

**SAUDI INDUSTRIAL SERVICES COMPANY
(SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

AS AT 30 JUNE 2012

LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF SAUDI INDUSTRIAL SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

Scope of review

We have reviewed the accompanying consolidated balance sheet of Saudi Industrial Services Company (A Saudi Joint Stock Company) and its subsidiaries as at 30 June 2012 and the related consolidated statement of income for the three month and six month periods then ended, and the related consolidated statements of cash flows and changes in shareholders' equity for the six month period then ended. These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organization for Certified Public Accountants' auditing standard on interim financial reporting. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



Ahmed I. Reda
Certified Public Accountant
License No. 356

25 Shabaan 1433 H
15 July 2012

Jeddah

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2012

	Note	30 June 2012 SR	30 June 2011 SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		161,676,840	192,621,720
Accounts and other receivables		80,622,242	116,497,531
Inventories		13,532,918	10,617,047
TOTAL CURRENT ASSETS		255,832,000	319,736,298
NON-CURRENT ASSETS			
Investments	4	77,667,490	70,082,445
Property, plant and equipment		292,552,167	284,081,399
Property, plant and equipment of bonded and re-export project		143,466,893	115,429,921
Projects-in- progress – bonded and re-export project		11,985,837	14,336,729
Property and equipment - quay project		85,742,562	59,442,770
Intangible assets – quay project		1,593,014,274	1,659,509,452
Goodwill	6	12,396,651	12,396,651
Deferred charges		545,788	231,742
TOTAL NON-CURRENT ASSETS		2,217,371,662	2,215,511,109
TOTAL ASSETS		2,473,203,662	2,535,247,407
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and other accruals		117,166,614	106,563,640
Short term loans, current portion of long term loans and bank facilities		91,645,675	120,539,274
TOTAL CURRENT LIABILITIES		208,812,289	227,102,914
NON-CURRENT LIABILITIES			
Long term loans and bank facilities		1,130,414,056	1,253,435,364
Other long term liabilities		24,064,370	-
Employees' end of service benefits provision		9,924,697	8,095,330
Derivative financial instrument		12,908,843	-
TOTAL NON-CURRENT LIABILITIES		1,177,311,966	1,261,530,694
TOTAL LIABILITIES		1,386,124,255	1,488,633,608
SHAREHOLDERS' EQUITY			
Share capital	5	680,000,000	680,000,000
Share premium		36,409,063	36,409,063
Statutory reserve		4,264,248	3,250,885
Special reserve		2,122,581	1,615,899
Effect of reducing the ownership percentage in a subsidiary		4,653,218	4,653,218
Cash flow hedging reserve		(7,822,759)	-
Retained earnings		26,064,595	3,656,111
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		745,690,946	729,585,176
MINORITY INTERESTS		341,388,461	317,028,623
TOTAL SHAREHOLDERS' EQUITY		1,087,079,407	1,046,613,799
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,473,203,662	2,535,247,407

The attached notes 1 to 13 form part of these unaudited interim consolidated financial statements.

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three month and six month periods ended 30 June 2012

	Note	For the three month period ended		For the six month period ended	
		30 June 2012 SR	30 June 2011 SR	30 June 2012 SR	30 June 2011 SR
Sales and operating income	7	121,480,331	96,194,950	229,209,955	175,388,373
Cost of sales and operations		(69,637,635)	(56,885,094)	(129,981,068)	(104,619,730)
GROSS PROFIT		51,842,696	39,309,856	99,228,887	70,768,643
Selling and distribution expenses		(3,239,581)	(2,606,901)	(6,075,555)	(5,308,003)
General and administration expenses		(20,022,417)	(19,138,824)	(47,515,934)	(38,417,252)
Net income from main operations		28,580,698	17,564,131	45,637,398	27,043,388
Financial charges		(7,083,474)	(7,973,569)	(14,149,276)	(15,944,248)
Share of results from associates		(663,417)	766,846	(2,210,001)	354,648
Other income	8	963,535	418,076	11,398,282	820,976
NET INCOME BEFORE ZAKAT AND MINORITY INTERESTS		21,797,342	10,775,484	40,676,403	12,274,764
Zakat		(1,928,751)	(711,800)	(3,480,551)	(1,429,000)
NET INCOME BEFORE MINORITY INTERESTS		19,868,591	10,063,684	37,195,852	10,845,764
Income attributable to minority interests		(8,901,131)	(4,714,386)	(19,744,847)	(6,282,171)
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		10,967,460	5,349,298	17,451,005	4,563,593
Weighted average number of ordinary shares outstanding	5	68,000,000	68,000,000	68,000,000	68,000,000
Earning per share on net income from main operations (in SR per share)	9	0.42	0.26	0.67	0.40
Earning per share on net income for the period attributable to equity holders of the parent Company (in SR per share)	9	0.16	0.08	0.26	0.07

