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

## UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT

## FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019

**SAUDI INDUSTRIAL SERVICES COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month and six-month periods ended 30 June 2019

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## INDEPENDEPNDT AUIDTORS' REVIEW REPORT

To the shareholders
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 June 2019, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statement of changes in equity and cash flows for the six-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" as 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 (ISAs) as 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 KSA.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
PROFESSIONAL LICENCE No. 45

31 July 2019
28 Dhual-Qa'dah 1440

Jeddah
20/04/MQ

**SAUDI INDUSTRIAL SERVICES COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)**
For the three-month and six-month periods ended 30 June 2019

| | *Note* | ***For the three-month period ended 30 June 2019 Unaudited SR*** | *For the three-month period ended 30 June 2018 Unaudited SR* | ***For the six-month period ended 30 June 2019 Unaudited SR*** | *For the six-month period ended 30 June 2018 Unaudited SR* |
|---|---|---|---|---|---|
| Revenues | 5 | **180,692,069** | 150,932,122 | **347,206,873** | 268,906,819 |
| Direct costs | | **(103,138,090)** | (95,105,950) | **(196,981,698)** | (175,941,101) |
| **GROSS PROFIT** | | **77,553,979** | 55,826,173 | **150,225,175** | 92,965,719 |
| **OPERATING EXPENSES** | | | | | |
| Selling and distribution expenses | | **(4,107,868)** | (4,012,957) | **(8,351,089)** | (8,177,265) |
| General and administrative expenses | | **(30,132,830)** | (27,225,336) | **(65,251,622)** | (56,353,632) |
| **TOTAL OPERATING EXPENSES** | | **(34,240,698)** | (31,238,293) | **(73,602,711)** | (64,530,897) |
| **OPERATING INCOME** | | **43,313,281** | 24,587,880 | **76,622,464** | 28,434,822 |
| Finance cost | | **(16,142,848)** | (11,542,172) | **(26,287,355)** | (21,335,136) |
| Share of results of associates, net | 9 | **8,157,026** | 6,132,389 | **13,136,584** | 11,724,087 |
| Finance income | | **805,774** | 113,750 | **1,121,546** | 113,750 |
| Other income / (loss) | | **269,690** | (299,416) | **986,686** | (58,362) |
| **PROFIT BEFORE ZAKAT AND INCOME TAX** | | **36,402,923** | 18,992,431 | **65,579,925** | 18,879,161 |
| Zakat and income tax | 15 | **(3,494,632)** | (1,770,984) | **(6,449,019)** | (3,064,439) |
| **NET PROFIT FOR THE PERIOD** | | **32,908,291** | 17,221,447 | **59,130,906** | 15,814,722 |
| **Attributable to:** | | | | | |
| Shareholders' of the parent | | **21,336,476** | 12,036,361 | **38,236,321** | 12,606,502 |
| Non-controlling interests | | **11,571,815** | 5,185,086 | **20,894,585** | 3,208,220 |
| | | **32,908,291** | 17,221,447 | **59,130,906** | 15,814,722 |
| **Earnings per share** | | | | | |
| Basic and diluted earnings per share from net profit for the period attributable to the shareholders' of the parent | 6 | **0.26** | 0.15 | **0.47** | 0.15 |

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2019

| | ***For the three-month period ended 30 June 2019 Unaudited SR*** | *For the three-month period ended 30 June 2018 Unaudited SR* | ***For the six-month period ended 30 June 2019 Unaudited SR*** | *For the six-month period ended 30 June 2018 Unaudited SR* |
|---|---|---|---|---|
| Net income for the period | **32,908,291** | 17,221,447 | **59,130,906** | 15,814,722 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| ***Items that can be reclassified to consolidated statement of income in subsequent periods*** | | | | |
| Cash flow hedges – effective portion of changes in fair value | **(4,182,564)** | (3,049,217) | **(9,347,649)** | (3,049,217) |
| ***Items that cannot be reclassified to consolidated statement of income in subsequent periods*** | | | | |
| Change in fair value of financial assets at fair value through other comprehensive income (FVOCI) | **(2,361,614)** | (661,221) | **(2,361,614)** | (423,776) |
| **OTHER COMPREHENSIVE LOSS FOR THE PERIOD** | **(6,544,178)** | (3,710,438) | **(11,709,263)** | (3,472,993) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **26,364,113** | 13,511,009 | **47,421,643** | 12,341,729 |
| **Attributable to:** | | | | |
| Shareholders of the Parent Company | **16,440,231** | 9,418,139 | **30,210,032** | 10,132,172 |
| Non-controlling interests | **9,923,882** | 4,092,870 | **17,211,611** | 2,209,557 |
| | **26,364,113** | 13,511,009 | **47,421,643** | 12,341,729 |

