

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018

---

<b>Contents</b>	<b>Pages</b>
Independent auditors' report	1 – 2
Condensed consolidated statement of financial position	3
Condensed consolidated statement of profit or loss and other comprehensive income	4 – 5
Condensed consolidated statement of changes in equity	6 – 7
Condensed consolidated statement of cash flows	8
Notes to the condensed consolidated interim financial statements	9 – 35



**KPMG Al Fozan & Partners**  
Certified Public Accountants  
Zahran Business Centre, Tower A, 9th Floor  
Prince Sultan Street  
PO Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia

Telephone +966 12 698 9595  
Fax +966 12 698 9494  
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

# Independent Auditors' Report on Review of Interim Financial Statements

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

## Introduction

We have reviewed the accompanying 31 March 2018 condensed consolidated interim financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2018;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-months period ended 31 March 2018;
- the condensed consolidated statement of changes in equity for the three-months period ended 31 March 2018;
- the condensed consolidated statement of cash flows for the three-months period ended 31 March 2018; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 (IAS 34), 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim 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 is 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 31 March 2018 condensed consolidated interim financial statements of Saudi Industrial Services Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners  
Certified Public Accountants**

Ebrahim Oboud Baeshen  
License No. 382

Jeddah on Shaban 16, 1439H  
Corresponding May 2, 2018



**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2018  
(Expressed in Saudi Arabian Riyals)

	Notes	31 March 2018 (Unaudited)	31 December 2017 (Audited)
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	5	918,217,029	927,089,954
Intangible assets	6	1,221,754,737	1,238,841,157
Investment properties		150,011,176	152,430,488
Investments	7	183,326,656	180,297,457
Trade receivables and prepayments, long-term		8,800,094	8,376,771
<b>Total non-current assets</b>		<b>2,482,109,692</b>	<b>2,507,035,827</b>
<b>Current assets:</b>			
Inventories		23,488,288	25,502,589
Trade and other receivables		106,145,159	101,588,415
Cash and cash equivalents	8	176,560,284	150,707,941
<b>Total current assets</b>		<b>306,193,731</b>	<b>277,798,945</b>
<b>Total assets</b>		<b>2,788,303,423</b>	<b>2,784,834,772</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Share capital	9	816,000,000	816,000,000
Share premium		36,409,063	36,409,063
Statutory reserve		66,672,990	66,615,976
Other reserves		10,841,154	10,697,262
Retained earnings		138,082,335	137,569,208
<b>Equity attributable to the shareholders' of Parent Company</b>		<b>1,068,005,542</b>	<b>1,067,291,509</b>
Non-controlling interests		474,915,241	476,769,749
<b>Total equity</b>		<b>1,542,920,783</b>	<b>1,544,061,258</b>
<b>Non-current liabilities:</b>			
Long-term loans and bank facilities	10	841,014,838	839,710,326
Employees' end of service benefits		27,368,867	26,693,232
Long-term provisions		68,721,121	66,040,748
<b>Total non-current liabilities</b>		<b>937,104,826</b>	<b>932,444,306</b>
<b>Current liabilities:</b>			
Current portion of long-term loans and bank facilities	10	146,191,756	146,391,442
Zakat and income tax payable		5,060,429	5,096,081
Trade payables and other current liabilities		157,025,629	156,841,685
<b>Total current liabilities</b>		<b>308,277,814</b>	<b>308,329,208</b>
<b>Total liabilities</b>		<b>1,245,382,640</b>	<b>1,240,773,514</b>
<b>Total equity and liabilities</b>		<b>2,788,303,423</b>	<b>2,784,834,772</b>

The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

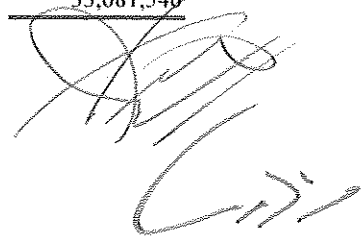
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

	<u>Notes</u>	<u>2018</u> (Unaudited)	<u>2017</u> (Unaudited)
Revenue	13	117,974,697	171,957,443
Costs of revenue		<u>(80,835,151)</u>	<u>(96,756,988)</u>
<b>Gross profit</b>		<b>37,139,546</b>	<b>75,200,455</b>
Selling and distribution expenses		(4,164,308)	(3,514,723)
General and administrative expenses		(29,107,967)	(32,927,554)
Other income		241,054	981,176
Impairment loss on trade receivables		<u>(20,329)</u>	<u>(121,657)</u>
<b>Operating profit</b>		<b>4,087,996</b>	<b>39,617,697</b>
Finance costs		(9,792,964)	(8,568,201)
Finance income		--	202,434
Share in results from equity accounted associates, net	7.2	<u>5,591,698</u>	<u>4,548,759</u>
<b>(Loss) / profit before Zakat and income tax</b>		<b>(113,270)</b>	<b>35,800,689</b>
Zakat and income tax		<u>(1,293,455)</u>	<u>(3,140,201)</u>
<b>(Loss) / profit for the period</b>		<b><u>(1,406,725)</u></b>	<b><u>32,660,488</u></b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Investment in mutual fund at FVOCI – net change in fair value		237,445	--
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Cash flow hedges – effective portion of changes in fair value		--	1,021,058
<b>Other comprehensive income for the period</b>		<u>237,445</u>	<u>1,021,058</u>
<b>Total comprehensive (loss) / income for the period</b>		<u><b>(1,169,280)</b></u>	<u><b>33,681,546</b></u>



The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.