The attached notes 1 to 13 form part of these unaudited interim consolidated financial statements.

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six month period ended 30 June 2012

	<i>For the six month period ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Net income for the period before zakat	40,676,403	12,274,764
Adjustments for:		
Depreciation and amortization	50,659,766	45,819,294
End of service benefits provision	1,504,423	1,086,139
Share of results from associates	2,210,001	354,648
Financial charges	14,149,276	15,944,248
Write back of provision no longer required	(10,000,000)	-
Other long term obligations	16,331,868	-
	<u>115,531,737</u>	<u>75,479,093</u>
Changes in operating assets and liabilities:		
Accounts and other receivables	(14,790,742)	(50,485,918)
Inventories	(2,458,412)	(434,588)
Accounts payable and other accruals	699,898	13,644,199
	<u>98,982,481</u>	<u>38,202,786</u>
Cash from operating activities	98,982,481	38,202,786
Zakat paid	(5,195,723)	(3,928,858)
Employees' terminal benefits paid	(212,087)	(174,727)
Financial charges paid	(14,149,276)	(15,944,248)
	<u>79,425,395</u>	<u>18,154,953</u>
Net cash from operating activities	79,425,395	18,154,953
INVESTING ACTIVITIES		
Investments in associates	568,289	(1,021,077)
Additions to property, plant, equipment and intangible assets	(35,490,372)	(66,102,152)
Deferred charges	(498,078)	-
	<u>(35,420,161)</u>	<u>(67,123,229)</u>
Net cash used in investing activities	(35,420,161)	(67,123,229)
FINANCING ACTIVITIES		
Net change in loans and bank facilities	(100,703,522)	26,479,693
Net movement in minority interests	(1,529,421)	(10,185,776)
	<u>(102,232,943)</u>	<u>16,293,917</u>
Net cash (used in) / from financing activities	(102,232,943)	16,293,917
DECREASE IN BANK BALANCES AND CASH	(58,227,709)	(32,674,359)
Bank balance and cash at the beginning of the period	219,904,549	225,296,079
BANK BALANCES AND CASH AT THE END OF THE PERIOD	161,676,840	192,621,720
NON CASH SUPPLEMENTARY INFORMATION:		
Change in fair value of derivative financial instrument (see note 3)	12,908,843	-
Movement in minority interests	1,076,620	-

The attached notes 1 to 13 form part of these unaudited interim consolidated financial statements.

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six month period ended 30 June 2012

	Share capital SR	Share premium SR	Statutory reserve SR	Special reserve SR	Effect of reducing the ownership percentage in a subsidiary SR	Cash flow hedging reserve SR	Retained earnings SR	Equity attributable to equity holders of the parent SR	Minority interests SR	Total shareholders' equity SR
Balance at 31 December 2011 (Audited)	680,000,000	36,409,063	4,264,248	2,122,581	4,653,218	-	8,613,590	736,062,700	329,335,739	1,065,398,439
Net income for the period	-	-	-	-	-	-	17,451,005	17,451,005	19,744,847	37,195,852
Change in fair value of derivative financial instrument (see note 3)	-	-	-	-	-	(7,822,759)	-	(7,822,759)	(5,086,084)	(12,908,843)
Net movement in minority interests	-	-	-	-	-	-	-	-	(2,606,041)	(2,606,041)
Balance at 30 June 2012 (Unaudited)	680,000,000	36,409,063	4,264,248	2,122,581	4,653,218	(7,822,759)	26,064,595	745,690,946	341,388,461	1,087,079,407
Balance at 31 December 2010 (Audited)	680,000,000	36,409,063	3,250,885	1,615,899	4,653,218	-	(907,482)	725,021,583	320,932,228	1,045,953,811
Net income for the period	-	-	-	-	-	-	4,563,593	4,563,593	6,282,171	10,845,764
Net movement in minority interests	-	-	-	-	-	-	-	-	(10,185,776)	(10,185,776)
Balance at 30 June 2011 (Unaudited)	680,000,000	36,409,063	3,250,885	1,615,899	4,653,218	-	3,656,111	729,585,176	317,028,623	1,046,613,799