The attached notes 1 to 21 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 (UNAUDITED)**
As at 30 June 2019

| | *Notes* | *30 June 2019 Unaudited SR* | *31 December 2018 Audited SR* |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 7 | **880,454,779** | 896,943,951 |
| Intangible assets | 8 | **1,128,140,726** | 1,162,102,614 |
| Investment properties | | **138,258,893** | 143,015,640 |
| Investment in associates | 9 | **127,367,557** | 121,114,973 |
| Right-of-use assets | 2.4 | **55,939,702** | - |
| Financial assets at fair value through other comprehensive income (FVOCI) | | **15,538,283** | 17,899,897 |
| Goodwill | 10 | **8,776,760** | 8,776,760 |
| Deferred tax, net | | **3,154,474** | - |
| Trade receivables, long term | | **2,761,617** | 8,041,252 |
| **TOTAL NON-CURRENT ASSETS** | | **2,360,392,791** | 2,357,895,087 |
| **CURRENT ASSETS** | | | |
| Inventories, net | | **19,812,724** | 21,302,655 |
| Trade receivables, prepayments and other receivables | | **121,670,907** | 107,968,770 |
| Cash and cash equivalents | 11 | **178,353,079** | 180,584,183 |
| Due from related parties | 16.2 | **16,482,514** | 9,984,232 |
| **TOTAL CURRENT ASSETS** | | **336,319,224** | 319,839,840 |
| **TOTAL ASSETS** | | **2,696,712,015** | 2,677,734,927 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 12 | **816,000,000** | 816,000,000 |
| Share premium | | **36,409,063** | 36,409,063 |
| Statutory reserve | | **75,114,117** | 71,290,485 |
| Other components of equity | | **(2,118,958)** | 5,907,331 |
| Retained earnings | | **160,400,140** | 158,627,451 |
| **Equity attributable to the shareholders of the parent** | | **1,085,804,362** | 1,088,234,330 |
| Non-controlling interests | | **500,050,612** | 483,198,445 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **1,585,854,974** | 1,571,432,775 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term loans | 13 | **621,001,866** | 699,026,622 |
| Long term provisions | 14 | **66,637,395** | 61,503,570 |
| Lease liabilities | 2.4 | **52,236,317** | - |
| Employees' end-of-service benefits | | **30,304,032** | 27,215,717 |
| Derivative financial instrument | | **13,885,624** | 4,537,974 |
| **TOTAL-NON-CURRENT LIABILITIES** | | **784,065,234** | 792,283,883 |
| **CURRENT LIABILITIES** | | | |
| Trade payables, accrued and other current liabilities | | **166,826,017** | 159,776,021 |
| Current portion of long term loans | 13 | **158,474,316** | 153,414,129 |
| Due to related parties | 16.3 | **1,491,474** | 828,119 |
| **TOTAL CURRENT LIABILITIES** | | **326,791,807** | 314,018,269 |
| **TOTAL LIABILITIES** | | **1,110,857,041** | 1,106,302,152 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **2,696,712,015** | 2,677,734,927 |

The attached notes 1 to 21 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 (UNAUDITED)**
For the six-month period ended 30 June 2019

| | Equity attributable to the shareholders of the Parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Other components of equity | | | | | | | |
| | *Share Capital SR* | *Share Premium SR* | *Statutory Reserve SR* | *Effect of changes in shareholding percentage in subsidiaries SR* | *Actuarial valuation reserves SR* | *Cash flow hedging reserve SR* | *Reserve on financial assets at FVOCI SR* | *Retained earnings SR* | *Total SR* | *Non-controlling interests SR* | *Total equity SR* |
| Balance at 1 January 2019 | 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 |
| Profit for the period | - | - | - | - | - | - | - | 38,236,321 | 38,236,321 | 20,894,585 | 59,130,906 |
| Other comprehensive loss | - | - | - | - | - | (5,664,675) | (2,361,614) | - | (8,026,289) | (3,682,974) | (11,709,263) |
| Total comprehensive income | - | - | - | - | - | (5,664,675) | (2,361,614) | 38,236,321 | 30,210,032 | 17,211,611 | 47,421,643 |
| Transfer to statutory reserve | - | - | 3,823,632 | - | - | - | - | (3,823,632) | - | - | - |
| Dividends paid (note 12) | - | - | - | - | - | - | - | (32,640,000) | (32,640,000) | (1,680,000) | (34,320,000) |
| Net movement in non-controlling interest | - | - | - | - | - | - | - | - | - | 1,320,556 | 1,320,556 |
| **Balance at 30 June 2019** | **816,000,000** | **36,409,063** | **75,114,117** | **1,133,474** | **(805,878)** | **(8,414,687)** | **5,968,133** | **160,400,140** | **1,085,804,362** | **500,050,612** | **1,585,854,974** |

The attached notes 1 to 21 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 (UNAUDITED)**
For the six-month period ended 30 June 2019

| | Equity attributable to the shareholders' of the Parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | ------------Other components of equity----------- | | | | | | | |
| | *Share Capital SR* | *Share Premium SR* | *Statutory Reserve SR* | *Effect of changes in shareholding percentage in subsidiaries SR* | *Actuarial valuation reserves SR* | *Cash flow hedging reserve SR* | *Unrealized gain on FVOCI investments SR* | *Retained Earnings SR* | *Total SR* | *Non-controlling Interests SR* | *Total Equity SR* |
| Balance at 1 January 2018 - audited | 816,000,000 | 36,409,062 | 66,615,976 | 1,133,474 | (3,467,662) | - | 9,563,788 | 141,036,870 | 1,067,291,508 | 476,769,749 | 1,544,061,257 |
| Profit for the period | - | - | - | - | | | - | 12,606,502 | 12,606,502 | 3,208,220 | 15,814,722 |
| Other comprehensive income | - | - | - | - | - | (1,847,826) | (626,504) | - | (2,474,330) | (998,663) | (3,472,993) |
| Total comprehensive income | - | - | - | - | - | (1,847,826) | (626,504) | 12,606,502 | 10,132,172 | 2,209,557 | 12,341,729 |
| Transfer to statutory reserve | - | - | 1,260,650 | - | - | - | - | (1,260,650) | - | - | - |
| Dividends paid (note 12) | - | - | - | - | - | - | - | (24,480,000) | (24,480,000) | (1,847,809) | (26,327,809) |
| Net movement in non-controlling interest | - | - | - | - | - | - | - | - | - | 39,421 | 39,421 |
| Balance at 30 June 2018 – unaudited | 816,000,000 | 36,409,062 | 67,876,626 | 1,133,474 | (3,467,662) | (1,847,826) | 8,937,284 | 127,902,722 | 1,052,943,680 | 477,170,918 | 1,530,114,598 |