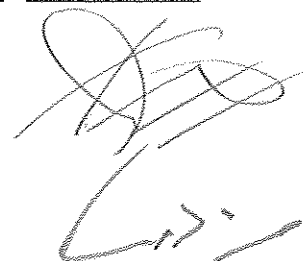


**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>31 March 2018</u> (Unaudited)	<u>31 March 2017</u> (Unaudited)
<b>(Loss) / profit for the period attributable to:</b>			
- Shareholders' of the Parent Company		570,141	22,126,200
- Non-controlling interests' share of net income in subsidiaries		<u>(1,976,866)</u>	<u>10,534,288</u>
<b>(Loss) / profit for the period</b>		<u><b>(1,406,725)</b></u>	<u><b>32,660,488</b></u>
<b>Total comprehensive income for the period attributable to:</b>			
- Shareholders' of the Parent Company		714,033	22,744,730
- Non-controlling interests' share of net income in subsidiaries		<u>(1,883,313)</u>	<u>10,936,816</u>
<b>Total comprehensive (loss) / income for the period</b>		<u><b>(1,169,280)</b></u>	<u><b>33,681,546</b></u>
<b>Earnings per share</b>	14		
Basic and diluted earnings per share from net profit for the period attributable to the Shareholders' of the Parent Company		<u><b>0.01</b></u>	<u><b>0.27</b></u>

The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY  
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

	Equity attributable to the shareholders' of the Parent Company								
	Share capital	Share premium	Statutory Reserve	Effect of changes in shareholding percentage in subsidiaries	Unrealized gain on available for sale investments	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2018 (Audited)	816,000,000	36,409,063	66,615,976	1,133,474	9,563,788	137,569,208	1,067,291,509	476,769,749	1,544,061,258
<b>Total comprehensive income</b>	--	--	--	--	--	570,141	570,141	(1,976,866)	(1,406,725)
Loss for the period	--	--	--	--	143,892	--	143,892	93,553	237,445
Other comprehensive income	--	--	--	--	--	--	--	--	--
<b>Other transactions / changes</b>	--	--	--	--	--	--	--	28,805	28,805
Net movement in non-controlling interests	--	--	--	--	--	--	--	--	--
Transfer to statutory reserve	--	--	57,014	--	--	(57,014)	--	--	--
<b>Balance at 31 March 2018 (Unaudited)</b>	<b>816,000,000</b>	<b>36,409,063</b>	<b>66,672,990</b>	<b>1,133,474</b>	<b>9,707,680</b>	<b>138,082,335</b>	<b>1,068,005,542</b>	<b>474,915,241</b>	<b>1,542,920,783</b>

The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.



**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

	Equity attributable to the shareholders' of the Parent Company										
	Share capital	Share premium	Statutory reserve	Special Reserve	Effect of changes in shareholding percentage in subsidiaries	Other reserves			Total	Non-controlling interests	Total equity
						Cash flow hedging reserve	Unrealized gain on available for sale investment	Retained earnings			
Balance at 1 January 2017 (Audited)	680,000,000	36,409,063	39,758,712	19,869,813	1,518,649	(289,950)	7,217,861	227,264,162	1,011,748,310	478,196,792	1,489,945,102
<u>Total comprehensive income</u>	--	--	--	--	--	--	--	22,126,200	22,126,200	10,534,288	32,660,488
Profit for the period	--	--	--	--	--	618,530	--	--	618,530	402,528	1,021,058
Other comprehensive income	--	--	--	--	--	--	--	--	--	--	--
<u>Other transactions / changes</u>	--	--	2,212,620	1,106,310	--	--	--	(3,318,930)	--	--	--
Transfer to statutory reserve	--	--	--	--	--	--	--	--	--	--	--
Balance at 31 March 2017 (Unaudited)	680,000,000	36,409,063	41,971,332	20,976,123	1,518,649	328,580	7,217,861	246,071,432	1,034,493,040	489,133,608	1,523,626,648

The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

	<u>Notes</u>	<u>2018</u> (Unaudited)	<u>2017</u> (Unaudited)
<b>Operating activities:</b>			
(Loss) / profit before Zakat and income tax		(113,270)	35,800,689
<i>Adjustments for:</i>			
Depreciation and amortization		37,823,023	32,788,583
Provision for employees' end of service benefits		1,075,718	1,649,929
Gain on disposal of property, plant and equipment		--	(6,331)
Share in results from equity accounted associates, net	7.2	(5,591,698)	(4,548,759)
Provision for doubtful debts		20,329	121,657
Provision for inventories		362,637	839,555
Amortization of advance rentals		1,304,512	1,025,759
Provision for asset replacement cost		2,680,373	2,023,446
Financial charges		9,792,964	8,568,201
		<u>47,354,588</u>	<u>78,262,729</u>
<b>Changes in:</b>			
Trade and other receivables		(5,542,083)	(26,391,906)
Inventories		1,651,664	1,417,392
Trade payable and other current liabilities		(8,041,564)	16,933,179
Cash generated from operating activities		<u>35,422,605</u>	<u>70,221,394</u>
Employees' end of service benefits paid		(400,083)	(1,140,674)
Zakat and income tax paid		(787,420)	--
Financial charges paid		(1,567,456)	(1,287,676)
<b>Net cash generated from operating activities</b>		<u>32,667,646</u>	<u>67,793,044</u>
<b>Investing activities:</b>			
Additions to property, plant and equipment		(9,444,366)	(57,524,411)
Dividends received from an associate	7.2	2,799,944	--
Proceeds from disposal of property, plant and equipment		--	268,337
<b>Net cash used in investing activities</b>		<u>(6,644,422)</u>	<u>(57,256,074)</u>
<b>Financing activities:</b>			
Borrowings of loans and bank facilities		3,794,039	30,277,799
Repayment of loans and bank facilities		(3,993,725)	(4,676,545)
Net movement in non-controlling interests		28,805	--
<b>Net cash (used in) / generated from financing activities</b>		<u>(170,881)</u>	<u>25,601,254</u>
<b>Net change in cash and cash equivalents</b>		<b>25,852,343</b>	<b>36,138,224</b>
Cash and cash equivalents at the beginning of the period		<u>150,707,941</u>	<u>195,404,320</u>
<b>Cash and cash equivalents at the end of the period</b>	<b>8</b>	<u><b>176,560,284</b></u>	<u><b>231,542,544</b></u>

