SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saudi Industrial Services Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 March 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matter (continued)

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment of intangible assets and property, plant and equipment At 31 December 2018, the carrying value of the Group's intangible assets amounted to SR 1,162 million (2017: SR 1,230 million) and its property, plant and equipment amounted to SR 897 million (2017: SR 927.1 million). Intangible assets mainly comprise of port concession rights and right to use land resulting from Build-Operate-Transfer (BOT) agreement (the Agreement) with Saudi Ports Authority ("SPA" or "MAWANI") for construction and operation of a container terminal at Jeddah Islamic Port. The Group's property, plant and equipment comprise of container terminals, berths, cranes, storage facilities, desalination plants and related assets. For impairment assessment, the Group grouped combined the intangible assets and property, plant and equipment as smallest group of assets that generates cash flow from continuing use (cash generating unit or CGU) that are largely independent of cash flows of other assets or other CGUs. The present value of estimated cash flows from CGUs (recoverable amount) are then compared with the carrying values to arrive at an impairment amount. The Group's assessment of the recoverable amount of CGU involves use of significant judgement. This involves use of modelling techniques and requires a significant amount of judgement and estimation uncertainty. It also requires estimates of future cash flows and associated discount and growth rates based on management's view of future business prospects at the time of assessment. We considered impairment assessment of intangible assets and property plant and equipment as a key audit matter due to involvement of significant judgements and estimation uncertainty.	In order to evaluate management's assessment of impairment estimate of the CGU, we performed, among other audit procedures, the following: • discussed with the management the overall process and key inputs of the impairment estimation; • tested, on a sample basis, the design and implementation and effectiveness of the controls around estimation of recoverable amount; • evaluated and tested the assumptions, methodologies, CGU determination, the discount rates and other data used by the Group, for example by comparing them to external data; • evaluated the financial forecast, the methodology of the financial forecast preparation process and the reasonability of the forecasts at the level of individual entities as well as at the Group level; • evaluated management's outlook in the explicit period as well as the long term growth rate, in particular around forecasted revenues, earnings and capital expenditures; and • assessed whether the CGU structure is aligned with the organizational structure. Assessed the adequacy of the financial statement disclosures in terms of the applicable accounting standards, including disclosures of key assumptions, judgements and sensitivities.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
Refer to notes: 3.4 and 3.5 for the accounting policy relating to property, plant and equipment and intangible assets respectively and to notes 6 and 7 respectively for their related disclosures.	

Impairment loss on trade receivables:
 	
The gross balance of trade receivables as at 31 December 2018 amounted to SR 88.17 million (31 December 2017: 54 million), against which an allowance for impairment of SR 1.4 million (31 December 2017: 5.5 million) was made.
 	
Significant judgement is involved to determine the impairment allowance against trade receivables. These judgements included the interpretation of the IFRS 9 requirements to determine impairment, assumptions used by the Group's in the expected credit loss model, identification of the exposures as well as the time value of money.
 	
Given the significance of the impact of IFRS 9 on the Group's trade receivables, the complexity and judgements related particularly to the calculation of expected credit losses we considered this area as a key audit matter.
 	
Refer to Note: 3.10 for the accounting policy relating to trade receivables and note: 13 and 32 for the related disclosure.
	Our audit procedures included the following:
	
	• assessed the design and tested, for a selected sample, the operating effectiveness of relevant controls in relation to granting of credit terms and subsequent monitoring of trade receivables and review of credit risks of the customers.
	• assessed the significant judgements, estimates and assumptions made by the management.
	• assessed methodologies implemented by the Group with reference to the requirements of the IFRS 9 and assumptions used. Particularly we assessed the Group's:
	  • approach regarding assessment of the default;
	  • forward-looking information in the calculation of expected credit losses, and
	  • changes in the customer payment history.
	
	We also assessed the disclosures in the consolidated financial statements as required by IFRS 9 and IFRS 7 Financial instruments: Disclosure.

Provision for assets replacement costs At 31 December 2018, the carrying amount of the Group's provision for its obligation to maintain and replace certain equipment ("the Equipment") in accordance with the terms of the Agreement with MAWANI, amounted to SR 59.7 million (2017: SR 65.8 million). The Group estimated the amount of the provision for asset replacement by ascertaining the present value of expected cash flows in relation to replace	Our audit procedures included the following: • discussed the overall approach and controls put in place by management to build a model and estimate the provision; • assessed the model used by management to determine the provision for asset replacement cost; • tested on a sample basis, the completeness of the assets included in the calculation of the

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
those assets and costs to be incurred to maintain them in agreed condition. We identified the provision for asset replacement cost as a key audit matter because of the estimation and judgements involved for the amount and timing of the cash outflows, inflation rates applicable in the future and selection of appropriate discount rates to arrive at the present value of the obligation. *Refer to Note: 3.12 for the accounting policy relating to provision for assets replacement costs and note: 19 for the related disclosure.*	• provision to supporting Agreement and other documents; • reviewed the timing of cash outflows estimated by the management based on the remaining useful life of existing similar assets currently in use; • assessed the amount of cash outflow estimates through comparison with existing market prices of such equipment factored for inflation and depreciation in future periods; • involved our internal valuation specialist to assist in evaluating the discount rates and inflation rates applied and performed a sensitivity analysis on key assumptions; • compared key assumptions against industry benchmarks, applied our understanding of the business. and compared forecast cash outflows to historical experience; and • checked the mathematical accuracy of the provision for asset replacement cost using the methodology adopted by the management and assumptions used. Assessed the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Other information included in the group's 2018 annual report

Other information consists of the information included in the Group's 2018 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2018 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2018 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SAUDI INDUSTRIAL SERVICES COMPANY
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Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

