

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS
ENDED 30 SEPTEMBER 2020**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2020

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**Independent Auditor's Report on
Review of Interim Condensed Consolidated Financial Statements**

To the shareholders of Saudi Industrial Services Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Industrial Services Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2020, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statement of changes in equity and cash flows for the nine-month period then ended and the explanatory notes, which form an integral part of these interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia (KSA). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that are endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young



Ahmed I. Reda
Certified Public Accountant
License No. 356

3 November 2020
17 Rabi' I 1442H

Jeddah



**SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the three-month and nine-month periods ended 30 September 2020

| | | <i>For the three- month period ended 30 September 2020 Unaudited SR</i> | <i>For the three- month period ended 30 September 2019 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2020 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2019 Unaudited SR</i> |
|--------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| | <i>Notes</i> | | | | |
| Service revenue | 6 | 238,987,851 | 172,158,280 | 621,851,148 | 519,365,153 |
| Construction revenue | 23 | 20,679,533 | - | 20,679,533 | - |
| Total revenue | | 259,667,384 | 172,158,280 | 642,530,681 | 519,365,153 |
| Direct costs | | (106,834,381) | (101,997,010) | (320,641,501) | (298,978,708) |
| Cost of construction | 23 | (20,679,533) | - | (20,679,533) | - |
| Total cost | | (127,513,914) | (101,997,010) | (341,321,034) | (298,978,708) |
| GROSS PROFIT | | 132,153,470 | 70,161,270 | 301,209,647 | 220,386,445 |
| OPERATING EXPENSES | | | | | |
| General and administrative expenses | | (39,141,054) | (50,784,440) | (113,876,124) | (116,036,062) |
| Selling and distribution expenses | | (1,351,683) | (4,462,872) | (9,103,148) | (12,813,961) |
| TOTAL OPERATING EXPENSES | | (40,492,737) | (55,247,312) | (122,979,272) | (128,850,023) |
| OPERATING INCOME | | 91,660,733 | 14,913,958 | 178,230,375 | 91,536,422 |
| Share of results of associates, net | 12 | 7,124,658 | 7,600,190 | 16,025,352 | 20,736,774 |
| Other income, net | 18 | 698,830 | 3,144,060 | 79,847,303 | 4,130,746 |
| Finance cost, net | 19 | (51,094,749) | (12,255,974) | (82,067,012) | (37,421,783) |
| PROFIT BEFORE ZAKAT AND INCOME TAX | | 48,389,472 | 13,402,234 | 192,036,018 | 78,982,159 |
| Zakat and income tax | 20 | (4,224,087) | (1,932,921) | (12,953,443) | (8,381,940) |
| NET PROFIT FOR THE PERIOD | | 44,165,385 | 11,469,313 | 179,082,575 | 70,600,219 |
| Attributable to: | | | | | |
| Shareholders of the Parent Company | | 28,157,352 | 6,743,486 | 111,280,442 | 44,979,807 |
| Non-controlling interests | | 16,008,033 | 4,725,827 | 67,802,133 | 25,620,412 |
| | | 44,165,385 | 11,469,313 | 179,082,575 | 70,600,219 |
| Earnings per share | | | | | |
| Basic and diluted earnings per share from net profit for the period attributable to the shareholders of the parent | 7 | 0.35 | 0.08 | 1.36 | 0.55 |

The attached notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

**SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**

For the three-month and nine-month periods ended 30 September 2020

| | | <i>For the three- month period ended 30 September 2020 Unaudited SR</i> | <i>For the three- month period ended 30 September 2019 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2020 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2019 Unaudited SR</i> |
|--------------------------------------------------------------------------------------------------------------------|-------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Net profit for the period | | 44,165,385 | 11,469,313 | 179,082,575 | 70,600,219 |
| OTHER COMPREHENSIVE INCOME / LOSS | | | | | |
| <i>Items that can be reclassified to consolidated statement of profit or loss in subsequent periods</i> | | | | | |
| Cash flow hedges – effective portion of changes in fair value | 16(d) | 440,000 | (2,699,851) | (5,396,345) | (12,047,500) |
| <i>Items that cannot be reclassified to consolidated statement of profit or loss in subsequent periods</i> | | | | | |
| Gain on re-measurement of employees' end- of-service benefits | | - | - | 1,491,817 | - |
| Change in fair value of financial assets at fair value through other comprehensive income (FVOCI) | | (565,569) | - | (565,569) | (2,361,614) |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD | | (125,569) | (2,699,851) | (4,470,097) | (14,409,114) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 44,039,816 | 8,769,462 | 174,612,478 | 56,191,105 |
| Attributable to: | | | | | |
| Shareholders of the Parent Company | | 27,858,423 | 5,107,376 | 108,348,729 | 35,317,408 |
| Non-controlling interests | | 16,181,393 | 3,662,086 | 66,263,749 | 20,873,697 |
| | | 44,039,816 | 8,769,462 | 174,612,478 | 56,191,105 |

The attached notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

**SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2020

| | | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|---------------------------------------------------------------------------|--------------|---------------------------------------------------|------------------------------------------------|
| ASSETS | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Goodwill | 11 | 8,776,760 | 8,776,760 |
| Intangible assets | 9 | 3,033,605,074 | 1,070,384,638 |
| Capital work in progress | 10 | 151,758,873 | 107,456,458 |
| Investment properties | | 130,721,716 | 133,781,349 |
| Property, plant and equipment | 8 | 273,137,884 | 766,963,479 |
| Investments in associates, net | 12 | 143,446,657 | 132,421,768 |
| Deferred tax, net | | 1,538,828 | 4,407,665 |
| Right-of-use assets | 13 | 84,193,361 | 241,825,240 |
| Financial assets at fair value through other comprehensive income (FVOCI) | | 14,972,714 | 15,538,283 |
| TOTAL NON-CURRENT ASSETS | | 3,842,151,867 | 2,481,555,640 |
| CURRENT ASSETS | | | |
| Inventories, net | | 20,249,404 | 18,171,701 |
| Trade receivables, prepayments and other receivables | | 144,212,305 | 100,088,944 |
| Due from related parties | 21 | 14,055,879 | 11,185,041 |
| Cash and cash equivalents | 14 | 293,684,633 | 295,100,801 |
| TOTAL CURRENT ASSETS | | 472,202,221 | 424,546,487 |
| TOTAL ASSETS | | 4,314,354,088 | 2,906,102,127 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 15 | 816,000,000 | 816,000,000 |
| Share premium | | 36,409,063 | 36,409,063 |
| Statutory reserve | 15 | 76,382,784 | 76,382,784 |
| Other components of equity | | (12,448,561) | (9,516,848) |
| Retained earnings | | 234,138,584 | 171,818,142 |
| Equity attributable to the shareholders of the parent | | 1,150,481,870 | 1,091,093,141 |
| Non-controlling interests | | 534,625,213 | 499,942,039 |
| TOTAL SHAREHOLDERS' EQUITY | | 1,685,107,083 | 1,591,035,180 |
| NON-CURRENT LIABILITIES | | | |
| Obligation under service concession arrangement | 3(b) | 1,357,620,283 | - |
| Lease liabilities | 13 | 85,416,057 | 217,085,900 |
| Long-term loans | 16 | 683,337,865 | 540,389,501 |
| Long term provisions | 17 | 1,964,428 | 74,537,556 |
| Employees' end-of-service benefits | | 39,891,743 | 39,470,059 |
| Derivative financial instrument | 16 | 18,500,000 | 13,103,655 |
| TOTAL NON-CURRENT LIABILITIES | | 2,186,730,376 | 884,586,671 |
| CURRENT LIABILITIES | | | |
| Current portion of long-term loans | 16 | 69,672,184 | 240,711,549 |
| Trade payables, accrued and other current liabilities | | 177,406,029 | 158,857,771 |
| Obligation under service concession arrangement | 3(b) | 189,347,352 | - |
| Lease liabilities | 13 | 4,661,164 | 29,930,538 |
| Due to a related party | 21 | 1,429,900 | 980,418 |
| TOTAL CURRENT LIABILITIES | | 442,516,629 | 430,480,276 |
| TOTAL LIABILITIES | | 2,629,247,005 | 1,315,066,947 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 4,314,354,088 | 2,906,102,127 |