The accompanying notes 1 through 18 form an integral part of these condensed consolidated interim financial statements.

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three-months period ended 31 March 2018

(Expressed in Saudi Arabian Riyals)

**1. ORGANISATION AND PRINCIPAL ACTIVITIES**

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

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

<u>Company</u>	<u>Country of incorporation</u>	<u>Effective shareholding</u>		<u>Principal activities</u>
		<u>2018</u>	<u>2017</u>	
Saudi Trade and Export Development Company Limited ("Tusdeer")	Saudi Arabia	76%	76%	Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Company – Closed Joint Stock Company ("Kindasa")	Saudi Arabia	65%	65%	Water desalination and treatment plant and sale of water.
Support Services Operation Limited Company ("ISNAD")	Saudi Arabia	99.28%	99.28%	Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease.
Red Sea Gateway Terminal Company Limited ("RSGT")	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.
Red Sea Port Development Company – Closed Joint Stock Company ("RSPD")	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three-months period ended 31 March 2018

(Expressed in Saudi Arabian Riyals)

---

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual Consolidated Financial Statements as at and for the year ended 31 December 2017 ("last annual Financial Statements"). They do not include all of the information required for a complete set of financial statements however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual Financial Statements.

This is the first set of condensed consolidated interim financial statements where IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been applied. Changes to significant accounting policies are described in Note 4.1 and 4.2.

**2.2 Basis of Measurement**

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for investments at fair value through other comprehensive income (FVOCI) which are stated at fair value, defined benefit obligation which is recognised at the present value of future obligations using the Projected Unit Credit Method and provision for asset replacement cost which is recognised at the present value of depreciated cost of future replaceable assets as per contractual requirements of service concession arrangement. Further, the condensed consolidated interim financial statements are prepared using the accrual basis of accounting and going concern concept.

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates 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 made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 4.1 and 4.2.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

---

3. **BASIS OF CONSOLIDATION**

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

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

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

*Investments in associates (equity accounted investees)*

The Group's interest in equity-accounted investee comprise investments in associates.

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three-months period ended 31 March 2018

(Expressed in Saudi Arabian Riyals)

---

**3. BASIS OF CONSOLIDATION (continued)**

*Investments in associates (equity accounted investees) (continued)*

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

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

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

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

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual audited financial statements as at and for the year ended 31 December 2017 except of the following changes in accounting policies:

The Group has adopted IFRS 15 Revenue from Contracts with Customers (note 4.1) and IFRS 9 Financial Instruments (note 4.2) from 1 January 2018.

The effect of initially applying these standards is mainly attributed to the change in impairment losses recognised on financial assets (note 4.2)

**4.1 IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018).

However since the customers of the Group obtains controls of the goods or services at a point in time i.e. on delivery and acknowledgement of goods or services rather than over a period of time, therefore, there is no material effect of adopting 'IFRS 15 Revenue from Contracts with Customers' on the recognition of revenue by the Group during current and prior periods. Accordingly, the information presented for previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three-months period ended 31 March 2018

(Expressed in Saudi Arabian Riyals)

---

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.1 IFRS 15 Revenue from Contracts with Customers (continued)**

The details of the new significant accounting policies in relation to the Group's sale of goods and provision of services are set out below.

**Revenue recognition from Contracts with Customers and related assets and liabilities:**

Revenue is measured on the consideration specified in the contract with the customer and excludes amount collected on behalf of the third parties.

Principles of IFRS 15 are applied by identifying each specified distinct goods or services promised to the customer in the contract and evaluating whether the entity under the consideration obtains control of the specified good or service before it is transferred to the customer.

Under IFRS 15, Revenue is recognized when obligations under the terms of a contract with the customer are satisfied; generally, this occurs with the transfer of control of the products or services. Revenue is measured at the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. Sales, value add, and other taxes collected concurrent with revenue-producing activities are excluded from revenue. The Group does not have any material significant payment terms as payment is received in advance, at or shortly after the point of sale.

The Group generally recognizes revenue at a point in time except for lease rental revenue which is recognized on time proportionate basis over future periods. The Group transfers control and recognizes a sale when the product is delivered to the customer, for the majority of the revenue contracts. Management uses an observable price to determine the stand-alone selling price for separate performance obligations or a cost-plus margin approach when one is not available. The Group has elected to recognize the cost for freight and shipping, if any, when control is transferred to the customer as an expense in cost of revenue.

