IFRS	(718,318)	(718,318)
Net decrease in investments in associate	(427,222)	(718,318)
Effect on retained earnings		
Decrease in retained earnings	(427,222)	(718,318)
Effect on statement of profit or loss and other comprehensive income		
Increase in share results from equity accounted associates	291,096	--
Increase in profit or loss	291,096	--

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.6 Changes due to presentation enhancement and reclassifications

a) Zakat and income tax

Zakat and income tax liability was included in trade payable and other current liabilities in the prior period financial statements prepared under SOCPA GAAP. For the purpose of presentation enhancement, Zakat and income tax payable is now presented separately on the consolidated statement of financial position in these financial statements.

The impact arising from the change is summarized as follows:

Consolidated Statement of Financial Position:

	31 December 2016	1 January 2016
Zakat and income tax payable	7,536,803	11,100,178
Trade payable and other current liabilities	(7,536,803)	(11,100,178)
Adjustment to retained earnings	**--**	**--**

b) Other Intangible Assets

Computer softwares and application licenses were included in property, plant and equipment in the prior period financial statements prepared under SOCPA GAAP. For the purpose of presentation enhancement, computer softwares and application licenses are now presented as part as other intangible assets under intangible assets on the consolidated statement of financial position in these financial statements.

The impact arising from the change is summarized as follows:

Consolidated Statement of Financial Position:

	31 December 2016	1 January 2016
Other intangible assets	5,534,088	2,741,584
Property, plant and equipment	(5,534,088)	(2,741,584)
Adjustment to retained earnings	**--**	**--**

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.6 Changes due to presentation enhancement and reclassifications (continued)

c) Investment properties

Investment properties were included in property, plant and equipment in the prior period financial statements prepared under SOCPA GAAP. For the purpose of presentation enhancement, investment properties are now presented separately on the consolidated statement of financial position in these financial statements.

The impact arising from the change is summarized as follows:

Consolidated Statement of Financial Position:

	31 December 2016	1 January 2016
Investment properties	147,754,208	153,971,188
Property, plant and equipment	(147,754,208)	(153,971,188)
Adjustment to retained earnings	--	--

d) Goodwill

Goodwill was previously presented separately on the face of statement of financial position in the prior period financial statements prepared under SOCPA GAAP. For the purpose of presentation enhancement, goodwill is now presented as part of intangible assets in the consolidated statement of financial position.

The impact arising from the change is summarized as follows:

Consolidated Statement of Financial Position:

	31 December 2016	1 January 2016
Intangible assets	8,776,760	8,776,760
Goodwill	(8,776,760)	(8,776,760)
Adjustment to retained earnings	--	--

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.6 Changes due to presentation enhancement and reclassifications (continued)

e) Finance income

Finance income was included in other income in the prior period financial statements prepared under SOCPA GAAP. For the purpose of presentation enhancement, finance income is now presented separately on the consolidated statement of profit or loss and other comprehensive income in these financial statements.

The impact arising from the change is summarized as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	For the year ended 31 December 2016
Finance income	1,647,722
Other income	(1,647,722)
Adjustment to retained earnings	**--**

f) Revenue and cost of revenue

Share of Jeddah Islamic Port in revenue of RSGT was presented as a deduction against revenue of RSGT in the prior period financial statements prepared under SOCPA GAAP. For the purpose of presentation enhancement, share of Jeddah Islamic Port is now presented as part of cost of revenue in the consolidated statement of profit or loss and other comprehensive income in these financial statements.

The impact arising from the change is summarized as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	For the year ended 31 December 2016
Cost of revenue	(50,453,758)
Revenue	50,453,758
Adjustment to retained earnings	**--**

31. EXPLANATION OF TRANSITION TO IFRS (continued)

31.7 Exemptions applied

IFRS 1 "First-Time Adoption of International Financial Reporting Standards" as endorsed by SOCPA allows first-time adopter certain exemptions from the retrospective application of certain IFRS Standards.

The Group has applied the following exemptions:

a) IFRS 3 "Business Combinations" as endorsed by SOCPA has not been applied to acquisitions of subsidiaries, which are considered businesses as per IFRS, or of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means, that the carrying amounts of assets and liabilities under SOCPA GAAP, which are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS Statement of Financial Position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 as endorsed by SOCPA also requires that the carrying amount of goodwill under SOCPA GAAP must be used in the opening IFRS Statement of Financial Position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1 as endorsed by SOCPA, the Group has tested goodwill for impairment at the date of transition to IFRS Standards. No goodwill impairment was deemed necessary at 1 January 2016.

b) The Group has not applied IAS 21 "The Effects of Changes in Foreign Exchange Rates" as endorsed by SOCPA retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the Parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the Parent or are non-monetary foreign currency items and no further translation differences occur.

32. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 10 Rajab 1439H, corresponding to 27 March 2018.