The attached notes 1 to 21 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 (UNAUDITED)**
For the six-month period ended 30 June 2019

| | Note | *For the six month period ended 30 June 2019 Unaudited SR* | *For the six month period ended 30 June 2018 Unaudited SR* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before zakat and income tax | | **65,579,925** | 18,879,161 |
| *Adjustments for:* | | | |
| Depreciation and amortization | | **74,776,541** | 75,280,239 |
| Provision for employees' end of service benefits | | **3,912,378** | 2,026,572 |
| Loss on disposal of property, plant and equipment | | **-** | 742,599 |
| Share of results of associates, net | 9 | **(13,136,584)** | (11,724,087) |
| Allowance for expected credit losses | | **858,828** | 23,863 |
| Provision for inventories | | **938,427** | 810,647 |
| Provision for asset replacement cost | | **5,133,825** | 5,385,566 |
| Financial cost | | **26,287,355** | 21,335,136 |
| | | **164,350,695** | 112,759,696 |
| Changes in operating assets and liabilities: | | | |
| Inventories | | **551,504** | 3,470,931 |
| Trade receivables, prepayments and other receivables | | **(18,934,086)** | (10,755,420) |
| Trade payable, accrued and other liabilities | | **7,374,532** | (9,234,471) |
| Lease liabilities | | **(3,703,385)** | - |
| Cash generated from operating activities | | **149,639,260** | 96,240,736 |
| Employees' end of service benefits paid | | **(824,063)** | (455,291) |
| Zakat and income tax paid | | **(6,110,198)** | (5,207,893) |
| Financial charges paid | | **(23,741,567)** | (17,375,018) |
| **Net cash flow from operating activities** | | **118,963,432** | 73,202,534 |
| **INVESTING ACTIVITIES** | | | |
| Additions to property, plant and equipment | | **(19,666,230)** | (24,623,770) |
| Dividends received from an associate | 9 | **6,884,000** | 2,799,945 |
| Proceeds from disposal of property, plant and equipment | | **97,495** | - |
| Net cash used in investing activities | | **(12,684,735)** | (21,823,825) |
| **FINANCING ACTIVITIES** | | | |
| Receipt of loans | | **-** | 8,414,010 |
| Repayment of loans | | **(75,510,357)** | (75,315,185) |
| Dividends | 12 | **(34,320,000)** | (26,327,809) |
| Net movement in non-controlling interests | | **1,320,556** | 39,421 |
| Net cash used in financing activities | | **(108,509,801)** | (93,189,563) |
| **NET DECREASE IN CASH AND BANK BALANCES** | | **(2,231,104)** | (41,810,854) |
| Cash and bank balances at the beginning of the period | 11 | **180,584,183** | 150,707,941 |
| **CASH AND BANK BALANCES AT THE END OF THE PERIOD** | | **178,353,079** | 108,897,087 |

The attached notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

## 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":

| **Company** | **Country of incorporation** | **Effective shareholding** | | **Principal activities** |
|---|---|---|---|---|
| | | **2019** | 2018 | |
| Saudi Trade and Export Development Company Limited ("LogiPoint") | Saudi Arabia | **76%** | 76% | Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port. |
| Kindasa Water Services Company – Closed Joint Stock Company ("Kindasa") | Saudi Arabia | **65%** | 65% | Water desalination and treatment plant and sale of water. |
| Support Services Operation Limited Company ("ISNAD") | Saudi Arabia | **99.28%** | 99.28% | Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease. |
| Red Sea Gateway Terminal Company Limited ("RSGT") | Saudi Arabia | **60.6%** | 60.6% | Development, construction, operation and maintenance of container terminals and excavation and back filling works. |
| Red Sea Port Development Company – Closed Joint Stock Company ("RSPD") | Saudi Arabia | **60.6%** | 60.6% | Development, construction, operation and maintenance of container terminals and excavation and back filling works. |

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia.

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 financial statements for the year ended 31 December 2018.

### 2.2 Basis of measurement

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

### 2.3 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.

### 2.4 Impact of changes in accounting policies due to adoption of new standards

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018 except for the adoption of new standards and amendments to existing standards as mentioned in note 2.5 and note 3.

***IFRS 16 Leases***

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

| | ***1 January 2019 Unaudited SR*** |
|---|---|
| **Assets** | |
| Right-of-use assets | **60,027,428** |
| **Liabilities** | |
| Lease liabilities | **56,638,926** |

The adoption of IFRS 16 did not have any significant impact on equity as at 1 January 2019.