If a contract is separated into more than one performance obligation, the total transaction price is allocated to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. The Group mostly sells standard products with observable standalone sales with single performance obligation.

Cash received in advance of revenue being recognized is classified as current deferred / unearned revenue, except for the portion expected to be settled beyond 12 months of the consolidated statement of financial position date, which is classified as non-current deferred revenue.

***Rendering of services***

The Group is involved in the provision of operational services in relation to its port operations, as well as provision of logistical and maintenance services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. The Group recognises revenue from rendering of services based on the assessment of the work performed / completed (i.e. delivered and acknowledged / accepted) under the contractual obligation undertaken to be performed as per the work order / contract / sales order.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

---

4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

4.1 **IFRS 15 Revenue from Contracts with Customers (continued)**

*Rental revenue*

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

4.2 **IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

i) **Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.2 IFRS 9 Financial Instruments (continued)**

*i) Classification and measurement of financial assets and financial liabilities (continued)*

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise a financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at Fair Value Through Profit or Loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at Fair Value through Other Comprehensive Income (FVOCI)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Group's financial assets as at 1 January 2018:

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.2 IFRS 9 Financial Instruments (continued)**

*ii) Classification and measurement of financial assets and financial liabilities (continued)*

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Equity investment	a	Available for sale	FVOCI – Equity instrument	18,838,212	18,838,212
Investment in mutual funds	a	Available for sale	FVOCI – Equity instrument	50,487,996	50,487,996
Trade and other receivables	b	Loans and receivables	Amortised cost	101,818,166	101,818,166
Cash and bank balances		Loans and receivables	Amortised cost	150,707,941	150,707,941
<b>Total</b>				<b>321,852,315</b>	<b>321,852,315</b>

- a) These equity securities represent investments that the Group intends to hold for the long-term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- b) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An decrease of SR 0.106 million in the allowance for impairment over these receivables was not recognised in the opening retained earnings at 1 January 2018 on transition to IFRS 9 as the amount was not considered material to the overall financial position of the Group.

*iii) Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

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

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

The Group measures loss allowances at an amount equal to lifetime ECLs.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

---

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 IFRS 9 Financial Instruments (continued)

ii) Impairment of financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

*Presentation of impairment*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade receivables are presented separately in the condensed consolidated statement of profit or loss and other comprehensive income. As a result, the Group reclassified impairment losses amounting to SR 0.12 million, recognized under IAS 39, from 'selling and distribution expense' to 'impairment loss on trade receivables' in the condensed consolidated statement of profit or loss for the three months ended 31 March 2017.

iii) Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are not recognised in retained earnings as at 1 January 2018 as amount was not material.

Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

---

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.3 New Standards, Amendments and Standards issued and not yet effective**

**a) Standards issued but not yet effective**

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

*i. IFRS 16 Leases*

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

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

The standard is effective for annual periods beginning on or after 1 January 2019 and early adoption is permitted.

The Group has completed an initial assessment of the potential impact on its Consolidated Financial Statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

Thus far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of depot warehouses. In addition, the nature of expenses related to those leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected for the Group's finance leases.

*Determining whether an arrangement contains a lease*

On transition to IFRS 16, the Group can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

---

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.3 New Standards, Amendments and Standards issued and not yet effective**

**a) Standards issued but not yet effective (continued)**

*i. IFRS 16 Leases (continued)*

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

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

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

*ii. Annual Improvements to IFRSs 2015–2017 Cycle*

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

IAS 12 Income Taxes - clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

IAS 23 Borrowing Costs - clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any nonqualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

*iii. IFRIC 23 Uncertainty over Income Tax Treatments*

Seeks to bring clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether it's probable that the tax authority will accept the Group's chosen tax treatment.

*iv. Other Amendments*

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

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**5. PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment, net comprises of the following:

	<b>31 March 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Property, plant and equipment	300,421,708	298,137,823
Property and equipment of bonded and re-export project	32,158,629	32,637,572
Property and equipment – port terminal operations	<u>585,636,692</u>	<u>596,314,559</u>
	<u><b>918,217,029</b></u>	<u><b>927,089,954</b></u>

During the three months period ended 31 March 2018, additions amounting to SR 9.44 million (31 March 2017: SR 57.52 million) were made to property, plant and equipment.

**6. INTANGIBLE ASSETS**

Intangible assets comprise of the following:

	<b>31 March 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Port concession rights (Note 'a')	1,182,249,902	1,198,629,009
Right to use land (Note 'b')	27,002,536	27,298,792
Goodwill (Note 'c')	8,776,760	8,776,760
Other intangible assets	<u>3,725,539</u>	<u>4,136,596</u>
	<u><b>1,221,754,737</b></u>	<u><b>1,238,841,157</b></u>

**a) Port concession rights**

The movement in port concession rights is as follows:

	<b>Total</b>
<b><u>Cost:</u></b>	
Balance at 1 January and 31 March 2018	<u>1,711,145,484</u>
<b><u>Amortisation:</u></b>	
Balance at 1 January 2018	512,516,475
Charge for the period	<u>16,379,107</u>
Balance at 31 March 2018	<u>528,895,582</u>
<b><u>Net book value:</u></b>	
At 31 March 2018 (unaudited)	<u><b>1,182,249,902</b></u>
At 31 December 2017 (audited)	<u><b>1,198,629,009</b></u>

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

---

**6. INTANGIBLE ASSETS (continued)**

**b) Right to use land**

Saudi Trade and Export Development Company (Tusdeer) had an agreement with Saudi Arabian Seaport Authority ("SEAPA") for the construction of a container terminal at the re-export zone of Jeddah Islamic Port. This Build-Operate-Transfer ("BOT") Service Concession Agreement with SEAPA has been novated by Tusdeer to RSGT, effective from 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.