The attached notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2020

Equity attributable to the shareholders of the Parent

-----Other components of equity-----

| | <i>Share capital</i> SR | <i>Share premium</i> SR | <i>Statutory reserve</i> SR | <i>Effect of changes in shareholding percentage in subsidiaries</i> SR | <i>Actuarial valuation reserves</i> SR | <i>Cash flow hedging reserve</i> SR | <i>Unrealized gain on FVOCI investments</i> SR | <i>Retained earnings</i> SR | <i>Total</i> SR | <i>Non-controlling interests</i> SR | <i>Total equity</i> SR |
|-------------------------------------------------|----------------------------|----------------------------|--------------------------------|---------------------------------------------------------------------------|-------------------------------------------|----------------------------------------|---------------------------------------------------|--------------------------------|----------------------|----------------------------------------|---------------------------|
| Balance at 1 January 2020 - audited | 816,000,000 | 36,409,063 | 76,382,784 | 1,133,474 | (8,677,640) | (7,940,815) | 5,968,133 | 171,818,142 | 1,091,093,141 | 499,942,039 | 1,591,035,180 |
| Net income for the period | - | - | - | - | - | - | - | 111,280,442 | 111,280,442 | 67,802,133 | 179,082,575 |
| Other comprehensive income/(loss) | - | - | - | - | 904,041 | (3,270,185) | (565,569) | - | (2,931,713) | (1,538,384) | (4,470,097) |
| Total comprehensive income/(loss) | - | - | - | - | 904,041 | (3,270,185) | (565,569) | 111,280,442 | 108,348,729 | 66,263,749 | 174,612,478 |
| Dividends paid (note 15) | - | - | - | - | - | - | - | (48,960,000) | (48,960,000) | (31,462,099) | (80,422,099) |
| Net movement in non-controlling interest | - | - | - | - | - | - | - | - | - | (118,476) | (118,476) |
| Balance at 30 September 2020 - unaudited | 816,000,000 | 36,409,063 | 76,382,784 | 1,133,474 | (7,773,599) | (11,211,000) | 5,402,564 | 234,138,584 | 1,150,481,870 | 534,625,213 | 1,685,107,083 |

The attached notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the nine-month period ended 30 September 2020

| | Equity attributable to the shareholders of the Parent | | | | | | | | | | |
|------------------------------------------|-------------------------------------------------------|----------------------|--------------------------|---------------------------------------------------------------------|-------------------------------------|----------------------------------|---------------------------------------------|--------------------------|----------------------|----------------------------------|----------------------|
| | -----Other components of equity----- | | | | | | | | | | |
| | <i>Share capital</i> | <i>Share premium</i> | <i>Statutory reserve</i> | <i>Effect of changes in shareholding percentage in subsidiaries</i> | <i>Actuarial valuation reserves</i> | <i>Cash flow hedging reserve</i> | <i>Unrealized gain on FVOCI investments</i> | <i>Retained Earnings</i> | <i>Total</i> | <i>Non-controlling Interests</i> | <i>Total Equity</i> |
| | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR | SR |
| Balance at 1 January 2019 - audited | 816,000,000 | 36,409,063 | 71,290,485 | 1,133,474 | (805,878) | (2,750,012) | 8,329,747 | 158,627,451 | 1,088,234,330 | 483,198,445 | 1,571,432,775 |
| Net income for the period | - | - | - | - | - | - | - | 44,979,807 | 44,979,807 | 25,620,412 | 70,600,219 |
| Other comprehensive loss | - | - | - | - | - | (7,300,784) | (2,361,614) | - | (9,662,398) | (4,746,715) | (14,409,113) |
| Total comprehensive (loss) / income | - | - | - | - | - | (7,300,784) | (2,361,614) | 44,979,807 | 35,317,409 | 20,873,697 | 56,191,106 |
| Transfer to statutory reserve (note 15) | - | - | 4,497,981 | - | - | - | - | (4,497,981) | - | - | - |
| Dividends paid (note 15) | - | - | - | - | - | - | - | (32,640,000) | (32,640,000) | (4,200,000) | (36,840,000) |
| Net movement in non-controlling interest | - | - | - | - | - | - | - | - | - | 1,308,497 | 1,308,497 |
| Balance at 30 September 2019 – unaudited | <u>816,000,000</u> | <u>36,409,063</u> | <u>75,788,466</u> | <u>1,133,474</u> | <u>(805,878)</u> | <u>(10,050,796)</u> | <u>5,968,133</u> | <u>166,469,277</u> | <u>1,090,911,739</u> | <u>501,180,639</u> | <u>1,592,092,378</u> |