26 Jumada II 1440H
3 March 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

ASSETS	*Notes*	***31 December 2018 SR***	*31 December 2017 SR*
NON-CURRENT ASSETS			
Property, plant and equipment	6	**896,943,951**	927,089,954
Intangible assets	7	**1,162,102,614**	1,230,064,397
Investment properties	8	**143,015,640**	152,430,488
Investment in associates	9	**121,114,973**	110,971,249
Financial assets at FVOCI	10	**17,899,897**	69,326,208
Goodwill	11	**8,776,760**	8,776,760
Trade receivables, long term	13	**8,041,252**	8,376,771
TOTAL NON-CURRENT ASSETS		**2,357,895,087**	2,507,035,827
CURRENT ASSETS			
Inventories, net	12	**21,302,655**	25,502,589
Trade receivables, prepayments and other receivables	13	**108,032,996**	88,801,554
Cash and cash equivalents	14	**180,584,183**	150,707,941
Due from related parties	29	**9,920,006**	12,245,174
TOTAL CURRENT ASSETS		**319,839,840**	277,257,258
TOTAL ASSETS		**2,677,734,927**	2,784,293,085
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	15	**816,000,000**	816,000,000
Share premium		**36,409,063**	36,409,063
Statutory reserve	16	**71,290,485**	66,615,976
Other components of equity		**5,907,331**	7,229,600
Retained earnings		**158,627,451**	141,036,870
Equity attributable to the shareholders' of the Parent		**1,088,234,330**	1,067,291,509
Non-controlling interests		**483,198,445**	476,769,749
TOTAL SHAREHOLDERS' EQUITY		**1,571,432,775**	1,544,061,258
NON-CURRENT LIABILITIES			
Long term loans and bank facilities	17	**699,026,622**	839,710,326
Employees' end-of-service benefits	18	**27,215,717**	26,693,232
Long term provisions	19	**61,503,570**	66,040,748
Derivative financial instrument	20	**4,537,974**	-
TOTAL-NON CURRENT LIABILITIES		**792,283,883**	932,444,306
CURRENT LIABILITIES			
Current portion of long term loans and bank facilities	17	**153,414,129**	146,391,442
Trade payables, accrued and other current liabilities	21	**159,711,795**	158,356,053
Due to related parties	29	**892,345**	3,040,026
TOTAL CURRENT LIABILITIES		**314,018,269**	307,787,521
TOTAL LIABILITIES		**1,106,302,152**	1,240,231,827
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,677,734,927**	2,784,293,085

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	Notes	***2018*** ***SR***	*2017* *SR*
Revenues	22	**564,704,864**	562,406,807
Direct costs	23	**(342,639,116)**	(363,719,899)
GROSS PROFIT		**222,065,748**	198,686,908
OPERATING EXPENSES			
Selling and distribution expenses	24	**(16,395,376)**	(19,467,177)
General and administrative expenses	25	**(117,592,131)**	(105,299,727)
TOTAL OPERATING EXPENSES		**(133,987,507)**	(124,766,904)
OPERATING INCOME		**88,078,241**	73,920,004
Finance costs		**(50,779,637)**	(34,993,996)
Finance income		**500,897**	608,742
Other income	26	**8,781,688**	27,553,350
Share in results from equity accounted associates, net		**23,745,408**	20,735,689
PROFIT BEFORE ZAKAT AND INCOME TAX		**70,326,597**	87,823,789
Zakat and income tax	27	**(4,806,109)**	(6,702,089)
NET PROFIT FOR THE YEAR		**65,520,488**	81,121,700
ATTRIBUTABLE TO:			
Shareholders' of the parent		**46,745,090**	58,811,404
Non-controlling interests		**18,775,398**	22,310,296
		65,520,488	81,121,700

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	***2018***	*2017*
		SR	*SR*
NET PROFIT FOR THE YEAR		**65,520,488**	81,121,700
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Gain / (loss) re-measurement of employees' end-of-service benefits	18	**2,976,034**	(2,999,425)
Net change in fair value of financial assets at FVOCI	10	**(1,426,311)**	2,538,197
Share of actuarial losses of equity accounted associates		**793,260**	(521,236)
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value	20	**(4,537,974)**	484,800
OTHER COMPREHENSIVE LOSS		**(2,194,991)**	(497,664)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**63,325,497**	80,624,036
ATTRIBUTABLE TO:			
Shareholders' of the parent		**45,422,821**	58,974,105
Non-controlling interests		**17,902,676**	21,649,931
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**63,325,497**	80,624,036
EARNINGS PER SHARE			
Basic and diluted earnings per share from net profit for the year attributable to the Shareholders' of the Parent	28	**0.57**	0.72

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2018

	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***	***Fair value reserve on financial assets at FVOCI SR***	***Retained Earnings SR***	***Total SR***	***Non-controlling interests SR***	***Total equity SR***
Balance at 1 January 2018	816,000,000	36,409,063	66,615,976	1,133,474	(3,467,662)	-	9,563,788	141,036,870	1,067,291,509	476,769,749	1,544,061,258
Profit for the year	-	-	-	-	-	-	-	46,745,090	46,745,090	18,775,398	65,520,488
Other comprehensive income	-	-	-	-	2,661,784	(2,750,012)	(1,234,041)	-	(1,322,269)	(872,722)	(2,194,991)
Total comprehensive income	-	-	-	-	2,661,784	(2,750,012)	(1,234,041)	46,745,090	45,422,821	17,902,676	63,325,497
Transfer to statutory reserve	-	-	4,674,509	-	-	-	-	(4,674,509)	-	-	-
Dividends paid (note 15)	-	-	-	-	-	-	-	(24,480,000)	(24,480,000)	(11,476,500)	(35,956,500)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	2,520	2,520
Balance at 31 December 2018	**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**

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
For the year ended 31 December 2018

	Equity attributable to the shareholders' of the Parent Company										
					Other components of equity						
	Share Capital SR	*Share Premium SR*	*Statutory Reserve SR*	*Special Reserve (note 16) SR*	*Effect of changes in shareholding percentage in subsidiaries 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 2017	680,000,000	36,409,063	39,758,712	19,869,813	1,133,474	(289,950)	7,217,861	224,218,431	1,008,317,404	476,874,551	1,485,191,955
Issue of bonus shares (note 15)	136,000,000	-	-	-	-	-	-	(136,000,000)	-	-	-
Profit for the year	-	-	-	-	-	-	-	58,811,404	58,811,404	22,310,296	81,121,700
Other comprehensive income	-	-	-	-	-	289,950	2,345,927	(2,473,176)	162,701	(660,365)	(497,664)
Total comprehensive income	-	-	-	-	-	289,950	2,345,927	56,338,228	58,974,105	21,649,931	80,624,036
Transfer to statutory reserve	-	-	5,881,141	1,106,310	-	-	-	(6,987,451)	-	-	-
Transfer to reserves	-	-	20,976,123	(20,976,123)	-	-	-	-	-	-	-
Dividends paid to non-controlling interests' by a subsidiary	-	-	-	-	-	-	-	-	-	(21,754,733)	(21,754,733)
Balance at 31 December 2017	816,000,000	36,409,063	66,615,976	-	1,133,474	-	9,563,788	137,569,208	1,067,291,509	476,769,749	1,544,061,258