The attached notes 1 to 13 form part of these unaudited interim consolidated financial statements.

Saudi Industrial Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) As at 30 June 2012

1 COMPANY ACTIVITIES

Saudi Industrial Services Company ("Company") 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 Awwal 1409 H and registered under Commercial Registration No. 4030062502 of 10 Rabi Thani 1409 H (corresponding to 20 November 1988) to engage in maintenance, operations and management of factories, industrial facilities, construction of residential buildings and all related facilities like entertainment centers, malls, restaurants, catering projects, construction of hospitals and buildings to provide health services to factory and industrial company workmen, marketing factory products locally and worldwide, provide services and participate in formation of companies. The principal activity of the company currently is investment and management of subsidiaries. The head office of the Company is located in Jeddah.

The shareholders of the Company in their Extra Ordinary General meeting that held on 15 May 2012 (corresponding to 24 Jumad Thani 1433 H), approved to amend the Articles of Association to extend the life of the Company to 99 years from the date of ministerial resolution. The legal formalities in respect of extending the life of the Company to 99 years have been completed during the six month period ended 30 June 2012.

2 BASIS OF PREPARATION

The interim consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and Accounting Standard for interim financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA").

The interim consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The interim consolidated financial statements are expressed in Saudi Riyals, being the functional currency of the Company.

The results presented in the interim consolidated financial statements may not be an accurate indicator of the annual financial results of the Company.

Basis of consolidation of the interim consolidated financial statements

These interim consolidated financial statements include the financial statements of the Company and the following subsidiaries (hereinafter referred to as "Group"):

Company	Country of incorporation	Effective shareholding		Principal activities
		2012	2011	
Saudi Trade and Export Development Company Limited (Tusdeer)	Saudi Arabia	76%	76%	Management and operation of storage and Re-export Project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Company Limited	Saudi Arabia	60%	60%	Water desalination and treatment plant and sale of water.
Support Services Operation 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.

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

As at 30 June 2012

2 BASIS OF PREPARATION (continued)

Basis of consolidation of the interim consolidated financial statements (continued)

Company	Country of incorporation	Effective shareholding		Principal activities
		2012	2011	
Red Sea Gateway Terminal Company Limited	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	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

Subsidiaries

Subsidiaries are companies in which the Company has, directly or indirectly, a long term investment comprising an interest of not less than 50% in the voting capital and / or over which it exerts control. Subsidiaries are consolidated from the date the Company obtains control until control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The attributable equity interests of third parties in the Group are included under the 'minority interests' caption in these interim consolidated financial statements.

Unrealised profits and losses resulting from transactions between the Company and its subsidiaries are eliminated in full on consolidation.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Accounting convention

The interim consolidated financial statements are prepared under the historical cost convention except for available for sale investments and derivative financial instruments which are measured at fair value.

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash on hand and short-term deposits that are readily convertible into known amounts of cash and have an original maturity of three months or less when purchased.

Sales and revenue recognition

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

Expenses

Selling and distribution expenses primarily comprise the cost incurred for distributing and selling of subsidiaries' goods. All other expenses, except cost of sales and operations, are classified as general and administration expenses.

Inventories

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

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

As at 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates

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

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

Dividends are recorded when received and credited to the investment.