The attached notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2020

| | <i>For the nine month period ended 30 September 2020 Unaudited SR</i> | <i>For the nine month period ended 30 September 2019 Unaudited SR</i> |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <i>Notes</i> | | |
| OPERATING ACTIVITIES | | |
| Profit before zakat and income tax | 192,036,018 | 78,982,159 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortization | 108,079,515 | 112,894,421 |
| Provision for employees' end of service benefits | 5,730,954 | 5,729,384 |
| Loss on disposal of property, plant and equipment | 3,497,515 | (47,826) |
| Share of results of associates, net | 12 (16,025,352) | (20,736,774) |
| Allowance for expected credit losses | 633,552 | 16,584,031 |
| Provision for slow moving inventories | 1,214,534 | 1,712,436 |
| (Reversal of) / provision for asset replacement cost | (75,165,205) | 8,146,272 |
| Amortization of advance rentals | 18 5,467,353 | 3,801,533 |
| Financial cost, net | 29,671,325 | 38,738,283 |
| | 255,140,209 | 245,803,919 |
| Changes in operating assets and liabilities: | | |
| Inventories | (3,292,237) | 105,972 |
| Trade receivables, prepayments and other receivables | (47,627,751) | (3,025,084) |
| Trade payable, accrued and other liabilities | 7,711,981 | 11,845,177 |
| Cash from operating activities | 211,932,202 | 254,729,984 |
| Employees' end of service benefits paid | (3,817,454) | (1,408,682) |
| Zakat and income tax paid | (9,586,598) | (8,381,940) |
| Financial charges paid | (21,997,095) | (23,741,567) |
| Net cash from operating activities | 176,531,055 | 221,197,795 |
| INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment, capital work in progress, intangible assets and right of use assets, net | (101,491,086) | (32,720,694) |
| Dividends received from an associate | 12 5,000,463 | 8,353,998 |
| Proceeds from disposal of property, plant and equipment | 683,028 | 127,097 |
| Net cash used in investing activities | (95,807,595) | (24,239,599) |
| FINANCING ACTIVITIES | | |
| Repayment of long-term loans | (46,599,053) | (75,953,199) |
| Receipt of long-term loans | 45,000,000 | - |
| Dividend paid | 15 (48,960,000) | (32,640,000) |
| Dividends paid to non-controlling interests by subsidiaries | (31,462,099) | (4,200,000) |
| Net movement in non-controlling interests | (118,476) | - |
| Net cash used in financing activities | (82,139,628) | (112,793,199) |
| NET MOVEMENT IN CASH AND BANK BALANCES | (1,416,168) | 84,164,997 |
| Cash and bank balances at the beginning of the period | 14 295,100,801 | 180,584,183 |
| CASH AND BANK BALANCES AT THE END OF THE PERIOD | 293,684,633 | 264,749,180 |

The attached notes 1 to 28 form an integral part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2020

1. ORGANISATION AND 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 interim condensed consolidated financial statements include assets, liabilities and the results of the operations of the Parent Company and its following subsidiaries collectively referred to as “the Group”:

| <u>Company</u> | <u>Country of incorporation</u> | <u>Effective shareholding</u> | | <u>Principal activities</u> |
|-------------------------------------------------------------------------|---------------------------------|-------------------------------|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <u>2020</u> | <u>2019</u> | |
| Saudi Trade and Export Development Company (“Tusdeer”) | Saudi Arabia | 76% | 76% | Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port. |
| Kindasa Water Services Company – Closed Joint Stock Company (“Kindasa”) | Saudi Arabia | 65% | 65% | Water desalination and treatment plant and sale of water. |
| Support Services Operation 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. |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 – “Interim Financial Reporting”, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

2.2 Significant judgments, estimates and assumptions

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments, estimates and assumptions were consistent with the Group’s annual consolidated financial statements for the year ended 31 December 2019, except as included below and in note 3.

Impact of COVID-19

A novel strain of coronavirus (COVID-19) was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization (WHO). COVID-19 continues to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities which resulted in a slowdown of economic activities and shutdowns of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Group’s business, operations, and financial results, is certain but the amount is not specified and depends on many factors and future developments, that the Group may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Group’s customers and other factors.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group’s management carried out an impact assessment on the overall Group’s operations, estimated its liquidity requirements and business aspects including factors like travel restrictions, services demand, used vehicle demand, etc. The Group cannot assure its assumptions used in the above estimates will be correct due to such uncertain situation. In addition, the magnitude, duration and speed of the global pandemic is uncertain. Therefore, the management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures. Further, the Group’s management also evaluated the cash flow situation, including available bank facilities, continuation of existing leasing contracts and the readiness of operational processes when the situation improves. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, the Group management will continue to assess the impact based on prospective developments.

2.3 Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments which are carried at their fair value.

2.4 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (“SR”) which is the Group’s functional and presentation currency.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

3. NEW CONCESSION AGREEMENT

Saudi Trade and Export Development Company, a subsidiary of the Group, had entered into a Build-Operate-Transfer (the “BOT” or the “agreement”) agreement with Saudi Arabian Seaports Authority (“MAWANI” or the “grantor”) for the construction of a container terminal at the Re-export Zone of Jeddah Islamic Port. The agreement was, subsequently, novated by Saudi Trade and Export Development Company to RSGT (another subsidiary of the Group), effective from 22 Shawal 1428H (corresponding to 3 November 2007). The period of the Agreement originally was 32 years.

However, on 23 December 2019, RSGT entered into a New Concession Agreement (the New Concession Agreement) with MAWANI whereby RSGT has acquired rights to operate North Container Terminal in addition to the terminal operated under the BOT agreement, effective from 1 April 2020 (the effective date) for a period of 30 years from the effective date. As that the new concession falls under IFRIC 12 intangible asset model, then the existing rights to operate the terminal operated under the BOT agreement shall still represent an intangible asset under the new agreement with no derecognition of existing intangible assets.

Summary of changes due to application of New Concession Agreement

Service concession arrangements, where: (a) the grantor controls or regulates what services the entities in the Group can provide with the infrastructure, to whom it can provide them, and at what price; and (b) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement. The Group is required to pay various fees under New Concession Agreement and is accounted for under *IFRIC 12 - Service Concession Arrangements*. Out of the total fee, the fixed and guaranteed variable fee, the deferment of which is beyond the Group’s control, are classified as “Intangible assets”.

Such intangible assets are initially measured at the fair value of the fixed and guaranteed variable fee to be paid to the grantor and a corresponding financial liability is recorded in accordance with *IFRS 9 “Financial instruments”*. The cost of intangible assets includes the present value of the fixed and guaranteed variable fee (as defined in the New Concession Agreement) payable to the grantor over the terms of the agreement. All other variable fee is charged to interim condensed consolidated statement of profit or loss as and when incurred.

Subsequently, these intangible assets are carried at cost less accumulated amortization and any impairment in value. Subsequent expenditures or replacement of parts of it are normally recognized in the interim condensed consolidated statement of profit or loss as these are incurred to maintain the expected future economic benefits embodied in the concession rights. Expenditures that will contribute to the increase in revenue from operations are recognized as an intangible asset. Amortization is computed using the expected pattern of the usage of the underlying intangible assets over life of the New Concession Agreement. In addition, the Intangible is assessed annually for impairment or whenever there is an indication that the asset may be impaired.