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	*2018* *SR*	*2017* *SR*
OPERATING ACTIVITIES			
Profit for the year before zakat and income tax		**70,326,597**	87,823,789
Adjustments for:			
Depreciation and amortization	6, 7 & 8	**149,866,024**	137,592,260
Provision for employees' end-of-service benefits	18	**5,497,529**	5,709,749
(Gain) / loss on disposal of property, plant and equipment	26	**(1,100,000)**	160,506
Amortisation of advance rentals		**5,202,099**	4,103,037
Share of results from equity accounted associates, net	9	**(23,745,408)**	(20,735,689)
Impairment allowance	32	**393,378**	3,777,935
Capital work in progress written-off	6	**2,897,171**	625,250
Amortization of deferred revenue		**(17,591)**	(18,910)
Provision for dismantling cost	19	**1,662,887**	-
Allowance for slow moving and obsolete inventories		**2,139,526**	3,203,831
Provision for asset replacement cost	19	**(6,182,474)**	9,416,666
Financial charges		**50,779,637**	34,993,996
		257,719,375	266,652,420
Changes in operating assets and liabilities			
Trade receivables, prepayments and other receivables		**(16,964,133)**	81,525
Inventories		**2,060,408**	2,413,798
Trade payables, accrued and other current liabilities		**(390,156)**	20,483,650
Cash from operating activities		**242,425,494**	289,631,393
Employees' end-of-service benefits paid	18	**(1,999,010)**	(3,981,921)
Finance costs paid		**(51,267,634)**	(32,414,745)
Zakat and income tax paid	27	**(5,207,892)**	(9,684,498)
Net cash from operating activities		**183,950,958**	243,550,229
INVESTING ACTIVITIES			
Dividends received from equity accounted associates	9	**14,394,945**	9,928,474
Purchase of property, plant and equipment	6, 7 & 8	**(46,953,161)**	(257,004,033)
Redemption of investments classified as available for sale	10	**50,487,996**	(50,000,000)
Proceeds from disposal of property, plant and equipment		**2,812,600**	1,004,404
Net cash from / (used in) investing activities		**20,742,380**	(296,071,155)
FINANCING ACTIVITIES			
Long term loans and bank facilities (paid) / received, net		**(138,863,116)**	29,579,280
Dividend paid		**(24,480,000)**	-
Dividends paid to non-controlling interests by subsidiaries		**(11,476,500)**	(21,754,733)
Net movement in non-controlling interests		**2,520**	-
Net cash (used in) / from financing activities		**(174,817,096)**	7,824,547
Net increase / (decrease) in cash and cash equivalents		**29,876,242**	(44,696,379)
Cash and cash equivalents at the beginning of the year	14	**150,707,941**	195,404,320
Cash and cash equivalents at the end of the year	14	**180,584,183**	150,707,941

1 ORGANIZATION 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 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**
		2018	2017	
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 Company Limited ("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

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

2 BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), employees end-of-services benefits and derivative financial instruments.

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

2.3 Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional and presentation currency of the Group.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Decision related to control over investee (note 3.1)
- Classification of investment property (note 3.5)
- Lease classification (note 3.6)
- Provision and contingencies (3.11)

Volume rebate

Certain contracts for the provision of services include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the provision of services with volume rebate as the selected method better predicts the amount of variable consideration driven by customers' rebate entitlement based on volume thresholds.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty, if any, on the variable consideration will be resolved within a short time frame.

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives and residual value of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Allowance for inventory losses
The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the specific manufacturer and both existing and emerging market conditions.

Provision for expected credit losses (ECLs) of trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 32.

Provision for equipment replacement cost
Provision for equipment replacement cost is assessed periodically based on the Build, Operate and Transfer Agreement and is discounted at a rate reflective of the term of the obligation. Significant assumptions included in the determination of this estimate are disclosed in note 19.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Defined benefit plan
The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 18.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Provisions
Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for new standards adopted during the year as disclosed in note 4, in the preparation of these consolidated financial statements.

3.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary is as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

These 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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investments in associates and jointly controlled entities

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

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

When the Group's share of losses exceeds its interest in associates, 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 a corresponding obligation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Saudi Riyals at exchange rates at the reporting date. Dividends received from foreign associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign exchange translation reserve via other comprehensive income.

3.3 Current versus non-current classification

Assets

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Property, plant and equipment

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

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

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

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

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

Capital work-in-progress
Capital work-in-progress are carried at cost less any recognised impairment loss and is capitalized as property, plant and equipment when ready for the intended use.

Depreciation
Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

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

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For discussion on impairment assessment of property and equipment, please refer note 6.

The estimated useful lives are as follows:

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

3.5 Intangibles
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Intangibles (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Port concession rights

The Group's port terminal operations are conducted pursuant to a long-term concession arrangement. The Group recognises port concession rights arising from a service concession arrangement, in which the public sector ("the grantor") controls or regulates the services provided, the prices charged and also controls any significant residual interest in the infrastructure such as property and equipment if the infrastructure is existing infrastructure of the grantor or the infrastructure is constructed or purchased by the Group as part of the service concession arrangement.

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

The port concession rights include all costs incurred towards construction of the container terminal. The port concession rights are stated at cost, less amortization of cost. The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

Right to-use-land

Right to use land is measured on initial recognition at cost. Following initial recognition, right to use land is carried at cost less any accumulated amortisation and any accumulated impairment losses. Right to use land is amortized over the concession period on straight line basis.

Other intangible assets

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

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

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. The estimated useful lives of other intangibles is from 2 to 5 years.

3.6 Investment properties

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

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

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Investment properties (continued)
Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the depreciated value at the date of change in use. If owner-occupied property becomes an investment property, the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.7 Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.8 Inventories
Inventories represent spare parts and other supplies. These are measured at lower of cost and net realisable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc.

3.9 Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, cash at banks and other short-term highly liquid deposits / investments with original maturities of three month or less, if any, which are available to the Group without any restrictions. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and Murabaha deposits.

3.10 Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement
The Group's financial assets consist of cash and bank balances, trade receivables, investments at fair value through other comprehensive income, investment in associates, due from related parties and financial liabilities consist of long term loans and bank facilities, trade and other payables.

Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

Initial recognition and measurement (continued)
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:
a) Financial assets at amortised cost
b) Financial assets at fair value through OCI (FVOCI)
c) Financial assets at fair value through profit or loss (FVTPL)

a) Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

b) Financial assets at fair value through OCI

Debt instruments
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Equity instruments
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

i) Financial assets (continued)

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Business model assessment

The Group makes an assessment of the objective of a business model under which an asset is held, at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amotised cost. All financial liabilities are recognised initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost
After initial recognition, financial liabilities, other than at fair value through profit or loss are measured at amortised cost using the EIR method. Gains and losses as a result of unwinding of profit cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

iii) Derecognition

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.11 Impairment of financial and non-financial assets

Financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.12 Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Employee benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits
The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss.

3.14 Cash dividend and non-cash distribution to equity holders of the Parent
The Group recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Group. As per the bye-laws of the Group, a distribution is authorised when it is approved by the shareholders. Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.
A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit or loss.

3.15 Revenue
The Group through its subsidiaries, jointly controlled entity and associates is engaged in the following businesses:

- Development, construction, operation and maintenance of container terminals and excavation and back filling works.
- Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port.
- Water desalination and treatment plant and sale of water.

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 direct cost.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Revenue (continued)

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

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.

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.