Available for sale investments

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

Fair value is determined by reference to the market value in the open market. Any decline in value of investments, considered by the management to be other than temporary, is charged to the consolidated statement of income. For investments which have no active market and there are other indicators through which the market value can be objectively determined, accordingly, these are non-instantly marketable securities. Thus, if the fair value is not available, the cost is considered to be the most appropriate objective and reliable measurement of the fair value of such investments.

Goodwill

Goodwill represents the increase in the cost of investment over the Company's share in the net fair value of investee's net assets, liabilities and contingencies as at acquisition date and is stated at cost as adjusted by the amount of impairment (if any). Goodwill is subsequently recognized at cost net of any accumulated impairment losses. The carrying value of goodwill is reviewed at each consolidated balance sheet date to determine whether any objective indicator of impairment exists unless an event or change in circumstances occurs during the year indicative of an impairment of carrying value and thus requiring a valuation of goodwill during the year.

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

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

Property, plant and equipment

Free hold land is not depreciated. Property, plant and equipment are stated at cost net of accumulated depreciation, and any impairment in value. Depreciation is calculated on the basis of estimated useful lives of property, plant and equipment using straight line method.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

Intangible asset - quay project

Port concession rights

The Group's port terminal operations are conducted pursuant to 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 and the prices charged, and also controls any significant residual interest in the infrastructure such as property and equipment if the infrastructure is existing infrastructure of the grantor or the infrastructure is constructed or purchased by the Group as part of the service concession arrangement.

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

The port concession rights include all costs incurred towards construction of the container terminal until commencement of operations. The port concession rights are assessed to have a finite useful life and are amortised over the useful lives of the assets from the date of commencement of operations.

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 useful economic life on straight line basis.

Impairment of intangible assets

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

Capitalization of borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of income.

Accounts receivable

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

End of service benefits

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

Accounts payable and other payables

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

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

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

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

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

Impairment and uncollectibility of financial assets

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

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

Deferred charges

Deferred charges primarily comprise pre-incorporation and pre-operation expenses incurred during pre-incorporation period and prior to commencement of commercial operation of the related project, net of non-operating revenue earned during incorporation period. Such expenses are amortised using straight line method over seven years.

Zakat

The Company and its subsidiaries are subject to the requirements of Saudi Arabian Zakat and Income Tax Department. Zakat provision is charged to the consolidated statement of income. Any differences between zakat provision and final assessment are recognized when the assessment is finalized.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the consolidated balance sheet date. The resulting gains or losses are recognized in the consolidated statement of income.

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Company carries out its activities entirely in the Kingdom of Saudi Arabia, segment reporting is provided by business segment only (see note 11).

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

As at 30 June 2012

4 INVESTMENTS

	<i>30 June 2012</i>	<i>30 June 2011</i>
	<i>SR</i>	<i>SR</i>
Available for sale investments - unquoted	9,570,150	9,570,150
Advance for purchase of investment (see note 'a' below)	9,375,000	-
Investment in associates (see note 'b' below)	58,722,340	60,512,295
	<u>77,667,490</u>	<u>70,082,445</u>

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

b) As at 30 June, the investment in associates comprises the following:

Associates	Principal activity	Shareholding	30 June 2012	30 June 2011
		%	SR	SR
- International Water Distribution Company Limited	Water/waste water works, water treatment and lease of water equipment	50%	22,538,495	30,870,548
- Saudi Water and Environmental Services Company (see note below)	Electrical, water and mechanical works and operation and maintenance	49% Indirect ownership	23,182,759	20,405,789
- Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	33.33%	13,001,086	9,235,958
			<u>58,722,340</u>	<u>60,512,295</u>

Saudi Water and Environment Services Company is 49% (30 June 2011: 49%) owned by Kindasa Water Service Company (Subsidiary) which is 60% (30 June 2011:60%) owned by the Company.

5 SHARE CAPITAL

Share capital is divided into 68 million shares of SR 10 each (30 June 2011: 68 million shares).