The concession right is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss from derecognition of the port concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the interim condensed consolidated statements of profit or loss. As a result of New Concession Agreement, the following adjustments have been made as of the effective date (i.e. 1 April 2020):

| Statement of financial position | <i>Note</i> | 31 March 2020 SR | Impact of new agreement SR | 1 April 2020 SR |
|--------------------------------------------------------------------|-------------|---------------------------------|-------------------------------------------|--------------------------------|
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment, net | a) | 900,240,692 | (489,210,493) | 411,030,199 |
| Intangible assets | a), b) | 1,053,968,944 | 2,023,738,909 | 3,077,707,853 |
| SHAREHOLDERS’ EQUITY | | | | |
| Retained earnings | c) | 198,419,070 | 75,165,205 | 273,584,275 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term provisions | c) | 77,090,700 | (75,165,205) | 1,925,495 |
| Obligation under service concession arrangement | b) | - | 1,361,930,569 | 1,361,930,569 |
| CURRENT LIABILITIES | | | | |
| Current portion of obligation under service concession arrangement | b) | - | 172,597,847 | 172,597,847 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

3. NEW CONCESSION AGREEMENT (continued)

| Statement of profit or loss | <i>Note</i> | <i>Impact for the nine-month period ended 30 September 2020</i> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------|
| | | SR |
| Other income | c) | 75,165,205 |
| a) Certain items of property, plant and equipment with a cost of SR 633.68 million and accumulated depreciation of SR 144.47 million, which previously owned by the Group and used for terminal operations (being classified as non-concession arrangement assets), were transferred to intangible assets as they are now part of the concession arrangements as per the New Concession Agreement. In addition, as a result of New Concession Agreement and in accordance with the adopted accounting policy to depreciate assets at lower of useful life or concession period, the Group changed the useful lives of certain items of property, plant and equipment (underlying the Intangible assets under concession arrangement), prospectively. Had the Group not changed the useful lives of those items of property, plant and equipment, the amortization charge for the period would have been higher by SR 11.38 million. | | |
| b) The New Concession Agreement stipulates payment of the fixed and guaranteed variable fee on the specified rates over the life of the agreement. These fees are recorded as intangible asset under the guidance of IFRIC 12 'Service Concession Arrangements', with a corresponding liability is recognized as obligation under service concession arrangement and measured in accordance with IFRS 9 "Financial Instruments". All other variable fee is charged to interim condensed consolidated statement of profit or loss as and when incurred. Unamortised portion of 'intangible assets' and the 'obligation under service concession arrangement' is presented in 'note 9' and on the face of the 'Interim condensed consolidated statement of financial position', respectively. | | |
| c) There is no obligation under the New Concession Agreement for the Group to undertake an asset replacement program at the end of the term of the agreement. Accordingly, the total provision for asset replacement cost of SR 75.17 million that was recorded under the previous BOT agreement of RSGT has been reversed, being no longer required and has been recognised as "other income" in the interim condensed consolidated statement of profit or loss (note 18). | | |

4. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprising the financial statements the Parent Company and its subsidiaries as set out in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Parent Company.

4.1 Subsidiaries

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. To meet the definition of control, all of the following three criteria must be met:

- i) the Group has power over an entity;
- ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
- iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

4.2 Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Group in its subsidiaries and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from the Group's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4.3 Transactions eliminated on consolidation

Balances between the Group entities, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

At 30 September 2020

4. BASIS OF CONSOLIDATION (continued)

4.4 Investments in an associates and jointly controlled entities

The Group's interest in equity-accounted investee comprises interest in a joint venture and investments in associates. Associates are entities over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the interim condensed consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount.

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.

Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains / (losses) based on the latest available financial information) less impairment, if any. After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share in net income / (loss) of an associate' in the interim condensed consolidated statement of profit or loss.

The previously recognized impairment loss in respect of investment in associate can be reversed through the interim condensed consolidated statement of income, such that the carrying amount of the investment in the interim condensed consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in year 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from January 1, 2020 and are mandatory for all hedge relationships directly affected by IBOR reform. The Group was not impacted by these amendments.

Phase (2) - The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 30 September 2020.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

**5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)**

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendment to IFRS 16: COVID 19 related rent concessions

In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

The information required by paragraph 28(f) of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The amendment has no impact on the Group.

6. SERVICE REVENUE

| | <i>For the three- month period ended 30 September 2020 Unaudited SR</i> | <i>For the three- month period ended 30 September 2019 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2020 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2019 Unaudited SR</i> |
|---------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Shipping and unloading services | 194,120,711 | 126,679,082 | 493,279,432 | 390,538,433 |
| Sale of potable water | 23,204,740 | 23,953,129 | 68,264,257 | 67,567,059 |
| Rentals and support services | 21,662,400 | 21,526,069 | 60,307,459 | 61,259,661 |
| | 238,987,851 | 172,158,280 | 621,851,148 | 519,365,153 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

7. 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 period.

| | <i>For the three-month period ended 30 September 2020 Unaudited SR</i> | <i>For the three- month period ended 30 September 2019 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2020 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2019 Unaudited SR</i> |
|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Profit for the period attributable to ordinary equity holders of the Parent | 28,157,352 | 6,743,486 | 111,280,442 | 44,979,807 |
| Weighted average number of ordinary shares in issue | 81,600,000 | 81,600,000 | 81,600,000 | 81,600,000 |
| Basic and diluted earnings per share | 0.35 | 0.08 | 1.36 | 0.55 |

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

8. PROPERTY, PLANT AND EQUIPMENT

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|------------------------------------------|---------------------------------------------------|------------------------------------------------|
| Port terminal operations (note 'a') | 33,738,447 | 512,307,940 |
| Property, plant and equipment (note 'b') | 210,051,971 | 225,262,060 |
| Bonded and re-export project | 29,347,466 | 29,393,479 |
| | 273,137,884 | 766,963,479 |

- a) As a result of New Concession Agreement (note 3), certain items of property and equipment of RSGT are transferred to intangible assets (note 9).
- b) During the nine-month period ended 30 September 2020, additions amounting to SR 24.7 million (30 September 2019: SR 30.7 million) were made to the property, plant and equipment.

9. INTANGIBLE ASSETS

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|----------------------------------------------------------|---------------------------------------------------|------------------------------------------------|
| Port concession rights (see note '3' and note 'a' below) | 1,509,990,609 | 1,067,739,776 |
| Related to fixed and guaranteed variable fee (note 3) | 1,519,079,718 | - |
| Other intangible assets | 4,534,747 | 2,644,862 |
| | 3,033,605,074 | 1,070,384,638 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

9. INTANGIBLE ASSETS (continued)

a) The movement in port concession rights is as follows:

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|----------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------|
| <i>Cost</i> | | |
| Balance at 1 January | 1,710,555,638 | 1,710,555,638 |
| Additions | 8,451,008 | - |
| Transfer from capital work in progress | 1,037,667 | - |
| Transfers (note 3 and note 8) | 633,682,080 | - |
| Disposals | (2,401,842) | - |
| | 2,351,324,551 | 1,710,555,638 |
| <i>Amortisation</i> | | |
| Balance at 1 January | 642,815,862 | 577,473,248 |
| Accumulated amortization pertaining to transfers (note 3 and note 8) | 144,471,587 | - |
| Charge for the period / year | 56,388,587 | 65,342,614 |
| Relating to disposals | (2,342,094) | - |
| | 841,333,942 | 642,815,862 |
| | 1,509,990,609 | 1,067,739,776 |

The Corresponding amounts of construction revenue and construction costs under the guidance of IFRIC 12 and IFRS 15 'Revenue from Contracts with Customers' is disclosed in note 23.