The Group has lease contracts for various properties and before adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under "Trade receivables, prepayments and other receivables" and "Trade payables, accrued and other current liabilities", respectively.

## 2. BASIS OF PREPARATION (continued)

### 2.5 Impact of changes in accounting policies due to adoption of new standards (continued)

***IFRS 16 Leases (continued)***

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

**Leases previously accounted for as operating leases**

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of SR 60 million were recognised in the interim condensed statement of financial position;
- Lease liabilities of SR 56.6 million were recognized;

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

| | *Unaudited* *SR* |
|---|---|
| Operating leases as of 31 December 2018 | **92,416,987** |
| Weighted average incremental borrowing rate as at 1 January 2019 | **5.3%** |
| Discounted operating lease commitments at 1 January 2019 | **56,966,482** |
| Less: commitments relating to short-term leases | **(327,556)** |
| Lease liabilities as at 1 January 2019 | **56,638,926** |

The Group recognized an amount of SR 4.1 million and SR 1.1 million as depreciation on right-of-use assets and interest expense respectively during the six-month period ended 30 June 2019.

***Amendments to IAS 19: Plan Amendment, Curtailment or Settlement***

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

## 2. BASIS OF PREPARATION (continued)

### 2.5 Impact of changes in accounting policies due to adoption of new standards (continued)

***Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (continued)***
The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group. These amendments have no impact on the interim condensed consolidated financial statements of the Group.

***Amendments to IFRS 9: Prepayment Features with Negative Compensation***
Under IFRS 9, a debt instrument can be measured at AC or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the interim condensed consolidated financial statements of the Group.

***IFRIC 23: Uncertainty over Income Tax Treatments***
In June 2017, the IASB issued IFRIC Interpretation 23 which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments and is effective for annual periods beginning on or after 1 January 2019. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. This interpretation has no impact on the interim condensed financial statements of the Group.

### 2.6 Significant accounting 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.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management are the same as those that applied to the financial statements for the year ended 31 December 2018, except for the changes in the accounting estimates as a result of adoption of IFRS 16 as disclosed below:

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

## 3. SIGNIFICANT ACCOUNTING POLICIES

***Right-of-use assets***
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Lease Liabilities*
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

***Short-term leases and leases of low-value assets***
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## 4. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprising the financial statements the 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 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.

## 4. BASIS OF CONSOLIDATION (continued)

### 4.4 Investment 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. REVENUES

| | ***For the three-month period ended 30 June 2019 Unaudited SR*** | *For the three-month period ended 30 June 2018 Unaudited SR* | ***For the six-month period ended 30 June 2019 Unaudited SR*** | *For the six-month period ended 30 June 2018 Unaudited SR* |
|---|---|---|---|---|
| Shipping and unloading services | **139,258,999** | 100,736,954 | **263,859,351** | 176,948,317 |
| Sale of potable water | **22,000,612** | 26,059,878 | **43,613,930** | 50,281,078 |
| Rentals and support services | **19,432,458** | 24,135,290 | **39,733,592** | 41,677,424 |
| | **180,692,069** | 150,932,122 | **347,206,873** | 268,906,819 |

## 6. 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.

| | ***For the three-month period ended 30 June 2019 Unaudited SR*** | *For the three-month period ended 30 June 2018 Unaudited SR* | ***For the six-month period ended 30 June 2019 Unaudited SR*** | *For the six-month period ended 30 June 2018 Unaudited SR* |
|---|---|---|---|---|
| Profit for the period attributable to ordinary equity holders of the Parent | **21,336,476** | **12,036,361** | **38,236,321** | 12,606,502 |
| 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 | **0.26** | **0.15** | **0.47** | 0.15 |

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

## 7. PROPERTY, PLANT AND EQUIPMENT

| | ***30 June 2019 Unaudited SR*** | *31 December 2018 Audited SR* |
|---|---|---|
| Port terminal operations | **533,351,998** | 553,989,651 |
| Property, plant and equipment | **317,153,997** | 312,038,100 |
| Bonded and re-export project | **29,948,784** | 30,916,200 |
| | **880,454,779** | 896,943,951 |

During the six-month period ended 30 June 2019, additions amounting to SR 19.4 million (31 December 2018: SR 46.6 million) were made to the property, plant and equipment.

## 8. INTANGIBLE ASSETS

Intangible assets comprise of the following:

| | ***30 June 2019 Unaudited SR*** | *31 December 2018 Audited SR* |
|---|---|---|
| Port concession rights (note 8.1) | **1,100,380,611** | 1,133,082,390 |
| Right to use land (note 8.2) | **25,566,513** | 26,162,608 |
| Other intangible assets | **2,193,602** | 2,857,616 |
| | **1,128,140,726** | 1,162,102,614 |