**c) Goodwill**

Goodwill of SR 9.3 million (31 December 2017: SR 9.3 million) was recognised on acquisition of Kindasa Water Services Company, a subsidiary; and its carrying value as of 31 March 2018 is SR 8.8 million (31 December 2017: SR 8.8 million).

**7. INVESTMENTS**

Investments comprise of following:

	<b>31 March <u>2018</u> (Unaudited)</b>	<b>31 December <u>2017</u> (Audited)</b>
Investment in equity accounted associates (Note 7.1 and 7.2)	<b>113,763,003</b>	110,971,249
Investments at FVOCI (Note 7.3)	<b>69,563,653</b>	69,326,208
	<b><u>183,326,656</u></b>	<u>180,297,457</u>

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**7. INVESTMENTS (continued)**

**7.1 Investment in equity accounted associates**

Investment in equity accounted associates comprise of the following:

Associates	Principal activities	Country of incorporation	Effective shareholding Percentage		Carrying amount	
			31 March 2018 (Unaudited)	31 December 2017 (Audited)	31 March 2018 (Unaudited)	31 December 2017 (Audited)
International Water Distribution Company Limited	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	50%	50%	65,746,440	63,825,428
Saudi Water and Environmental Services Company (Note 'i' below)	Electrical, water and mechanical works and related operation and maintenance	Kingdom of Saudi Arabia	31.85%	31.85%	16,825,760	15,976,838
Saudi Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	33.33%	33.33%	30,479,243	30,502,211
Xenmet SA, Vaduz (Note 'ii' below)	Trading, storage and brokerage of commodities	Principality of Liechtenstein	19%	19%	711,560	666,772
					<u>113,763,003</u>	<u>110,971,249</u>

- i. Saudi Water and Environmental Services Company is 49% (31 December 2017: 49%) owned by Kindasa Water Services Company (a subsidiary), which is 65% (31 December 2017: 65%) owned by the Parent Company.
- ii. Xenmet SA, Vaduz is 25% (31 December 2017: 25%) owned by Saudi Trade and Export Development Company Limited (a subsidiary), which is 76% (31 December 2017: 76%) owned by the Parent Company.

**7.2 Movement in investment in associates is as follows:**

	31 March 2018 (Unaudited)	31 December 2017 (Audited)	31 March 2017 (Unaudited)
Balance at beginning of the period / year	110,971,249	100,685,270	101,131,652
Dividends received during the period / year	(2,799,944)	(9,928,474)	--
Share in other comprehensive income of associates	--	(521,236)	--
Share of results of associates, net	<u>5,591,698</u>	<u>20,735,689</u>	<u>4,548,759</u>
Balance at end of the period / year	<u>113,763,003</u>	<u>110,971,249</u>	<u>105,680,411</u>



**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**7. INVESTMENTS (continued)**

**7.3 Investments at FVOCI comprise of the following:**

	<b>31 March 2018</b>	<b>31 December 2017</b>
	(Unaudited)	(Audited)
Mutual fund – quoted (Note 7.3.1)	50,725,441	50,487,996
Equity securities - unquoted (Note 7.3.2)	18,838,212	18,838,212
	<u>69,563,653</u>	<u>69,326,208</u>

**7.3.1 Investment in quoted mutual fund classified as investment at FVOCI comprises of:**

<b>Mutual fund</b>	<b>31 March 2018 (Unaudited)</b>		
	<b>Units</b>	<b>Costs of investment</b>	<b>Fair value</b>
Al Rajhi Commodities Mudaraba Fund - SAR	334,290	50,000,000	50,725,441

<b>Mutual fund</b>	<b>31 December 2017 (Audited)</b>		
	<b>Units</b>	<b>Costs of investment</b>	<b>Fair value</b>
Al Rajhi Commodities Mudaraba Fund - SAR	334,290	50,000,000	50,487,996

- a) Investments in mutual fund represents investments made by one of the subsidiaries of the Company by utilizing the funds available in the debt service reserve account, held with a commercial bank, in accordance with the terms of Ijarah financing arrangement.
- b) The investment and realization / redemption decision rests with the management of the subsidiary. However, the amount invested and realized / redeemed can only deposited back into debt service reserve account (Note 8.1).

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**7. INVESTMENTS (continued)**

7.3.2 Movement in unquoted equity securities classified as investment at FVOCI is as follows:

	<b>31 March 2018</b> (Unaudited)	31 December 2017 (Audited)
Balance at beginning of the period / year	18,838,212	16,788,011
Changes in fair value	--	2,050,201
Balance at end of the period / year	<u>18,838,212</u>	<u>18,838,212</u>

**8. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of following:

	<b>31 March 2018</b> (Unaudited)	31 December 2017 (Audited)
Cash on hand	290,670	352,924
Cash at banks (Note 8.1)	146,269,614	135,355,017
Murabaha term deposits (Note 8.2)	30,000,000	15,000,000
	<u>176,560,284</u>	<u>150,707,941</u>

8.1 Cash at banks include restricted balances amounting to:

- SR 13.12 million (31 December 2017: SR 13.12 million) held in debt service reserve account with a commercial bank, held in accordance with the terms of Ijarah financing arrangement.
- SR 0.54 million (31 December 2017: SR 0.54 million) held with a commercial bank in respect of accumulated unclaimed dividends.