10. CAPITAL WORK IN PROGRESS

The carrying amount of capital work in progress represent amounts paid to contractors and suppliers for the acquisition of the intangible assets and items of property, plant and equipment. Once complete, these assets and their carrying amount will be transferred to respective asset category.

11. GOODWILL

The Group recorded a goodwill of SR 9.3 million at the time of acquisition of Kindasa Water Services Company (Kindasa), a subsidiary of the Group. Subsequently, an impairment of SR 0.5 million was recorded resulting in net carrying value of SR 8.8 million (31 December 2019: 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

12. INVESTMENTS IN ASSOCIATES, NET

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> | <i>30 September 2019 Unaudited SR</i> |
|----------------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------|---------------------------------------------------|
| As at 1 January | 132,421,768 | 121,114,973 | 121,114,973 |
| Share in results of associates, net | 16,025,352 | 27,372,268 | 20,736,774 |
| Share of actuarial losses of associates recognized in other comprehensive income | - | (1,796,618) | - |
| Dividend received during the period / year | (5,000,463) | (14,268,855) | (8,353,998) |
| | 143,446,657 | 132,421,768 | 133,497,749 |

12.1 Investments in associates

| <i>Associates</i> | <i>Principal activities</i> | <i>Country of incorporation</i> | <i>Effective shareholding percentage</i> | | <i>Carrying amount</i> | |
|-----------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------|------------------------------------------------|-----------------------------------------|-------------------------------------------------------|------------------------------------------------|
| | | | <i>30 September 2020 Unaudited</i> | <i>31 December 2019 Audited</i> | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
| International Water Distribution Company Limited (note a) | Water/waste works, water treatment and lease of water equipment | Saudi Arabia | 50% | 50% | 86,985,923 | 81,610,509 |
| Saudi Water and Environmental Services Company (note b) | Electrical, water and mechanical works and related operation and maintenance | Saudi Arabia | 31.85% | 31.85% | 6,990,478 | 7,685,124 |
| Saudi Al Jabr Talke Company Limited | Contracting, construction, operation and maintenance of factories and warehouses | Saudi Arabia | 33.3% | 33.3% | 47,298,936 | 41,480,770 |
| Xenmet SA, Vaduz (note c) | Trading, storage and brokerage of commodities | Liechtenstein | 19% | 19% | 2,171,320 | 1,645,365 |
| | | | | | 143,446,657 | 132,421,768 |

- a) The Parent Company does not have any direct control over management and operations of “International Water Distribution Company” accordingly, it is classified as associates and accounted for as such.
- b) Saudi Water and Environmental Services Company is 49% owned by Kindasa Water Services Company (a subsidiary), which is 65% owned by the Parent Company.
- c) Xenmet SA, Vaduz is 25% owned by Saudi Trade and Export Development Company Limited (a subsidiary), which is 76% owned by the Parent Company.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

13. RIGHT OF USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|----------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------|
| Cost: | | |
| At the beginning of the period / year | 256,622,317 | - |
| IFRS 16 transition adjustments | - | 230,459,708 |
| Transfer from intangible assets on the date of application of IFRS 16, net | - | 26,162,609 |
| Lease contracts modification (note below) | (146,694,649) | - |
| Additions during the period | 705,497 | - |
| Lease contract terminated during the period | (9,815,829) | - |
| | 100,817,336 | 256,622,317 |
| Depreciation: | | |
| At the beginning of the period/year | (14,797,077) | - |
| Depreciation for the period/year | (6,471,354) | (8,437,952) |
| Depreciation for the period/year (classified in capital work in progress) | (263,458) | (6,359,125) |
| Relating to modified and terminated contract | 4,907,914 | - |
| | (16,623,975) | (14,797,077) |
| As at 30 September 2020 | 84,193,361 | 241,825,240 |

Set out below are the carrying amounts of lease liabilities and the movements during the period:

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|--------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------|
| At the beginning of the period/year | 247,016,438 | - |
| IFRS 16 transition adjustments | - | 241,835,939 |
| Lease contracts modification (note below) | (146,694,649) | - |
| Interest charge for the period/year | 1,938,950 | 1,994,535 |
| Unwinding of lease liability (classified under capital work in progress) | 3,295,961 | 9,901,143 |
| Payment of lease liabilities during the period/year | (11,277,062) | (6,715,179) |
| Additions during the period | 705,497 | - |
| Disposals during the period | (4,907,914) | - |
| As at 30 September 2020 | 90,077,221 | 247,016,438 |

The classification of lease liabilities is as follows:

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|-------------------------------|---------------------------------------------------|------------------------------------------------|
| Current lease liabilities | 4,661,164 | 29,930,538 |
| Non-current lease liabilities | 85,416,057 | 217,085,900 |
| | 90,077,221 | 247,016,438 |

During the period, TUSDEER, a subsidiary of the Parent Company, entered into a revised contract with “Jeddah Development and Urban Regeneration Company (JDURC)” with respect to lease of land for construction and development of a logistics park. According to the revised lease agreement, the land area is lower than before with corresponding decrease in annual rental for the current and future years.

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14. CASH AND CASH EQUIVALENTS

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|--------------------------------|---------------------------------------------------|------------------------------------------------|
| Cash in hand | 374,486 | 318,714 |
| Cash at banks (see note below) | 292,496,211 | 259,243,419 |
| Murabaha term deposits | 813,936 | 35,538,668 |
| | 293,684,633 | 295,100,801 |

Out of the total balances, SR 0.81 million (31 December 2019: SR 0.54 million) was held with a commercial bank in respect of accumulated unclaimed dividends.

15. SHARE CAPITAL, DIVIDEND AND STATUTORY RESERVE

As at 30 September 2020, the authorised and paid up capital of the Group is divided into 81.6 million shares (31 December 2019: 81.6 million shares) of SR 10 each.

On 20 Sha'ban 1441H (corresponding to 13 April 2020), the shareholders of the Company in their Annual General meeting approved the dividend amounting to SR 48.96 million (SR 0.6 per share) (On 7 May 2019, dividend amounting to SR 32.6 million (SR 0.4 per share)).

Up to last year, the transfer from retained earnings to statutory reserve was being made on quarterly basis. However, starting from 1 January 2020, the Group has decided to make transfer from retained earnings to statutory reserve annually, hence, no such transfer has been made during the period ended 30 September 2020.