Volume rebates
The Group provides volume rebates to certain customers once their purchase during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method as the selected method better predicts the amount of variable consideration driven by customers' rebate entitlements based on volume thresholds and purchase made by them during the period. The Group then applies the requirements on constraining estimates of variable consideration and recognises a liability for the expected future rebates.

3.16 Expenses

Direct cost
Direct cost represents all expenses directly attributable or incidental to the core operating activities of the Group including but not limited to: depreciation of property, plant and equipment, amortization of intangibles, directly attributable employee related costs etc.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses. These also include allocations of certain general overheads.

General and administrative expenses
These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to direct cost or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administration expenses, where required, is made on a consistent basis.

3.17 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs comprise of interest expense on loans and bank facilities, unwinding of the discount on long term provisions.

3.18 Finance income
Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in consolidated statement of profit or loss, using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Zakat

Zakat
The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Deferred income tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Zakat and tax (continued)

Withholding tax
The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.19 Segment reporting
Business segment is group of assets, operations or entities:

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

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

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

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments, as follows:

- Port development and operations
- Logistic parks and support services
- Water desalination and distribution

4 IMPACT OF ADOPTION OF NEW STANDARDS

Effective 1 January 2018 the Group has adopted following IFRSs, the impact of the adoption of which is explained below:

IFRS 15 Revenue from Contracts with Customers
The Group adopted IFRS 15 'Revenue from Contracts with Customers' resulting in a change in the revenue recognition policy of the Group in relation to its contracts with customers. IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several standards and interpretations within IFRSs. It established a new five-step model that apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts, if any, as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. However, since the customers of the Group obtains control of the goods or services at a point in time i.e. on delivery and acknowledgement of goods or services rather than over period of time, therefore, there is no material impact of applying IFRS 15 on the recognition of revenue by Group during the period and prior periods. Accordingly, the comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

IFRS 9 Financial Instruments
The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

4 IMPACT OF ADOPTION OF NEW STANDARDS (continued)

Classification and measurement of financial assets and financial liabilities

Financial *assets*
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through statement of income ("FVIS"). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the Group classifies financial assets under IFRS 9, see respective section of significant accounting policies.

Financial *liabilities*
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all the fair value changes of liabilities designated under the fair value option were recognised in statement of income, under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in consolidated statement of income.

For an explanation of how the Group classifies financial liabilities under IFRS 9, see respective section of significant accounting policies.

Hedging
The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's financial statements.

Impairment of financial assets
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

However, the adoption of the ECL requirements of IFRS 9 did not result in any material change in impairment allowance of the Group's trade receivables because the Group has used provision matrix for ECL and there is no change from historical credit loss experience of the Group and insignificant impact of forward-looking information.

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 I 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 lAS 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 designated financial assets and financial liabilities as measured at FVIS.
- The designation of certain investments in equity instruments not held for trading as FVOCI.

4 IMPACT OF ADOPTION OF NEW STANDARDS (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9
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.

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

	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	Financial assets at FVOCI – Equity	18,838,212	18,838,212
Investment in a mutual funds	a	Available for sale	Financial assets at FVOCI – Equity	50,487,996	50,487,996
Trade and other receivables	b	Loans and receivables	Amortised cost	97,178,325	97,178,325
Cash and bank balances		Loans and receivables	Amortised cost	150,707,941	150,707,941
				317,212,474	317,212,474

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 1AS 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.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

5.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces 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. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group is in process of carrying detailed impact assessment of IFRS 16.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.2 IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. 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
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

5.3 Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost 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.

5.4 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.

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.

5.5 Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments currently not applicable to the Group's consolidated financial statements.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.6 Annual Improvements 2015-2017 Cycle (issued in December 2017)
These improvements include:

IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. This interpretation no applicable to the Group.

IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. This interpretation has no impact on the Group.

6 PROPERTY, PLANT AND EQUIPMENT

	31 December 2018 SR	*31 December 2017 SR*
Property, plant and equipment	**312,038,100**	298,137,823
Property and equipment of bonded and re-export project (note 6.1)	**30,916,200**	32,637,572
Property and equipment – port terminal operations (note 6.2)	**553,989,651**	596,314,559
	896,943,951	927,089,954

6 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Land *SR*	*Leasehold improvements* *SR*	*Motor vehicles & tankers* *SR*	*Tools & equipment's* *SR*	*Furniture & fixtures* *SR*	*Computers* *SR*	*Desalination plants* *SR*	*Capital work-in-progress* *SR*	***31 December 2018*** ***SR***	*31 December 2017* *SR*
Cost										
At the beginning of the year	66,808,150	131,943	13,573,640	15,185,789	11,948,511	6,060,171	320,241,251	67,845,211	**501,794,666**	472,945,731
Additions during the year	-	-	2,595,153	45,065	134,102	132,952	60,406	37,789,364	**40,757,042**	47,046,646
Disposals during the year	-	-	-	-	-	-	(917,493)	(457,190)	**(1,374,683)**	(4,570,977)
Written off during the year (note 25)	-	-	-	-	-	-	-	(2,897,171)	**(2,897,171)**	(625,250)
Transfer to investment property (note 8)	-	-	-	-	-	-	-	(217,092)	**(217,092)**	(13,001,484)
Transfer to Intangibles (note 7.3)	-	-	-	-	-	-	-	(211,846)	**(211,846)**	-
Transfers during the year	-	-	-	-	-	-	1,188,517	(1,188,517)	**-**	-
At the end of the year	66,808,150	131,943	16,168,793	15,230,854	12,082,613	6,193,123	320,572,681	100,662,759	**537,850,916**	501,794,666
Accumulated depreciation										
At the beginning of the year	-	131,943	10,568,124	9,637,398	7,684,700	2,920,609	172,714,069	-	**203,656,843**	183,700,430
Charge for the year	-	-	910,921	593,530	1,143,212	889,542	19,245,474	-	**22,782,679**	23,363,307
Disposals during the year	-	-	-	-	-	-	(626,706)	-	**(626,706)**	(3,406,894)
At the end of the year	-	131,943	11,479,045	10,230,928	8,827,912	3,810,151	191,332,837	-	**225,812,816**	203,656,843
Net book amounts										
As at 31 December 2018	**66,808,150**	**-**	**4,689,748**	**4,999,926**	**3,254,701**	**2,382,972**	**129,239,844**	**100,662,759**	**312,038,100**	
As at 31 December 2017	66,808,150	**-**	3,005,516	5,548,391	4,263,811	3,139,562	147,527,182	67,845,211		298,137,823

6. PROPERTY, PLANT AND EQUIPMENT (continued)

a) The desalination plant and filling stations are situated on land leased from the Jeddah Islamic Port for a period of 20 years from 7 March 2000 corresponding to 1 Dhul Hijjah 1420H. Kindasa Water Services Company has the option of renewing the lease agreement on expiry of the initial lease term.