## 8. INTANGIBLE ASSETS (continued)

### 8.1 Port concession rights

Saudi Trade and Export Development Company (Tusdeer), a subsidiary of the Group, had an agreement with Saudi Ports Authority ("SPA" or "MAWANI") for the construction of a container terminal at the Re-export Zone of Jeddah Islamic Port. This Build-Operate-Transfer (BOT) Service Concession Agreement ("the Agreement") with MAWANI has been novated by Tusdeer to another subsidiary of the Group i.e. RSGT, effective from 22 Shawal 1428 H (corresponding to 3 November 2007), and the duration of this agreement is 32 years. As per BOT agreement, at the end of the concession period, the property and equipment underlying the port concession rights shall be transferred to MAWANI. The subsidiary commenced its initial commercial operations effective from 22 December 2009 (corresponding to 5 Muharram 1431 H). Port concession rights are being amortised over the useful lives of the underlying assets (representing the property and equipment) or the remaining term of concession, whichever is shorter. All amortization charge for the year has been allocated to direct cost. The movement in port concession rights is as follows:

| | *30 June 2019 Unaudited SR* | *31 December 2018 Audited SR* | *30 June 2018 Unaudited SR* |
|---|---|---|---|
| ***Cost*** | | | |
| Balance at 1 January | **1,710,555,638** | 1,711,145,484 | 1,711,145,484 |
| Disposal | **-** | (589,846) | - |
| | **1,710,555,638** | 1,710,555,638 | 1,711,145,484 |
| ***Amortisation*** | | | |
| Balance at 1 January | **577,473,248** | 512,516,475 | 512,516,475 |
| Charge for the period / year | **32,701,779** | 65,494,040 | 32,736,075 |
| Disposal | **-** | (537,267) | - |
| | **610,175,027** | 577,473,248 | 545,252,550 |
| Net book value | **1,100,380,611** | 1,133,082,390 | 1,165,892,934 |

### 8.2 Right to use land

Saudi Trade and Export Development Company (LogiPoint) had an agreement with Saudi Arabian Seaport Authority ("SEAPA") for the construction of a container terminal at the re-export zone of Jeddah Islamic Port. This Build-Operate-Transfer ("BOT") Service Concession Agreement with SEAPA has been novated by LogiPoint to RSGT, effective from Shawal 22, 1428H (corresponding to 3 November 2007), and the duration of this agreement is 32 years.

As per the BOT agreement, at the end of the concession period, the property and equipment underlying the quay project's intangible assets shall be transferred to SEAPA.

## 9. INVESTMENTS IN ASSOCIATES

| | *30 June 2019 Unaudited SR* | *31 December 2018 Audited SR* | *30 June 2018 Unaudited SR* |
|---|---|---|---|
| As at 1 January | **121,114,973** | 110,971,249 | 110,971,249 |
| Share in results of associates, net | **13,136,584** | 23,745,408 | 11,724,087 |
| Share of actuarial losses of associates recognized in other comprehensive income | **-** | 793,261 | - |
| Dividend received during the period / year | **(6,884,000)** | (14,394,945) | (2,799,945) |
| | **127,367,557** | 121,114,973 | 119,895,391 |

## 9. INVESTMENTS IN ASSOCIATES (continued)

| *Associates* | *Principal activities* | *Country of incorporation* | *Effective shareholding percentage* | | *Carrying amount* | |
|---|---|---|---|---|---|---|
| | | | *30 June 2019 Unaudited* | *31 December 2018 Audited* | *30 June 2019 Unaudited SR* | *31 December 2018 Audited SR* |
| International Water Distribution Company Limited (note a) | Water/waste works, water treatment and lease of water equipment | Saudi Arabia | **50%** | 50% | **76,547,149** | 71,909,835 |
| Saudi Water and Environmental Services Company(note b) | Electrical, water and mechanical works and related operation and maintenance | Saudi Arabia | **31.85%** | 31.85% | **9,615,702** | 11,337,843 |
| Saudi Al Jabr Talke Company Limited | Contracting, construction, operation and maintenance of factories and warehouses | Saudi Arabia | **33.3%** | 33.3% | **40,176,616** | 37,007,775 |
| Xenmet SA, Vaduz (note c) | Trading, storage and brokerage of commodities | Liechtenstein | **19%** | 19% | **1,028,090** | 859,520 |
| | | | | | **127,367,557** | 121,114,973 |

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.

## 10. GOODWILL

The Group recorded the Goodwill on acquisition of Kindasa Water Services Company (Kindasa), a subsidiary of the Group.

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.

The Management assessed the carrying amount of Goodwill as at 31 December 2018 for impairment and no indicators for impairment were identified.

## 11. CASH AND CASH EQUIVALENTS

| | *30 June 2019 Unaudited SR* | *31 December 2018 Audited SR* |
|---|---|---|
| Cash in hand | **283,891** | 268,740 |
| Cash at banks (note 11.1) | **129,424,120** | 99,664,648 |
| Murabaha term deposits (note 11.2) | **48,645,068** | 80,650,795 |
| | **178,353,079** | 180,584,183 |

11.1 Cash at banks include restricted balances amounting to:

- SR 12.1 million (31 December 2018: SR 6.80 million) held in debt service reserve account "as restrictive for use" with a local commercial bank, in accordance with the terms of Ijarah financing arrangement. However, the Group had obtained waiver for this particular condition.
- SR 0.54 million (31 December 2018: SR 0.54 million) held with a local commercial bank in respect of accumulated unclaimed dividends.

11.2 Murabaha term deposits are placed with a local commercial bank having maturity of less than three-months and yields finance income at 2.35% to 2.85% per annum (2018: 2.65% to 2.70%).