16. LONG TERM LOANS

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|-----------------------|---------------------------------------------------|------------------------------------------------|
| Long-term loan | 753,010,049 | 781,101,050 |
| Less: current portion | (69,672,184) | (240,711,549) |
| Non-current portion | 683,337,865 | 540,389,501 |

- a) During 2007, RSGT entered into an Ijara arrangement with two local banks to obtain a loan of SR 1,271 million. The Ijara facility was secured by property and equipment – port terminal operations and intangible assets – port concession rights of RSGT (note 8 and note 9). The remaining amount of loan was repayable in semi-annual installments, with maturity up to December 2023. The loan carried commission rate of SIBOR plus an agreed margin.
- b) During 2016, RSGT entered into an Ijara arrangement with two local banks to obtain a loan of SR 260 million for expansion of its existing berths. The Ijara facility was secured by the property and equipment – port terminal operations RSGT (note 8). The loan carried commission at commercial rates (SIBOR plus an agreed margin) and was repayable in semi annual installments ending in December 2023.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

16. LONG TERM LOANS (continued)

- c) During the current period, RSGT and the two local lending banks mutually agreed to amend and modify the terms of the loan agreements as detailed in note (a) and note (b) above. These amendments, among others, included modification of the applicable rate from six months SIBOR to three months SIBOR, lowered the agreed margin, modified the repayment frequency from biannual to quarterly payment and extended the maturity period from year 2023 to 2030. These Ijara facilities are secured against property and equipment – port terminal operations and intangible assets – port concession rights of RSGT. The modifications of the terms were assessed qualitatively and quantitatively in accordance with IFRS 9 “Financial Instruments” and, as a result, the Group concluded that the revised loan agreement is a continuation of the previous loan. Accordingly, the modifications of the terms of the loan resulted in a day one gain of SR 31.96 million recorded in the interim condensed consolidated statement of profit or loss as at the effective date of the modification of the terms of the loans (note 19). Un-amortised balance of the modification gain as at 30 September 2020 is of SR 29.21 million and will be amortised over the remaining period of the Ijara facility, using effective interest rate.
- d) RSGT continued to hedge the cash flow risk arising from the variability of the cash flows arising from the changes of applicable rates of the amended loan agreement. Management assessed the cash flow hedge effectiveness in accordance with the adopted policy and concluded that the existing hedging relationship continues and is accounted for as “effective cash flow” hedge under the requirements of IFRS 9. The fair value and notional amount of derivative is as follows:

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|---------------------|----------------------------------------------------------|-------------------------------------------------------|
| Notional amount | <u>382,240,640</u> | <u>430,051,555</u> |
| Negative fair value | <u>18,500,000</u> | <u>13,103,655</u> |

The Profit Rate Swap contract is assessed to be effective and for the nine-month period ended 30 September 2020, net un-realised loss of SR 5.4 million (30 September 2019: SR 12.0 million) has been included in the statement of other comprehensive income, as cash flow hedging reserve.

- e) As a result of the modifications, the current and non-current portion of the loan is as follows:

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|-----------------------|----------------------------------------------------------|-------------------------------------------------------|
| Long-term loans | 748,138,780 | 775,344,095 |
| Less: current portion | (68,343,656) | (238,940,177) |
| Non-current portion | <u>679,795,124</u> | <u>536,403,918</u> |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

16. LONG TERM LOANS (continued)

- f) During the period, the local banks charged SR 12.37 million as facilitation fee for the loan earmarked for construction work to be performed by the Group under the New Concession Agreement. The amount is deferred and would become part of effective interest rate once the related amount is drawn down and will be amortized over the period of the loan.
- g) The Ijara facility included unamortised management fees paid at inception to secure the loan, amounting to SR 15.71 million as on 30 September 2020 (31 December 2019: SR 18.42 million) and will be amortised over the remaining period of the Ijara facility, using effective interest rate.
- h) During 2016, Kindasa entered into an agreement for a long-term facility with a local bank for SR 24 million to finance the construction of a new water desalination facility. 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. As at 30 September 2020, Kindasa has cumulatively drawn down SR 8.5 million out of total facility of SR 24 million. Pursuant to the Private Sector Financing Support Program ("PSFSP") launched by Saudi Arabia Monetary Agency (SAMA) in response to COVID-19, the bank extended the repayment of installments by two quarters without modifying any other terms.

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|-----------------------|---------------------------------------------------|------------------------------------------------|
| Long-term loan | 4,871,269 | 5,756,955 |
| Less: current portion | (1,328,528) | (1,771,372) |
| Non-current portion | 3,542,741 | 3,985,583 |

17. LONG TERM PROVISIONS

| | <i>30 September 2020 Unaudited SR</i> | <i>31 December 2019 Audited SR</i> |
|-----------------------------------------------|---------------------------------------------------|------------------------------------------------|
| Provision for asset replacement cost (note 3) | - | 72,632,517 |
| Provision for dismantling cost | 1,801,461 | 1,742,072 |
| Others | 162,967 | 162,967 |
| | 1,964,428 | 74,537,556 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

18. OTHER INCOME, NET

| | <i>For the three- month period ended 30 September 2020 Unaudited SR</i> | <i>For the three- month period ended 30 September 2019 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2020 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2019 Unaudited SR</i> |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Reversal of provision for asset replacement cost (note 3) | - | - | 75,165,205 | - |
| Loss on disposal of property, plant and equipment | - | - | (3,497,515) | - |
| Reversals of provision no longer needed | - | - | 3,386,373 | - |
| Others | 698,830 | 3,144,060 | 4,793,240 | 4,130,746 |
| | 698,830 | 3,144,060 | 79,847,303 | 4,130,746 |

19. FINANCE COST, NET

| | <i>For the three- month period ended 30 September 2020 Unaudited SR</i> | <i>For the three- month period ended 30 September 2019 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2020 Unaudited SR</i> | <i>For the nine- month period ended 30 September 2019 Unaudited SR</i> |
|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Gain on modification of loan agreement (note 16 (c)) | - | - | 31,959,301 | - |
| Relating to obligation under service concession arrangement | (42,164,191) | - | (84,354,988) | - |
| Finance cost of long-term loan | (4,386,193) | (6,811,804) | (25,249,318) | (33,099,159) |
| Others | (4,544,365) | (5,444,170) | (4,422,007) | (4,322,624) |
| | (51,094,749) | (12,255,974) | (82,067,012) | (37,421,783) |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

20. ZAKAT AND INCOME TAX

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 Parent Company had filed an objection against the GAZT's assessment. The Higher Appeal Committee issued their decision during the year. 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 Higher Appeal Committee (HAC). The Company has filed an appeal against the decision issued by the HAC with the Board of Grievances (BOG).

In addition, the Parent Company has also requested the GAZT to reconsider their revised assessment. The BOG has recently issued their decision by rejecting to review the appeal filed by the Company. The company is in process of filing an appeal to second level of BOG, the BOG have dismissed this case from a procedural perspective without considering the merits thereof, in response the entity filed an appeal against the BOG's decision with the Supreme Court. Furthermore, the case was also escalated to the General Secretariat of Tax Committees (GSTC) in line with the latest regulations in this regard.