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

6.1 Property and equipment of bonded and re-export project

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

	Leasehold improvements SR	***Buildings on leasehold land SR***	***Equipment SR***	***31 December 2018 SR***	*31 December 2017 SR*
Cost					
At the beginning of the year	27,078,690	20,564,261	1,203,875	**48,846,826**	46,836,606
Additions during the year	203,100	-	-	**203,100**	2,010,220
At the end of the year	27,281,790	20,564,261	1,203,875	**49,049,926**	48,846,826
Accumulated depreciation					
At the beginning of the year	11,597,833	3,407,546	1,203,875	**16,209,254**	14,483,303
Charge for the year	1,022,283	902,189	-	**1,924,472**	1,725,951
At the end of the year	12,620,116	4,309,735	1,203,875	**18,133,726**	16,209,254
Net book value					
31 December 2018	**14,661,674**	**16,254,526**	-	**30,916,200**	
31 December 2017	15,480,857	17,156,715	-		32,637,572

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.2 Property and equipment – port terminal operations

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

	Leasehold improvements SR	*Motor vehicles SR*	*Furniture and fixtures SR*	*Computers and equipment's SR*	*Machinery and equipment's SR*	*Capital work-in-progress SR*	***31 December 2018 SR***	*31 December 2017 SR*
Cost								
At the beginning of the year	332,650,830	4,852,828	17,885,995	8,260,708	349,164,235	960,450	**713,775,046**	507,239,803
Additions during the year	365,037	371,400	596,929	547,974	3,182,230	625,565	**5,689,135**	206,794,140
Disposals during the year	-	(858,900)	(23,500)	-	(3,345,165)	-	**(4,227,565)**	(258,897)
Transfers during the year	455,769	-	-	-	448,526	(904,295)	**-**	-
Transfers to intangibles (note 7.3)	-	-	-	-	-	(86,176)	**(86,176)**	-
At the end of the year	333,471,636	4,365,328	18,459,424	8,808,682	349,449,826	595,544	**715,150,440**	713,775,046
Accumulated depreciation								
At the beginning of the year	22,025,801	2,895,799	9,385,508	6,020,636	77,132,743	-	**117,460,487**	83,729,941
Charge for the year	20,199,748	588,834	2,044,263	1,100,118	23,082,860	-	**47,015,823**	33,988,616
Disposals during the year	-	(858,900)	(20,758)	-	(2,435,863)	-	**(3,315,521)**	(258,070)
At the end of the year	42,225,549	2,625,733	11,409,013	7,120,754	97,779,740	-	**161,160,789**	117,460,487
Net book value								
At 31 December 2018	**291,246,087**	**1,739,595**	**7,050,411**	**1,687,928**	**251,670,086**	**595,544**	**553,989,651**	
At 31 December 2017	310,625,029	1,957,029	8,500,487	2,240,072	272,031,492	960,450		596,314,559

a) RSGT's Ijara facility has been secured against property and equipment – port terminal operations (note 17).

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	31 December 2018 SR	*31 December 2017 SR*
Direct costs	**52,113,242**	47,246,026
Selling and distribution expenses (note 23)	**7,566,797**	7,482,663
General and administrative expenses (note 24)	**12,042,935**	4,349,185
	71,722,974	59,077,874

7 INTANGIBLE ASSETS

Intangible assets comprise of the following:

	31 December 2018 SR	*31 December 2017 SR*
Port concession rights (note 7.1)	**1,133,082,390**	1,198,629,009
Right to-use-land (note 7.2)	**26,162,608**	27,298,792
Other intangible assets (note 7.3)	**2,857,616**	4,136,596
	1,162,102,614	1,230,064,397

RSGT's Ijara facility has been secured against intangible assets – port concession rights (note 18).

7.1 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:

Cost	***31 December 2018 SR***	*31 December 2017 SR*
At the beginning of the year	**1,711,145,484**	1,711,145,484
Disposal	**(589,846)**	-
End of the year	**1,710,555,638**	1,711,145,484
Amortization		
At the beginning of the year	**512,516,475**	446,093,761
Charge for the year	**65,494,040**	66,422,714
Disposal	**(537,267)**	-
End of the year	**577,473,248**	512,516,475
Net book value	**1,133,082,390**	1,198,629,009

7 INTANGIBLE ASSETS (continued)

7.2 Right to use land

Saudi Trade and Export Development Company ("Tusdeer"), a subsidiary of the Group had obtained a land on lease from MAWANI. The subsidiary transferred the right to use land to another subsidiary at original contract price. The right obtained for use of land is for a period of 31 years and 2 months ending on 14 Muharram 146I H (corresponding to 8 February 2039) and is being amortized on straight line basis.

7.3 Other intangible assets

Other intangible assets comprise of computer software and software licenses used by the Group companies to manage their financial and operational activities. The movement in other intangible assets is as follows:

	31 December 2018 SR	*31 December 2017 SR*
Cost		
At the beginning of the year	**20,230,480**	19,714,440
Additions during the year	**263,406**	516,040
Transfers from capital work-in-progress (notes 6 and 6.2)	**298,022**	-
At the end of the year	**20,791,908**	20,230,480
Amortization		
At the beginning of the year	**16,093,884**	14,180,352
Charge for the year	**1,840,408**	1,913,532
At the end of the year	**17,934,292**	16,093,884
Net book value	**2,857,616**	4,136,596

Amortization charge for the year has been allocated as follows:

	31 December 2018 SR	*31 December 2017 SR*
General and administrative expenses (note 26)	**1,622,825**	1,813,386
Selling and distribution expenses (note 25)	**101,172**	87,062
Direct costs	**116,411**	13,084
	1,840,408	1,913,532

8 INVESTMENT PROPERTIES

The movement in investment property is as follows:

	Leasehold improvements	***Buildings on leasehold land***	***31 December 2018***	*31 December 2017*
Cost				
At the beginning of the year	107,741,107	132,532,824	240,273,931	226,553,302
Additions during the year	40,478	-	40,478	719,145
Transfer from property and equipment (note 6.1)	217,092	-	217,092	13,001,484
	107,998,677	132,532,824	240,531,501	240,273,931
Accumulated depreciation				
At the beginning of the year	36,877,802	50,965,641	87,843,443	78,799,094
Charge for the year	3,399,514	6,272,904	9,672,418	9,044,349
At the end of the year	40,277,316	57,238,545	97,515,861	87,843,443
Net book value:				
At 31 December 2018	**67,721,361**	**75,294,279**	**143,015,640**	
At 31 December 2017	70,863,305	81,567,183		152,430,488

8 INVESTMENT PROPERTIES (continued)

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

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

Depreciation charge for the year has been allocated to direct cost.