## 12. SHARE CAPITAL

As at 30 June 2019, the authorised and paid up capital of the Group is divided into 81.6 million shares (31 December 2018: 81.6 million shares) of SR 10 each.

On 7 May 2019, the General Assembly approved a distribution of cash dividend amounting SR 32.6 million (SR 0.4 per share) (on 23 May 2018, cash dividend amounting to SR 24.5 million (SR 0.3 per share)). The dividend has been paid in full.

## 13. LONG TERM LOANS

| | *30 June 2019 Unaudited SR* | *31 December 2018 Audited SR* |
|---|---|---|
| Long-term loan | **779,476,182** | 852,440,751 |
| Less: current portion | **(158,474,316)** | (153,414,129) |
| Long-term portion | **621,001,866** | 699,026,622 |

a) During 2007, a subsidiary entered into an Ijara arrangement with two banks to obtain a loan of SR 1,271 million. The Ijara facility is secured by property and equipment – port terminal operations and intangible assets – port concession rights of RSGT. The remaining amount of loan is repayable in nine semi-annual installments, with maturity of up to December 2023. The loan bears commission rate of SIBOR plus an agreed margin. The facility includes unamortised portion of the advance rentals and other fees paid to the banks, this will be amortised over the remaining period of the Ijara facility.

Further, during the year 2018, the Group entered into a Profit Rate Swap (PRS) arrangement with a local bank to hedge its exposure to the variability in the cash flows arising from the loan. The arrangement has been classified as a hedge instrument under cash flow hedges.

During 2016, a subsidiary entered into an Ijara arrangement with two banks to obtain a loan of SR 260 million for expansion of its existing berths. The Ijara facility is secured by the property and equipment – port terminal operations of a subsidiary. The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in nine semi-annual installments ending in December 2023.

These loans are secured by mortgage over the subsidiary's port terminal equipment. These loan agreements include certain covenants which include but are not limited to the procurement and use of capital expenditure, application of loan proceeds, collections of revenue through designated bank accounts, dividend payments and maintenance of certain financial ratios.

## 13. LONG TERM LOANS (continued)

b) During 2016, a subsidiary entered into an agreement for a long-term facility with a commercial bank for SR 24 million to finance the construction of a new water desalination facility at Rabigh. The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in quarterly instalments commencing one year after the first drawdown. As at 30 June 2019, the outstanding balance was SR 7.08 million out of total facility of SR 24 million (31 December 2018: 7.52 million). The loan is secured by secondary mortgage over the subsidiary's property and equipment. The loan agreement includes certain covenants such as capital expenditure, collections of revenue through designated bank accounts, dividend payments and maintenance of certain financial ratios.

## 14. LONG-TERM PROVISIONS

| | *30 June 2019 Unaudited SR* | *31 December 2018 Audited SR* |
|---|---|---|
| Provision for asset replacement cost (note a) | **64,777,402** | 59,661,353 |
| Provision for dismantling cost (note b) | **1,680,663** | 1,662,887 |
| Others | **179,330** | 179,330 |
| | **66,637,395** | 61,503,570 |

### a) Provision for asset replacement cost

As per the Build Operate and Transfer (BOT) agreement with MAWANI, RSGT, a subsidiary of the Group has an obligation to replace certain machinery and equipment ("the Equipment") during the tenure of the agreement. The management of the subsidiary has estimated that an amount of SR 534 million (31 December 2018: SR 534 million) will be incurred to replace the Equipment.

As at 30 June 2019, RSGT has used 6.62% (31 December 2018: 6.62%) as discount rate for determining the present value of obligation. The management believes that the discount rate used is reflective of the term of obligation.

### b) Provision for dismantling cost

It represents cost to remove the plant from land leased by Jeddah Islamic port to Kindasa Water Services Company (Kindasa) for a period of 17 years.

## 15. 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 Parent 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 Parent Company. The Parent Company is in process of filing an appeal to second level of BOG.

The GAZT raised assessments for the years 2009 through 2013 with an additional Zakat and withholding tax liability of SR 10.95 million. The Parent 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 Parent 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.

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 Parent Company has filed its Zakat returns for the years upto 31 December 2018. Up to the date of these interim condensed consolidated financial statements, GAZT is yet to raise the assessment for the years 2016 to 2018.

## 15. ZAKAT AND INCOME TAX (continued)

*Subsidiaries*

***Red Sea Gateway Terminal Company Limited and Red Sea Ports Development Company ("the Subsidiaries")***
RSGT has finalized its Zakat and tax assessments with GAZT up to 2013 and have filed their Zakat and income tax returns up to 2018. Upto the date of these interim condensed consolidated financial statements, GAZT is yet to raise the assessment for the years from 2014 to 2018.

RSPD has filed its Zakat and income tax returns up to the year 2018. 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 2018. Upto the date of these interim condensed consolidated financial statements, GAZT is yet to raise the assessment for the years 2017 and 2018.

***Support Services Operation Company Limited ("the Subsidiary")***
The Subsidiary has filed its Zakat returns up to 2018. Upto the date of these interim condensed consolidated financial statements, no assessments have been received from GAZT.

***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 2018. Upto the date of these interim condensed consolidated financial statements, GAZT is yet to raise the assessment for the years from 2009 to 2018.