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

**9. SHARE CAPITAL**

As at 31 March 2018, the authorised and paid up capital of the Company is divided into 81.6 million shares (31 December 2017: 81.6 million shares) of SR 10 each.

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**10. LONG-TERM LOANS AND BANK FACILITIES**

Long-term loans and bank facilities are as follows:

	<b>31 March 2018 (Unaudited)</b>	<b>31 December 2017 (Audited)</b>
Ijara facilities obtained from banks (Note (a))	727,200,599	726,174,839
Long-term loans (Note (b))	256,211,956	255,933,204
Long-term loans (Note (c))	3,794,039	3,993,725
Total long-term loans	<u>987,206,594</u>	<u>986,101,768</u>
Less: current portion	<u>(146,191,756)</u>	<u>(146,391,442)</u>
<b>Non-current portion</b>	<b><u>841,014,838</u></b>	<b><u>839,710,326</u></b>

- a) During 2007, RSGT, entered into an Ijara arrangement with two banks to obtain a loan of SR 1,271 million. The Ijara facility is secured by property and equipment – port terminal operations and intangible assets – port concession rights of RSGT (Note 5 and 6). The remaining amount of loan is repayable in twelve semi-annual installments, with maturity of up to December 2023. The loan bears commission rate of SIBOR plus an agreed margin. The facility includes unamortised portion of the advance rentals and other fees paid to the banks, this will be amortised over the remaining period of the Ijara facility.
- b) During 2016, RSGT entered into an Ijara arrangement with two banks to obtain a loan of SR 260 million for expansion of its existing berths. The Ijara facility is secured by the property and equipment – port terminal operations and intangible assets – port concession rights of RSGT (Note 5 and 6). The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in twelve semi-annual installments ending in December 2023. The first installment of the loan facility is payable in June 2018.
- c) During 2016, Kindasa entered into an agreement for a long-term facility with a commercial bank amounting to SR 24 million to finance the construction of a new water desalination facility at Rabigh. The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in quarterly instalments commencing one year after the first drawdown. The loan is secured by secondary mortgage over Kindasa's property and equipment. The loan agreement includes certain covenants such as capital expenditure, routing of proceeds, dividend payments and maintenance of financial ratios. During the three months period ended 31 March 2018, Kindasa has drawn down SR 3.79 million (31 March 2017: SR 1.99 million) and repaid SR 3.99 million (31 March 2017: SR Nil).

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**11. RELATED PARTY TRANSACTIONS AND BALANCES**

Significant related party transactions for the three-months period ended 31 March and balances arising there from are described as under:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>31 March 2018</u> (Unaudited)	<u>31 March 2017</u> (Unaudited)	<u>31 March 2018</u> (Unaudited)	<u>31 December 2017</u> (Audited)
International Water Distribution Company Limited	Associate	Sales of goods and services	14,823,895	14,854,236	11,127,468	9,084,846
		Services rendered to Associate	168,000	165,000	--	--
		Expenses incurred by Associate on behalf of the Group	--	(2,990)	--	--
		Expenses incurred by the Group on behalf of the Associate	29,395	50,696	--	1,500,000
Arabian Bulk Trade Limited	Affiliate	Lease of land, warehouses and sale of services	224,231	484,719	198,139	111,978
Ambro Limited	Affiliate	Lease of land and warehouses	--	--	--	--
		Purchase of services	(35,653)	--	(61,444)	--
Saudi Cable Company	Affiliate	Lease of land, warehouses and sale of services	81,713	397,514	318,628	51,830

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>31 March 2018</u> (Unaudited)	<u>31 March 2017</u> (Unaudited)	<u>31 March 2018</u> (Unaudited)	<u>31 December 2017</u> (Audited)
Saudi Al Jabr Talke Company Limited	Associate	Services rendered to Associate	69,285	104,068	69,285	--
		Dividend received from associate	2,799,944	--	--	--
		Expenses cross charged by Associate	--	(13,690)	--	--
Saudi Water and Environmental Services Company Limited	Associate	Sale of goods and services	1,078,591	1,260,138	365,881	234,010
Xenel Industries Limited	Shareholder	Payments made by the Group on behalf of the Shareholder	18,545	114,473	--	--
		Expenses incurred by the Shareholder on behalf of the Group	(109,488)	(761,110)	(573,397)	(482,452)
Stork Technical Services Saudi Arabia Limited	Associate	Payments made by the Group on behalf of Associate	--	394,409	--	365,063
		Expenses incurred by a subsidiary on behalf of the Associate	--	--	--	833,221
Al Karam Fedics Services Company	Affiliate	Purchase of goods and services	(2,215,168)	(2,188,393)	(1,455,251)	(785,363)
Aecom Arabia Limited (formerly Resource Science Arabia Limited)	Affiliate	Payments made by the Group on behalf of affiliate	--	--	--	64,226

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>31 March 2018</u> (Unaudited)	<u>31 March 2017</u> (Unaudited)	<u>31 March 2018</u> (Unaudited)	<u>31 December 2017</u> (Audited)
Haji Abdullah Ali Reza & Co. Limited - General Technical Division	Affiliate	Purchase of goods Advances paid for the purchase of goods	--	(10,246)	--	--
			--	47,500	--	--
Alireza Tourism and Aviation	Affiliate	Purchase of goods and services	(87,931)	(699,001)	(87,931)	(26,260)