9 INVESTMENT IN ASSOCIATES

	31 December 2018 SR	*31 December 2017 SR*
As at 1 January	**110,971,249**	100,685,270
Share in results of associates, net	**23,745,408**	20,735,689
Share of actuarial losses of associates recognized in OCI	**793,261**	(521,236)
Dividend received during the year	**(14,394,945)**	(9,928,474)
As at 31 December	**121,114,973**	110,971,249

9.1 As at 31 December 2018, the investment in associates comprises the following:

Associates	*Principal activity*	*Country of incorporation*	*Effective shareholding percentage*		*Carrying amount*	
			2018	***2017***	***31 December 2018***	*31 December 2017*
International Water Distribution Company Limited (note a)	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	**50%**	50%	**71,909,835**	63,825,428
Saudi Water and Environmental Services Company(note b)	Electrical, water and mechanical works and related operation and maintenance	Kingdom of Saudi Arabia	**31.85%**	31.85%	**11,337,843**	15,976,838
Saudi Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	**33.3%**	33.3%	**37,007,775**	30,502,211
Xenmet SA, Vaduz (note c)	Trading, storage and brokerage of commodities	Principality of Liechtenstein	**19%**	19%	**859,520**	**666,772**
					121,114,973	110,971,249

9 INVESTMENT IN ASSOCIATES (continued)

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.

Summarized financial information of equity accounted investees are as follows:

Associates	*International Water Distribution Company Limited*	*Saudi Water and Environmental Services Company*	*Al Jabr Talke Company Limited*	*Xenmet SA, Vaduz*
	SR	*SR*	*SR*	*SR*
31 December 2018				
Assets	**266,055,658**	**24,547,429**	**153,774,721**	**4,193,708**
Liabilities	**122,098,362**	**1,410,543**	**58,647,572**	**615,019**
Revenues	**257,091,101**	**24,466,404**	**249,763,193**	**1,008,041**
Net income	**15,539,279**	**5,617,303**	**35,446,989**	**548,243**
31 December 2017				
Assets	268,879,118	34,188,991	138,176,610	3,345,278
Liabilities	141,228,627	1,584,769	60,482,241	673,320
Revenues	268,906,397	25,659,809	208,376,131	1,971,971
Net income / (loss)	18,177,972	6,064,892	27,629,172	(824,499)

10 FINANCIAL ASSETS AT FVOCI

	31 December 2018	*31 December 2017*
Equity investment (note a)	**17,899,897**	18,838,212
Mutual fund	**-**	50,487,996
	17,899,897	69,326,208

a) Equity investment comprise of investment in shares of Growth Gate Capital Corporation B.S.C. Movement in investment is as follows:

	31 December 2018	*31 December 2017*
Balance at beginning of the year	**18,838,212**	16,788,011
Changes in fair value	**(938,315)**	2,050,201
Balance at end of the year	**17,899,897**	18,838,212

b) Investments in mutual fund represents investments made by one of the subsidiaries of the Company by utilizing the funds available in the debt service reserve account, held with a commercial bank, in accordance with the terms of Ijara financing arrangement. During the year ended 31 December 2018, the subsidiary redeemed in full the investment in mutual fund.

11 GOODWILL

The Group recorded a Goodwill of SR 9.3 on acquisition of Kindasa Water Services Company (Kindasa), a subsidiary of the Group. Subsequently, an impairment of SR 0.5 million was recorded resulting in net carrying value of SR 8.8 million (31 December 2017: SR 8.8 million).

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

During the year ended 31 December 2018, goodwill has been reviewed for indicators of impairment and no indicators for impairment have been identified.

12 INVENTORIES, NET

Inventories comprise of following:

	31 December 2018	*31 December 2017*
Spare parts	**26,652,756**	28,497,994
Raw materials and chemicals	**92,626**	349,049
Fuel, oil and desalinated water	**193,124**	151,871
	26,938,506	28,998,914
Less: Allowance for slow moving and obsolete inventories	**(5,635,851)**	(3,496,325)
	21,302,655	25,502,589

13 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018 SR	*31 December 2017 SR*
Trade receivables, net (note 32)	**86,722,446**	48,462,699
Prepayments and other receivables	**25,002,691**	28,301,081
Margin deposits (note 30)	**1,454,980**	12,427,722
Receivable in respect of disposal of an associate	**-**	6,000,000
Advances to suppliers	**2,894,131**	1,986,823
	116,074,248	97,178,325
Non current portion of trade receivables	**(8,041,252)**	(8,376,771)
	108,032,996	88,801,554

During the year ended 31 December 2017, one of the subsidiaries agreed to reschedule the outstanding balance due from a customer amounting to SR 10.3 million in respect of lease of land space at bonded and re-export zone. Under the rescheduling arrangement, the amounts are due over a period of next three to four years till January 2021. Accordingly, the amount is discounted at market profit rates and recorded as long-term receivables at their present values.

14 CASH AND CASH EQUIVALENTS

	31 December 2018	*31 December 2017*
Cash on hand	**268,740**	352,924
Cash at banks (notes 14.1 and 14.2)	**99,664,648**	135,355,017
Murabaha deposits (note 14.3)	**80,650,795**	15,000,000
	180,584,183	150,707,941

Cash at banks include restricted balances amounting to

14.1 SR 6.8 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 Ijara financing arrangement (note 17).

14.2 SR 0.54 million (31 December 2017: SR 0.54 million) held with a commercial bank in respect of accumulated unclaimed dividends.

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

15 SHARE CAPITAL

As at 31 December 2018, the authorized 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.

On 24 May 2018, the General Assembly approved a distribution of cash dividend amounting SR 24.48 million (SR 0.3 per share) for the year 2017. The dividend has been paid in full.

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

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

16 STATUTORY RESERVE AND SPECIAL RESERVE

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

Special reserve
Up to 16 April 2017, under the Company's old Bylaws, 5% of the net income for the year was required to be transferred to a special reserve to be spent on matters of benefit to the Company. The shareholders' of the Company in an extraordinary general meeting held on 16 April 2017 approved the new Bylaws and discontinuation of transfer to special reserve. The shareholders also resolved to transfer the outstanding balance as at 31 December 2016 and 30 September 2017 from special reserve to statutory reserve in their meetings held on 16 April 2017 and 29 November 2017 respectively. Legal formalities related to the proposed amendments in the Company's Bylaws were completed during 2017.

17 LONG-TERM LOANS AND BANK FACILITIES

	31 December 2018	*31 December 2017*
Long-term loans	**852,440,751**	986,101,768
Less: current portion	**(153,414,129)**	(146,391,442)
Non-current portion	**699,026,622**	839,710,326

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 (note 6). The remaining amount of loan is repayable in eleven 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 ended 30 June 2018, the Group entered into an other 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 (note 6). The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in eleven semi-annual installments ending in December 2023.