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 Preliminary 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. Following the change in regulation the cases for 2009 - 2013 were also transferred to the GSTC. The GAZT raised assessments for the years 2014 and 2015 with an additional liability of SR 0.69 million. The Parent Company has filed an appeal against the GAZT's assessments. The GAZT has issued a revised assessment with reduced liability of SR 0.52 million. An appeal against the remaining amount was filed by the Company with the GSTC. Hearing dates for each of the cases transferred to the GSTC are yet to be assigned.

The GAZT has raised the assessments for the years 2016, 2017 and 2018 with an additional Zakat liability of SR 1.4 million. The Company is in the process of filing an appeal against the assessments.

The Parent Company has filed its Zakat returns for the years up to 31 December 2019. GAZT is yet to raise the assessment for the year 2019.

Subsidiaries

Red Sea Gateway Terminal Company Limited and Red Sea Ports Development Company ("the Subsidiaries")

RSGT has finalized its Zakat and income tax assessments with GAZT up to 2013 and has filed its Zakat and income tax returns up to the year 2019. GAZT is yet to raise the assessment for the years from 2014 to 2019.

RSPD has filed its Zakat and income tax returns up to the year 2019. Up to the date of these interim condensed consolidated financial statements, 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 2016 and has filed its Zakat returns up to 2019. Upto the date of these interim condensed consolidated financial statements, GAZT is yet to raise the assessment for the years from 31 December 2017 to 31 December 2019.

Support Services Operation Company Limited ("the Subsidiary")

The Subsidiary has finalized its Zakat assessments with GAZT up to 2008 and for 2018 and has filed its Zakat returns up to 2019. GAZT has not raised the assessment for the years from 31 December 2009 to 31 December 2017 and 31 December 2019.

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 2019. Upto the date of these interim condensed consolidated financial statements, GAZT is yet to raise the assessment for the years from 31 December 2009 to 31 December 2019.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

21. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

a) Significant related party transactions for the period ended 30 September are as follows:

| <i>Name</i> | <i>Relationship</i> | <i>Nature of transactions</i> | <i>Amount of transactions</i> | | | |
|-------------------------------------------------------------------|---------------------|----------------------------------------------|---------------------------------|---------------------|--------------------------------|---------------------|
| | | | <i>Three-month period ended</i> | | <i>Nine-month period ended</i> | |
| | | | <i>30 September</i> | <i>30 September</i> | <i>30 September</i> | <i>30 September</i> |
| | | | <i>2020</i> | <i>2019</i> | <i>2020</i> | <i>2019</i> |
| | | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | |
| | | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> | |
| International Water Distribution Company Limited | Associate | Sales of goods and services | 17,347,654 | 16,286,797 | 48,126,829 | 47,174,861 |
| | | Services rendered | 189,750 | 173,250 | 536,250 | 519,750 |
| | | Expenses incurred on behalf of the Group | (52,752) | (215,487) | (62,840) | (117,735) |
| | | Expenses incurred on behalf of the associate | 16,269 | 39,635 | 99,909 | 139,558 |
| Arabian Bulk Trade Limited | Affiliate | Lease of land and warehouses | (110) | - | 1,300 | 8,620 |
| Ambro Limited | Affiliate | Purchase of goods and services | (3,456) | (24,836) | (39,091) | (13,602) |
| Saudi Cable Company | Affiliate | Lease of land and warehouses | 22,656 | 6,689 | 42,656 | 31,546 |
| Al Jabr Talke Company Limited | Associate | Services rendered | 33,282 | 37,738 | 357,173 | 340,588 |
| | | Dividend received | - | - | 5,000,463 | 4,000,000 |
| | | Expenses incurred on behalf of an Associate | - | - | 1,218 | - |
| Saudi Water and Environmental Services Company Limited | Associate | Sales of goods and services | 1,189,079 | 1,130,498 | 4,314,189 | 3,441,680 |
| Xenel Industries Limited | Shareholder | Payment made on behalf of the shareholder | 121,568 | 97,116 | 264,449 | 253,138 |
| | | Expenses incurred on behalf of the Group | (96,181) | (177,110) | (148,676) | (110,496) |
| Aecom Arabia Limited | Affiliate | Purchase of goods and services | (2,250) | - | (47,250) | - |
| Al Karam Fedics Services Company | Affiliate | Purchase of goods and services | (4,822,382) | - | (13,077,976) | - |
| Haji Abdullah Ali Reza & Co. Limited - General Technical Division | Affiliate | Purchase of goods and services | - | - | (604,506) | - |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from related parties

| | <i>30 September 2020</i> | <i>31 December 2019</i> |
|--------------------------------------------------------|------------------------------|-----------------------------|
| | <i>Unaudited</i> | <i>Audited</i> |
| | <i>SR</i> | <i>SR</i> |
| International Water Distribution Company Limited | 12,216,305 | 10,376,904 |
| Saudi Water and Environmental Services Company Limited | 1,406,463 | 309,637 |
| Xenel Industries Limited | 381,954 | 208,582 |
| Al Jabr Talke Company Limited | 34,638 | 10,420 |
| Saudi Cable Company Limited | 15,219 | 210,035 |
| Arabian Bulk Trade Limited | 1,300 | 5,237 |
| Aecom Arabia Limited | - | 64,226 |
| | 14,055,879 | 11,185,041 |

c) Due to a related party

| | <i>30 September 2020</i> | <i>31 December 2019</i> |
|----------------------------------|------------------------------|-----------------------------|
| | <i>Unaudited</i> | <i>Audited</i> |
| | <i>SR</i> | <i>SR</i> |
| Al Karam Fedics Services Company | 1,429,900 | 980,418 |

d) Key management personnel remuneration and compensation comprised of the following:

| | <i>Three-months period ended 30 September 2020</i> | <i>Three-months period ended 30 September 2019</i> | <i>Nine-months period ended 30 September 2020</i> | <i>Nine-months period ended 30 September 2019</i> |
|------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> | <i>Unaudited</i> |
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Short-term employee benefits | 1,941,750 | 2,937,397 | 11,106,875 | 9,276,970 |
| Post-employment benefits | 105,770 | 112,239 | 328,857 | 516,941 |
| | 2,047,520 | 3,049,636 | 11,435,732 | 9,793,911 |

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

e) Board of Directors / Committee members remuneration and compensation comprised of the following:

| | <i>Three-months period ended 30 September 2020 Unaudited SR</i> | <i>Three-months period ended 30 September 2019 Unaudited SR</i> | <i>Nine-months period ended 30 September 2020 Unaudited SR</i> | <i>Nine-months period ended 30 September 2019 Unaudited SR</i> |
|-------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Meeting attendance fees | 93,000 | 275,000 | 423,000 | 410,000 |
| Other remuneration | 912,500 | 2,225,400 | 4,650,000 | 3,725,400 |
| | 1,005,500 | 2,500,400 | 5,073,000 | 4,135,400 |

22. COMMITMENTS AND CONTINGENCIES

At 30 September 2020, the Group's bankers have issued letters of guarantee amounting to SR 156.3 million (31 December 2019: SR 67.1 million) against which cash margin of SR 1.8 million (31 December 2019: SR 2.25 million) was deposited.