## 16. 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 Company's management.

16.1 Significant related party transactions are as follows:

| | | | *Amount of transactions* | | | |
|---|---|---|---|---|---|---|
| | | | *Three-month period ended* | | *Six-month period ended* | |
| | | | ***30 June 2019*** | *30 June 2018* | ***30 June 2019*** | *30 June 2018* |
| ***Name*** | ***Relationship*** | ***Nature of transactions*** | ***Unaudited*** | *Unaudited* | ***Unaudited*** | *Unaudited* |
| | | | ***SR*** | *SR* | ***SR*** | *SR* |
| International Water Distribution Company Limited | Associate | Sales of goods and services | **15,598,416** | 14,642,296 | **30,888,064** | 29,466,191 |
| | | Services rendered | **173,250** | 178,500 | **346,500** | 346,500 |
| | | Expenses incurred on behalf of the Group | **87,667** | - | **97,752** | - |
| | | Expenses incurred on behalf of the associate | **22,277** | - | **99,923** | - |
| Arabian Bulk Trade Limited | Affiliate | Lease of land and warehouses | **1,510** | 5,858 | **8,620** | 230,089 |
| Ambro Limited | Affiliate | Services rendered | **11,234** | 59,114 | **11,234** | 59,114 |
| Saudi Cable Company | Affiliate | Lease of land and warehouses | **10,374** | 20,048 | **24,857** | 101,761 |
| Al Jabr Talke Company Limited | Associate | Services rendered | **184,815** | 163,215 | **302,850** | 232,500 |
| | | Dividend received | **4,000,000** | - | **4,000,000** | 2,799,945 |
| Saudi Water and Environmental Services Company Limited | Associate | Sales of goods and services | **1,404,948** | 1,189,408 | **2,311,182** | 2,267,999 |
| Xenel Industries Limited | Shareholder | Payment made on behalf of the shareholder | **140,722** | 17,865 | **156,022** | 36,410 |
| | | Expenses incurred on behalf of the Group | **45,745** | 210,159 | **66,614** | 319,607 |
| Al Karam Fedics Services Company | Affiliate | Purchase of goods and services | **4,685,482** | 2,212,285 | **4,685,482** | 4,427,453 |
| Alireza Tourism and Aviation Company | Affiliate | Purchase of goods and services | - | 63,325 | - | 151,256 |

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

16.2 Due from related parties comprised the following:

| | *30 June 2019* *Unaudited* *SR* | *31 December 2018* *Audited* *SR* |
|---|---|---|
| International Water Distribution Company Limited | **14,559,479** | 9,090,501 |
| Saudi Water and Environmental Services Company Limited | **1,262,842** | 331,625 |
| Al Jabr Talke Company Limited | **302,850** | 250,985 |
| Saudi Cable Company Limited | **213,744** | 242,892 |
| Xenel Industries Limited | **77,835** | - |
| Aecom Arabia Limited | **64,226** | 64,226 |
| Arabian Bulk Trade Limited | **1,538** | 4,003 |
| | **16,482,514** | 9,984,232 |

16.3 Due to related parties comprised the following:

| | *30 June 2019* *Unaudited* *SR* | *31 December 2018* *Audited* *SR* |
|---|---|---|
| Al Karam Fedics Services Company | **1,491,474** | 807,873 |
| Aecom Arabia Limited | - | 64,226 |
| Xenel Industries Limited | - | 20,246 |
| | **1,491,474** | 892,345 |

16.4 Key management personnel remuneration and compensation comprised of the following:

| | *Three-months period ended 30 June 2019* *Unaudited* *SR* | *Three-months period ended 30 June 2018* *Unaudited* *SR* | *Six-months period ended 30 June 2019* *Unaudited* *SR* | *Six-months period ended 30 June 2018* *Unaudited* *SR* |
|---|---|---|---|---|
| Short-term employee benefits | **3,626,557** | 1,276,688 | **6,339,573** | 4,922,689 |
| Post-employment benefits | **295,132** | 124,986 | **404,702** | 240,027 |
| | **3,921,689** | 1,401,674 | **6,744,275** | 5,162,716 |

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

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

| | ***Three-months period ended 30 June 2019 Unaudited SR*** | *Three-months period ended 30 June 2018 Unaudited SR* | ***Six-months period ended 30 June 2019 Unaudited SR*** | *Six-months period ended 30 June 2018 Unaudited SR* |
|---|---|---|---|---|
| Meeting attendance fees | **275,000** | 394,000 | **395,000** | 400,000 |
| Other remuneration | **2,225,400** | 1,710,000 | **3,725,400** | 1,710,000 |
| | **2,500,400** | 2,104,000 | **4,120,400** | 2,110,000 |

## 17. COMMITMENTS AND CONTINGENCIES

At 30 June 2019, the Group's bankers have issued letters of guarantee amounting to SR 42.1 million (31 December 2018: SR 42.1 million) against which cash margin of SR 1.4 million (31 December 2018: SR 1.05 million) was paid.

At 30 June 2019, the Group has commitments for capital work in progress amounting to SR 1.67 million (31 December 2018: SR 2.9 million) mainly relating to new logistic hub and park construction project and new desalination plant construction and development project.

## 18. 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.

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.