**a) Key management personnel remuneration and compensation**

Key management personnel remuneration and compensation comprised of the following:

	<u>31 March 2018</u> (Unaudited)	<u>31 March 2017</u> (Unaudited)
Short-term employee benefits	<u>3,646,001</u>	<u>3,034,299</u>

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

**b) Board of Directors / Committee members remuneration**

Board of Directors remuneration and compensation comprised of the following:

	<u>31 March 2018</u> (Unaudited)	<u>31 March 2017</u> (Unaudited)
Meeting attendance fees	6,000	112,000
Other remuneration	--	117,000
	<u>6,000</u>	<u>229,000</u>

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three-months period ended 31 March 2018

(Expressed in Saudi Arabian Riyals)

---

**12. ZAKAT AND INCOME TAX**

**Zakat assessments status of the Group**

***Parent Company***

The General Authority for Zakat and Tax (GAZT) raised assessments for the years 2002 through 2008 with an additional liability of SR 25.8 million. The Company had filed an objection against the GAZT's assessment. The Higher Appeal Committee issued their decision 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 HAC. The Company has filed an appeal against the decision issued by the Higher Appeal Committee with the Board of Grievances. In addition, the Company has also requested the GAZT to reconsider their revised assessment.

Furthermore, the GAZT raised assessments for the years 2009 through 2013 with an additional Zakat and withholding tax liability of SR 10.95 million. The Company accepted and paid the imposition of Zakat amounting to SR 0.016 million. An appeal against the remaining amount was filed by the Company with the GAZT. The 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.

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

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

***Subsidiaries***

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

The GAZT has raised final assessment for the years 2011 through 2013 and claimed an additional tax, withholding tax and Zakat differences amounting to SR 4,761,905. An appeal has been filed against these assessments. During the year, the GAZT issued the revised assessment by reducing the liability to SR 1,228,929. Taking into account the earlier payment made by the Company amounting to SR 268,564, the total outstanding liability decreased to SR 960,365. The Company has accepted the GAZT revised assessments and settled the liability.

RSGT has finalized its Zakat and tax assessments with GAZT up to 2013 and have filed their Zakat and income tax returns up to 2017. Upto the date of these interim condensed consolidated financial statements, GAZT is yet to raise the assessment for the years ended 31 December 2014 through 2017.

RSPD has filed its Zakat and income tax returns up to the year 2017. Upto the date of this report, GAZT is yet to raise assessments.

***Saudi Trade and Export Development Company Limited ("the Subsidiary")***

The Subsidiary has finalized its Zakat assessments with GAZT up to 2008 and has filed its Zakat returns up to 2017. Upto the date of this report, GAZT is yet to raise the assessment for the years from 31 December 2009 to 31 December 2017.

***Support Services Operation Company Limited ("the Subsidiary")***

The Subsidiary has filed its Zakat returns up to 2017. Upto the date of this report, 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 2016. Upto the date of this report, GAZT is yet to raise the assessment for the years from 31 December 2009 to 31 December 2016.

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**13. REVENUE**

Revenue for the period is as follows:

	<u>Three-months period ended</u>	
	<u>2018</u>	<u>2017</u>
	(Unaudited)	(Unaudited)
Shipping and unloading services	76,211,363	119,034,623
Sale of potable water	24,221,200	24,745,703
Rentals and support services	17,542,134	28,177,117
	<u>117,974,697</u>	<u>171,957,443</u>

**14. 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.

	<u>Three-months period ended</u>	
	<u>2018</u>	<u>2017</u>
	(Unaudited)	(Unaudited)
Profit for the period attributable to ordinary equity holders of the Parent Company	<u>570,141</u>	<u>22,126,200</u>
Weighted average number of ordinary shares in issue	<u>81,600,000</u>	<u>81,600,000</u>
Basic and diluted earnings per share	<u>0.01</u>	<u>0.27</u>

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

**15. COMMITMENTS AND CONTINGENCIES**

In addition to the Zakat and income tax contingency matters as disclosed in Note 12, the Group has the following contingencies and commitments:

At 31 March 2018, the Group's bankers have issued letters of guarantee amounting to SR 50.27 million (31 December 2017: SR 50.27 million) against which cash margin of SR 12.43 million (31 December 2017: SR 12.43 million) was paid.

At 31 March 2018, the Group's bankers have issued letters of credit amounting to SR 25 million (31 December 2017: SR 29.6 million) against which cash margin of SR 0.15 million (31 December 2017: SR Nil) was paid.

As at 31 March 2018, the Group has commitments for capital work in progress amounting to SR 11.98 million (31 December 2017: SR 14.71 million) mainly relating to berth expansion project, new logistic hub and park construction project and new desalination plant construction and development project.