As at 30 September 2020, the Group has commitments for capital work in progress amounting to SR 94.4 million (31 December 2019: SR 141.7 million) mainly relating to new logistic hub and park construction project and new desalination plant construction and development project.

23. CONSTRUCTION REVENUE AND CONSTRUCTION COST

| | <i>Three-months period ended 30 September 2020 Unaudited SR</i> | <i>Three-months period ended 30 September 2019 Unaudited SR</i> | <i>Nine-months period ended 30 September 2020 Unaudited SR</i> | <i>Nine-months period ended 30 September 2019 Unaudited SR</i> |
|----------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Construction revenue | 20,679,533 | - | 20,679,533 | - |
| Cost of construction | (20,679,533) | - | (20,679,533) | - |

In accordance with IFRIC 12 "Service Concession Agreements", the Group has recorded construction revenue of SR 20.68 million on construction of a container terminal for the period from 1 April 2020 (i.e. the effective date of the new concession agreement) to 30 September 2020. The construction revenue represents the fair value of the construction services provided in developing the container terminal. No margin has been recognized, as in management's opinion the fair value of the construction services provided approximates to the construction cost.

24. BUSINESS SEGMENTS

The Group has the following main business segments:

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

24. BUSINESS SEGMENTS (continued)

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

The Group'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.

| | Reportable Segments | | | <i>Total</i> | <i>Unallocated</i> | <i>Total</i> |
|---------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|------------------|--------------------|------------------|
| | <i>Port development and operations</i> | <i>Logistic parks and support services</i> | <i>Water desalination and distribution</i> | | | |
| | -----SR 000'(Unaudited)----- | | | | | |
| 30 September 2020 | | | | | | |
| External revenues | 493,280 | 60,307 | 68,977 | 622,564 | - | 622,564 |
| Inter-segment revenue | - | - | (713) | (713) | - | (713) |
| Construction revenue | 20,680 | - | - | 20,680 | - | 20,680 |
| Segment revenue | 513,960 | 60,307 | 68,264 | 642,531 | - | 642,531 |
| Direct costs | 235,490 | 37,127 | 48,737 | 321,354 | - | 321,354 |
| Inter-segment direct costs | (713) | - | - | (713) | - | (713) |
| Cost of construction | 20,680 | - | - | 20,680 | - | 20,680 |
| Segment cost | 255,457 | 37,127 | 48,737 | 341,321 | - | 341,321 |
| Segment gross profit | 258,503 | 23,180 | 19,527 | 301,210 | - | 301,210 |
| Profit attributable to shareholders of the Parent | 106,652 | 5,379 | 2,212 | 114,243 | (2,963) | 111,280 |
| As on 30 September 2020 | | | | | | |
| Segment assets | 3,448,529 | 409,304 | 212,261 | 4,070,094 | 244,260 | 4,314,354 |
| Segment liabilities | 2,454,225 | 109,912 | 32,633 | 2,596,770 | 32,477 | 2,629,247 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

24. BUSINESS SEGMENTS (continued)

| | Reportable Segments | | | Total | Unallocated | Total |
|---------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|-----------|-------------|-----------|
| | <i>Port developme nt and operations</i> | <i>Logistic parks and support services</i> | <i>Water desalination and distribution</i> | | | |
| | -----SR 000' (Unaudited)----- | | | | | |
| 30 September 2019 | | | | | | |
| External revenues | 390,539 | 63,576 | 68,263 | 522,378 | | 522,378 |
| Inter-segment revenue | (378) | (1,939) | (696) | (3,013) | - | (3,013) |
| Segment revenue | 390,161 | 61,637 | 67,567 | 519,365 | - | 519,365 |
| Direct costs | 223,013 | 29,921 | 49,057 | 301,991 | - | 301,991 |
| Inter-segment direct costs | (2,635) | (377) | - | (3,012) | - | (3,012) |
| Segment cost | 220,378 | 29,544 | 49,057 | 298,979 | - | 298,979 |
| Segment gross profit | 169,783 | 32,093 | 18,510 | 220,386 | - | 220,386 |
| Profit attributable to shareholders of the Parent | 40,954 | (3,432) | 2,824 | 40,346 | 4,634 | 44,980 |
| As at 31 December 2019 | | | | | | |
| Segment assets | 1,906,314 | 522,672 | 236,847 | 2,665,833 | 240,269 | 2,906,102 |
| Segment liabilities | 994,452 | 259,342 | 32,374 | 1,286,168 | 28,899 | 1,315,067 |
| As at 30 September 2019 | | | | | | |
| Segment assets | 1,876,050 | 387,635 | 232,983 | 2,496,668 | 234,903 | 2,731,571 |
| Segment liabilities | 981,521 | 96,810 | 33,090 | 1,111,421 | 28,058 | 1,139,479 |

25. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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. The fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability
- Fair value information of the Group's financial instruments is analysed below:

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2020

25. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices inactive markets for similar assets and liabilities or valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data

The Group's level 3 financial assets comprise investment in unquoted investee company.

There were no transfers between level 1 and level 3 during the nine-month period 30 September 2020 (31 December 2019: nil). There were no financial assets or financial liabilities classified under level 2.

There were no changes in valuation techniques during the period.

As at 30 September 2020, the financial assets of the Group comprise of trade receivables and other receivables, Due from related parties, cash and cash equivalents which are recorded at amortized cost and investment in equity securities which is recorded at fair value and financial liabilities include loans and bank facilities, obligation under service concession agreement, trade payable and other liabilities and derivative financial instruments.

The fair values of the financial instruments carried at amortized cost approximate their fair value. The Group's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

26. SIGNIFICANT NON-CASH TRANSACTIONS

| | <i>For the nine-month period ended 30 September 2020</i> | <i>For the nine-month period ended 30 September 2019</i> |
|---------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------|
| | <i>Unaudited SR</i> | <i>Unaudited SR</i> |
| Cash flow hedges – effective portion of change in fair value | (5,396,345) | (12,047,500) |
| Obligation under service concession arrangement | 1,546,967,635 | - |
| Transfer of assets from property plant and equipment to intangibles | 489,210,493 | - |
| Modification of lease contracts | (146,694,649) | - |

27. COMPARATIVE FIGURES

Certain of the prior period/year amounts have been reclassified to conform with the presentation in the current period/year. However, there was no impact of such reclassifications on the interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of changes in equity.

28. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised to issue by the Board of Directors on 28 October 2020 (corresponding to 11 Rabi' I 1442H).