## 18. BUSINESS SEGMENTS (continued)

| **30 June 2019** | *Port development and operations (SR'000)* | *Logistic parks and support services (SR'000)* | *Water desalination and distribution (SR'000)* | *Total (SR'000)* | *Unallocated (SR'000)* | *Total (SR'000)* |
|---|---|---|---|---|---|---|
| | **Reportable Segments** | | | | | |
| External revenues | **263,859** | **55,644** | **44,065** | **363,568** | | **363,568** |
| Inter-segment revenue | | **(15,910)** | **(451)** | **(16,361)** | - | **(16,361)** |
| **Segment revenue** | **263,859** | **39,734** | **43,614** | **347,207** | - | **347,207** |
| Direct costs | **146,958** | **34,974** | **31,411** | **213,343** | - | **213,343** |
| Inter-segment direct costs | **(451)** | **(15,910)** | - | **(16,361)** | - | **(16,361)** |
| **Segment cost** | **146,507** | **19,064** | **31,411** | **196,982** | - | **196,982** |
| Segment gross profit | **117,352** | **20,670** | **12,203** | **150,225** | - | **150,225** |
| Profit attributable to shareholders of the Parent | **29,332** | **4,732** | **1,786** | **35,850** | **2,386** | **38,236** |
| Segment assets | **1,834,854** | **405,317** | **230,801** | **2,470,972** | **225,740** | **2,696,712** |
| Segment liabilities | **957,535** | **93,520** | **32,639** | **1,083,694** | **27,163** | **1,110,857** |

| 30 June 2018 | *Port development and operations (SR'000)* | *Logistic parks and support services (SR'000)* | *Water desalination and distribution (SR'000)* | *Total (SR'000)* | *Unallocated (SR'000)* | *Total (SR'000)* |
|---|---|---|---|---|---|---|
| | Reportable Segments | | | | | |
| External revenues | 176,948 | 46,817 | 50,644 | 274,409 | - | 274,409 |
| Inter-segment revenue | - | (5,139) | (363) | (5,502) | - | (5,502) |
| Segment revenue | 176,948 | 41,678 | 50,281 | 268,907 | - | 268,907 |
| Direct costs | 123,254 | 25,490 | 32,699 | 181,443 | - | 181,443 |
| Inter-segment direct costs | (363) | (5,139) | - | (5,502) | - | (5,502) |
| Segment cost | 122,891 | 20,351 | 32,699 | 175,941 | - | 175,941 |
| Segment gross profit | 54,057 | 21,327 | 17,582 | 92,966 | - | 92,966 |
| Profit attributable to shareholders of the Parent | (2,746) | 9,861 | 5,229 | 12,344 | 262 | 12,606 |
| Segment assets | 1,892,507 | 342,588 | 237,921 | 2,473,016 | 233,017 | 2,706,033 |
| Segment liabilities | 1,088,210 | 30,987 | 26,394 | 1,145,591 | 26,778 | 1,172,369 |

## 18. BUSINESS SEGMENTS (continued)

| | Reportable Segments | | | | | |
|---|---|---|---|---|---|---|
| 31 December 2018 | *Port development and operations* (SR'000) | *Logistic parks and support services* (SR'000) | *Water desalination and distribution* (SR'000) | *Total* (SR'000) | *Unallocated* (SR'000) | *Total* (SR'000) |
| Segment assets | 1,853,822 | 346,662 | 219,331 | 2,419,815 | 257,920 | 2,677,735 |
| Segment liabilities | 1,017,108 | 37,813 | 24,444 | 1,079,365 | 26,937 | 1,106,302 |

## 19. FINANCIAL INSTRUMENTS

19.1 Classification of financial instruments, included in the statement of financial position, is as follows:

| | ***30 June 2019 Unaudited SR*** | ***31 December 2018 Audited SR*** |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| ***Amortized cost*** | | |
| Trade receivables and other receivables | **124,432,524** | 116,074,248 |
| Due from related parties | **16,482,514** | 9,984,232 |
| Cash and cash equivalents | **178,353,079** | 180,584,183 |
| | **319,268,117** | 306,642,663 |
| ***Held at FVOCI*** | | |
| Investment in equity securities | **15,538,283** | 17,899,897 |
| | **334,806,400** | 324,542,560 |
| **FINANCIAL LIABILITIES** | | |
| Long term loans | **779,476,182** | 852,440,751 |
| Trade payables and other liabilities | **43,728,012** | 49,832,330 |
| Due to related parties | **1,491,474** | 828,119 |
| Derivative financial instrument | **13,885,624** | 4,537,974 |
| | **838,581,292** | 907,639,174 |

19.2 Fair value of financial instruments

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:

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.

## 19. FINANCIAL INSTRUMENTS (continued)

19.2 Fair value of financial instruments (continued)

As at 30 June 2019, the Group has an investment in equity instruments and derivative financial liabilities amounting to SR 15,538,283 (31 December 2018: SR 17,899,897) and SR 13,885,624 (31 December 2018: SR 4,537,974) measured at fair value and classified in level 3 of fair value hierarchy. There were no financial assets or financial liabilities classified under level 1 and level 2.

There were no transfers between level 1 and level 3 during the six-month period 30 June 2019 (31 December 2018: nil).

There were no changes in valuation techniques during the period.

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

## 20. COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform with the presentation in the current year. However, there was no impact on the total comprehensive income or equity of such reclassifications.

## 21. 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 30 July 2019 (corresponding to 27 Dhul-Qi'dah 1440H).