	31 December 2018	*31 December 2017*
Long-term loans	**844,912,426**	982,108,043
Less: current portion	**(151,642,758)**	(142,397,717)
Non-current portion	**693,269,668**	839,710,326

b) During 2016, Kindasa entered into an agreement for a long-term facility with a commercial bank for 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 certain financial ratios. As at 31 December 2018, Kindasa has drawn down SR 7.9 million out of total facility of SR 24 million.

	31 December 2018	*31 December 2017*
Long-term loan	**7,528,325**	3,993,725
Less: current portion	**(1,771,371)**	(3,993,725)
Long-term portion	**5,756,954**	-

18 EMPLOYEES' END-OF-SERVICE BENEFITS

The Company and its subsidiaries operate an approved unfunded employees' end of service benefits scheme / plan for its permanent employees. The movement in the defined benefit obligation over the year is as follows:

	31 December 2018	*31 December 2017*
Balance at 1 January	**26,693,232**	21,883,821
Included in statement of profit or loss		
Current service cost	**4,381,747**	4,688,404
Interest cost	**1,115,782**	1,021,345
	5,497,529	5,709,749
Included in statement of other comprehensive income		
Actuarial (gain) / loss	**(2,976,034)**	2,999,425
Benefits paid	**(1,999,010)**	(3,981,921)
Capitalized during the year	**-**	82,158
Balance at 31 December	**27,215,717**	26,693,232

Actuarial assumptions

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

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

	31 December 2018	*31 December 2017*
Discount rate	4.61%	3.71%
Future salary growth / Expected rate of salary increase	3%	3%
Price inflation rate	2%	2%
Retirement age	60 years	60 years

The weighted average duration of the defined benefit obligation is 13.41 years (2017: 12.32 years).

The sensitivity of the defined benefit obligation to changes in the discount rate by 100 basis points is as follows:

	31 December 2018	*31 December 2017*
Increase in discount rate	**23,918,452**	23,750,662
Decrease in discount rate	**30,512,983**	30,392,296

19 LONG-TERM PROVISIONS

	31 December 2018	31 December 2017
Provision for asset replacement cost (note a)	**59,661,353**	65,843,827
Provision for dismantling cost (note b)	**1,662,887**	
Others	**179,330**	196,921
	61,503,570	66,040,748

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 2017: SR 429 million) will be incurred to replace the Equipment.

During 2018, RSGT has used 6.62% (31 December 2017: 3.92%) 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 for a period of 17 years.

20 DERIVATIVE FINANCIAL INSTRUMENT

During the year ended 31 December 2018, a subsidiary of the group entered into a Profit Rate Swap contract with a commercial bank to hedge its exposure to the variability in cash flows arising from profit payments on Ijara facilities obtained from banks. For the purposes of hedge accounting, hedging instrument is classified as a cash flow hedge.

As at 31 December 2018, the fair value of the hedging instrument was SR 4,537,974 and notional amount of the hedged item was SR 521,037,209.

21 TRADE PAYABLES, ACCRUED AND OTHER LIABILITIES

	31 December 2018	*31 December 2017*
Accrued liabilities	**105,726,854**	55,164,605
Deferred revenue	**10,699,815**	6,609,165
Trade payables	**8,168,527**	54,420,177
Advances from customers	**4,007,638**	1,465,067
Zakat and tax payable	**4,152,611**	4,554,394
Other payables	**26,956,350**	36,142,645
	159,711,795	**158,356,053**

22 REVENUES

	31 December 2018	*31 December 2017*
Shipping and unloading services	**388,350,918**	369,056,975
Sale of potable water	**92,920,193**	98,420,294
Rentals and support services	**83,433,753**	94,929,538
	564,704,864	562,406,807

23 DIRECT COSTS

	31 December 2018	*31 December 2017*
Shipping and unloading services	**238,243,204**	257,241,102
Cost of sale of potable water	**65,308,715**	66,319,660
Rentals and support services	**39,087,197**	40,159,137
	342,639,116	363,719,899

24 SELLING AND DISTRIBUTION EXPENSES

	31 December 2018	*31 December 2017*
Depreciation (note 6)	**7,566,797**	7,482,663
Salaries, wages and benefits	**5,566,361**	4,448,796
Utilities and telecommunication	**751,791**	500,278
Advertising and marketing	**637,817**	1,386,696
Impairment allowance	**393,378**	3,777,935
Amortization (note 7)	**101,172**	87,062
Others	**1,378,060**	1,783,747
	16,395,376	19,467,177

25 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018	*31 December 2017*
Salaries, wages and benefits	**67,714,221**	73,099,545
Legal and professional fees	**7,005,300**	10,056,851
Utilities, telecommunication and office supplies	**4,438,925**	4,776,579
Depreciation (note 6)	**12,042,935**	4,349,185
Travelling	**4,119,996**	4,068,699
Amortization (note 7)	**1,622,825**	1,813,386
CWIP written-off (note 6)	**2,897,171**	-
Others	**17,750,758**	7,135,482
	117,592,131	105,299,727

26 OTHER INCOME

a) During 2018, one of the subsidiaries of the Group received a full and final settlement offer for an amount of SR 2 million from a contractor with respect to claims made against the contractor in prior years for the terminal design and supervision consultancy services.

b) During 2018, the Group recorded gain on disposal of property and equipment amounting to SR 1.1 million (2017: Loss of SR 160,506).

c) During 2017, one of the subsidiaries of the Group received SR 11.19 million as full and final compensation from a contractor with respect to claims made against the contractor in prior years for the terminal design and supervision consultancy services.

26 OTHER INCOME (continued)

d) During 2017, Parent Company received SR 6 million as full and final settlement against disposal of 45% shareholding in "Stork Technical Services Saudi Company Limited".

e) During 2017, one of the subsidiaries of the Group reversed provision of SR 4.89 million with respect to litigation matter with Jeddah Islamic Port in relation to lease of land and warehouses in accordance with the advice of legal counsel.

f) During 2017, provision of SR 1.97 million made in prior years against zakat contingencies was reversed based on recent decisions and hearings of GAZT.

27 ZAKAT AND INCOME TAX

Movement in provision for zakat is as follows:

	31 December 2018	*31 December 2017*
Balance at 1 January	**5,096,081**	6,593,665
Charge for the year	**3,992,582**	4,378,881
Amounts paid during the year	**(4,502,225)**	(5,876,465)
Balance at 31 December	**4,586,438**	5,096,081

Movement in provision for tax is as follows:

	31 December 2018	*31 December 2017*
Balance at 1 January	**(541,687)**	943,138
Charge for the year	**813,527**	2,323,208
Amounts paid during the year	**(705,667)**	(3,808,033)
Balance at 31 December	**(433,827)**	(541,687)

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

Zakat assessments status

Parent Company

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

The 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.

The GAZT raised assessments for the years 2014 and 2015 with an additional liability of SR 0.69 million. The Company has filed an appeal against the GAZT's assessments.