6 GOODWILL

	<i>30 June 2012</i>	<i>30 June 2011</i>
	<i>SR</i>	<i>SR</i>
Goodwill arose on acquisition of:		
- Kindasa Water Services Company – subsidiary	8,776,760	8,776,760
- Al Jabr Talke Company Limited – associate	3,619,891	3,619,891
	<u>12,396,651</u>	<u>12,396,651</u>

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

As at 30 June 2012

7 SALES AND OPERATING INCOME

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Total nominal construction revenue from BOT project	-	18,863,458	-	37,484,491
Total construction cost or BOT project	-	(18,863,458)	-	(37,484,491)
Selling of potable water revenue	17,824,240	18,079,430	35,876,772	36,061,050
Selling of fuel and transport and support services revenue	19,130,411	10,177,389	29,276,339	19,618,210
Shipping and unloading services revenue	77,663,312	56,923,202	143,238,980	97,978,995
Rent services revenue	6,862,368	11,014,929	20,817,864	21,730,118
Total	121,480,331	96,194,950	229,209,955	175,388,373

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

In accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia, in such agreement, the Group should recognize during construction period notional construction revenue and corresponding construction costs incurred up to date on percentage of completion basis. Also, the construction costs for capital assets are required to be shown as intangible assets. Group's management has not recognized any construction costs and notional construction revenue during the six month period ended 30 June 2012, as the project was completed during the year ended 31 December 2011. However, Group's management recognized total construction costs and notional construction revenue of SR SR 37,484,491 during the six month period ended 30 June 2011. Amortization charge is allocated over the useful life of the intangible assets.

The construction revenue represented the fair value of the construction services provided in developing the container terminal. No margin was recognized during the six month period ended 30 June 2011, as in management's opinion the fair value of the construction services provided approximated to the construction cost.

8 OTHER INCOME

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Write back of provision no longer required	-	-	10,000,000	-
Other	963,535	418,076	1,398,282	820,976
Total	963,535	418,076	11,398,282	820,976

9 EARNINGS PER SHARE

Earnings per share on net income from main operations is calculated by dividing net income from main operations by weighted number of shares in issue during the period.

Earnings per share on net income for the period attributable to equity holders of the Company is calculated by dividing the net income for the period by the weighted number of shares in issue during the period.

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

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

As at 30 June 2012

10 COMMITMENTS AND CONTINGENCIES

At 30 June 2012, the Group's bankers have issued letters of guarantee amounting to SR 35.4 million on which cash margin of SR 11.5 million was paid (30 June 2011: SR 35.4 on which cash margin of SR 12.5 million was paid).

As at 30 June 2012, the Company has commitments for capital work in progress amounting to SR 16.7 million (30 June 2011: SR 30 million).

11 BUSINESS SEGMENTS

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

- Fuel station and maintenance
- Quay project
- Ports development
- Sea water desalination
- Storage and re-export
- Main office: Consists of operation activities and investment activities.

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

Following are the assets, liabilities, sales and result of such segments for the six month period ended 30 June:

	<i>Fuel stations and maintenance SR'000 (Unaudited)</i>	<i>Port development and quay SR'000 (Unaudited)</i>	<i>Desalination SR'000 (Unaudited)</i>	<i>Storage and re-export SR'000 (Unaudited)</i>	<i>Main office SR'000 (Unaudited)</i>	<i>Total SR'000 (Unaudited)</i>
2012						
Assets	26,478	1,744,952	280,080	211,670	210,024	2,473,204
Liabilities	3,737	1,250,837	54,925	32,943	43,682	1,386,124
Sales and operating income	20,818	143,239	35,877	29,276	-	229,210
Net income/(loss) before minority interests	1,284	31,214	11,845	11,912	(19,059)	37,196
2011						
Assets	24,275	1,826,362	263,416	205,850	215,344	2,535,247
Liabilities	3,908	1,376,499	56,391	31,538	20,298	1,488,634
Sales and operating income	19,618	97,979	36,061	21,730	-	175,388
Net income/(loss) before minority interest	977	130	10,867	8,805	(9,933)	10,846

The Group operates only in Kingdom of Saudi Arabia.

12 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.

13 APPROVAL OF FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements were approved by the Board of Directors on 15 July 2012 (corresponding to 25 Shabaan 1433H).