**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three-months period ended 31 March 2018

(Expressed in Saudi Arabian Riyals)

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

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

	Reportable Segments			Total (SR'000)	Unallocated (SR'000)	Total (SR'000)
	Port development and <u>Operations</u> (SR'000)	Logistic parks and support <u>Services</u> (SR'000)	Water desalination and <u>distribution</u> (SR'000)			
<b>31 March 2018 (Unaudited)</b>						
External revenues	76,212	25,498	24,394	126,104	--	126,104
Inter segment revenue	--	(7,956)	(173)	(8,129)	--	(8,129)
<b>Segment Revenue</b>	<b>76,212</b>	<b>17,542</b>	<b>24,221</b>	<b>117,975</b>	<b>--</b>	<b>117,975</b>
Cost of revenue	(57,558)	(15,409)	(15,997)	(88,964)	--	(88,964)
Inter-segment cost of revenue	173	7,956	--	8,129	--	8,129
<b>Segment cost</b>	<b>(57,385)</b>	<b>(7,453)</b>	<b>(15,997)</b>	<b>(80,835)</b>	<b>--</b>	<b>(80,835)</b>
Segment gross profit	18,827	10,089	8,224	37,140	--	37,140
Segment profit / (loss)	(10,151)	5,640	3,414	(1,097)	(310)	(1,407)
Profit attributable to shareholders of the Parent Company	(6,332)	5,001	2,211	880	(310)	570
<b>31 March 2018 (Unaudited)</b>						
Segment assets	1,947,156	347,716	236,898	2,531,770	256,533	2,788,303
Segment liabilities	1,151,969	41,231	22,773	1,216,973	28,409	1,245,382

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**16. BUSINESS SEGMENTS (continued)**

	Reportable Segments			Total (SR'000)	Unallocated (SR'000)	Total (SR'000)
	Port development and <u>Operations</u> (SR'000)	Logistic parks and support <u>Services</u> (SR'000)	Water desalination and <u>distribution</u> (SR'000)			
<b>31 March 2017 (Unaudited)</b>						
External revenues	119,092	31,102	24,899	175,093	--	175,093
Inter segment revenue	(58)	(2,925)	(153)	(3,136)	--	(3,136)
<b>Segment Revenue</b>	<b>119,034</b>	<b>28,177</b>	<b>24,746</b>	<b>171,957</b>	<b>--</b>	<b>171,957</b>
Cost of revenue	(71,203)	(11,972)	(16,718)	(99,893)	--	(99,893)
Inter-segment cost of revenue	2,322	814	--	3,136	--	3,136
<b>Segment cost</b>	<b>(68,881)</b>	<b>(11,158)</b>	<b>(16,718)</b>	<b>(96,757)</b>	<b>--</b>	<b>(96,757)</b>
Segment gross profit	50,153	17,019	8,028	75,200	--	75,200
Segment profit / (loss)	19,427	11,673	3,420	34,520	(1,860)	32,660
Profit / (loss) attributable to shareholders of the Parent Company	13,077	8,685	2,224	23,986	(1,860)	22,126
<b>31 December 2017 (Audited)</b>						
Segment assets	1,995,726	302,773	228,414	2,526,913	257,922	2,784,835
Segment liabilities	1,158,431	36,428	19,158	1,214,017	26,757	1,240,774

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

---

**17. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT**

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

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

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

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

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

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

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

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

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

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

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three-months period ended 31 March 2018

(Expressed in Saudi Arabian Riyals)

**17. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)**

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

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

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

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

<b>31 March 2018</b> <b>(Unaudited)</b>	Carrying amount		Fair value			
	Investment at FVOCI	Amortised cost	Level 1	Level 2	Level 3	Total
<b><i>Financial assets:</i></b>						
Trade and other receivables	--	91,696,375	--	--	--	--
Balances with banks	--	146,560,284	--	--	--	--
Murabaha term deposits	--	30,000,000	--	--	--	--
Investment in mutual funds	50,725,441	--	--	50,725,441	--	50,725,441
Investment in equity securities	18,838,212	--	--	--	--	--
	<b>69,563,653</b>	<b>268,256,659</b>	--	<b>50,725,441</b>	--	<b>50,725,441</b>

<b>31 March 2018</b> <b>(Unaudited)</b>	Carrying amount	Fair value			
	Other financial liabilities	Level 1	Level 2	Level 3	Total
<b><i>Financial liabilities:</i></b>					
Loans and borrowings	987,206,594	--	--	--	--
Trade payable and other current liabilities	137,661,137	--	--	--	--
	<b>1,124,867,731</b>	--	--	--	--

**SAUDI INDUSTRIAL SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-months period ended 31 March 2018  
(Expressed in Saudi Arabian Riyals)

**17. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT (continued)**

31 December 2017 (Audited)	Carrying amount		Fair value			
	Investment at FVOCI	Amortised cost	Level 1	Level 2	Level 3	Total
<b><i>Financial assets:</i></b>						
Trade and other receivables	--	101,818,166	--	--	--	--
Balances with banks and in hand	--	135,707,941	--	--	--	--
Murabaha term deposits	--	15,000,000	--	--	--	--
Investment in mutual funds	50,487,996	--	--	50,487,996	--	50,487,996
Investment in equity securities	18,838,212	--	--	--	--	--
	<u>69,326,208</u>	<u>252,526,107</u>	<u>--</u>	<u>50,487,996</u>	<u>--</u>	<u>50,487,996</u>

31 December 2017 (Audited)	Carrying amount	Fair value			
	Other financial liabilities	Level 1	Level 2	Level 3	Total
<b><i>Financial liabilities:</i></b>					
Loans and borrowings	986,101,768	--	--	--	--
Trade payable and other current liabilities	127,595,963	--	--	--	--
	<u>1,113,697,731</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

**18. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements were approved and authorised to issue by the Board of Directors on Shaban 16, 1439H, corresponding May 2, 2018.