The Company has filed its Zakat returns for the years upto 31 December 2017. Up to the date of these consolidated financial statements, GAZT is yet to raise the assessment for the years 2016 and 2017.

27 ZAKAT AND INCOME TAX (continued)

ZAKAT ASSESSMENTS STATUS (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 2017. Upto the date of these consolidated financial statements, GAZT is yet to raise the assessment for the years from 2014 to 2017.

Deferred tax asset has not been recognised in respect of tax losses of RSGT, as at this stage it is uncertain that future taxable income would be sufficient to allow the benefit of the loss to be realised.

RSPD has filed its Zakat and income tax returns up to the year 2017. Up to the date of these 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 2008 and has filed its Zakat returns up to 2017. Upto the date of these consolidated financial statements, 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 these 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 2017. Upto the date of these consolidated financial statements, GAZT is yet to raise the assessment for the years from 31 December 2009 to 31 December 2017.

28 EARNINGS PER SHARE

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

	31 December 2018	*31 December 2017*
Profit for the period attributable to ordinary equity holders of the Parent Company	**46,745,090**	58,811,404
Weighted average number of ordinary shares in issue	**81,600,000**	81,600,000
Basic and diluted earnings per share	**0.57**	0.72

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

29 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.

a) Significant related party transactions for the year ended 31 December are as follows:

Related party	*Relationship*	*Description*	*Amount of transaction*		*Balance as at*	
			31 December 2018 SR	*31 December 2017 SR*	***31 December 2018 SR***	*31 December 2017 SR*
International Water Distribution Company	Associate	Sales of goods and services	**57,220,639**	60,296,987	**6,984,904**	9,084,846
		Services rendered to associate	**693,000**	-	**2,105,597**	-
		Expenses incurred by associate on behalf of the Group	**(30,469)**	-	-	-
		Expenses incurred by Group on behalf of the associate	**2,176,893**	-	-	-
Arabian Bulk Trade Limited	Affiliate	Lease of land and warehouses	**241,022**	597,573	**4,003**	111,978
Ambro limited	Affiliate	Purchase of services	**(80,898)**	-	-	-
Stork Technical Services Saudi Arabia Limited	Associate	Payments made by the Group on behalf of associate	-	1,046,956	-	365,063
		Expenses incurred by subsidiary on behalf of associate	-	833,221	-	833,221
Al Jabr Talke Company Limited	Associate	Services rendered to associate	**498,785**	325,025	**250,985**	-
		Dividend received from associate	**6,799,945**	4,783,474	-	-
		Expenses cross charged by associate	-	(18,016)	-	-
Saudi Water and Environmental Services Company Limited	Associate	Sales of goods and services	**4,574,610**	5,128,654	**331,625**	234,010
		Dividend received from associate	**-**	5,145,000	**-**	**-**
		Purchase of goods and services	**-**	(21,776,761)	**-**	(1,745,951)
Saudi Cable Company Limited	Affiliate	Lease of land and warehouses	**366,492**	264,039	**242,892**	51,830

29 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	***Relationship***	***Description***	***Amount of transaction***		***Balance as at***	
			31 December 2018 SR	*31 December 2017 SR*	***31 December 2018 SR***	*31 December 2017 SR*
International Water and Distribution Company Limited	Associate	Services rendered to associate	**-**	660,000	**-**	-
		Expenses incurred by associate on behalf of the Group	**-**	5,540	**-**	-
		Expenses incurred by Group on behalf of the associate	**-**	1,644,821	**-**	1,500,000
Aecom Arabia Limited	Affiliate	Payments made by the Group on behalf of affiliate	**-**	**-**	**(64,226)**	-
Al Karam Fedics Services Company	Affiliate	Purchase of goods and services	**(9,413,894)**	(8,594,971)	**(807,873)**	(785,363)
Xenel Industries Limited	Shareholder	Payments made by the Group on behalf of the Shareholder	**135,729**	(365,429)	**-**	**-**
		Expenses incurred by the shareholder on behalf of the Group	**(468,750)**	(2,119,136)	**(20,246)**	(482,452)
Haji Abdullah Ali Reza & Co. Limited	Affiliate	Purchase of goods	**(36,081)**	(271,997)	**-**	**-**
		Purchase of air tickets	**130,931**	(881,227)	**-**	(26,260)
Due from related parties					**9,920,006**	12,245,174
Due to related parties					**(892,345)**	(3,040,026)

29 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	31 December 2018	*31 December 2017*
Short term employee benefits	**8,472,440**	10,676,126
Post-employment benefits	**460,164**	388,047
	8,932,604	11,064,173

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

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

	31 December 2018	*31 December 2017*
Meeting attendance Fees	**445,000**	731,000
Other remuneration	**4,260,000**	7,783,000
	4,705,000	8,514,000

30 COMMITMENTS AND CONTINGENCIES

At 31 December 2018, the Group's bankers have issued letters of guarantee amounting to SR 42.1 million (31 December 2017: SR 50,27 million) against which cash margin of SR 1.05 million (31 December 2017: SR 12.43 million) was deposited.

At 31 December 2018, the Group's bankers have issued letters of credit amounting to SR nil (31 December 2017: SR 29.6 million).

As at 31 December 2018, the Group has commitments for capital work in progress amounting to SR 2.9 million (31 December 2017: SR 14.71 million) mainly relating to new logistic hub and park construction project and new desalination plant construction and development project.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 December 2018	*31 December 2017*
Within one year	**19,097,099**	**19,097,099**
After one year but not more than five years	**84,893,528**	**84,874,536**
More than five years	**322,813,287**	**337,201,686**
	426,803,914	441,173,321

31 BUSINESS SEGMENTS

The Group has the following main business segments:

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

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

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

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

	Reportable Segments					
31 December 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)***
External revenues	388,666	83,504	93,740	565,910	-	565,910
Inter-segment revenue	(315)	(70)	(820)	(1,205)	-	(1,205)
Segment Revenue	388,351	83,434	92,920	564,705	-	564,705
Direct costs	(239,133)	(39,402)	(65,309)	(343,844)	-	(343,844)
Inter-segment direct costs	890	315	-	1,205	-	1,205
Segment cost	238,243	39,087	65,309	342,639	-	342,639
Segment gross profit	150,108	44,347	27,611	222,066	-	222,066
Profit attributable to shareholders of the Parent Company	18,963	18,174	5,230	42,367	4,378	46,745
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

31 BUSINESS SEGMENTS (continued)

	Reportable Segments					
31 December 2017	*Port development and operations (SR'000)*	*Logistic parks and support services (SR'000)*	*Water desalination and distribution (SR'000)*	*Total (SR'000)*	*Unallocated (SR'000)*	*Total (SR'000)*
External revenues	369,057	98,537	99,133	566,727	-	566,727
Inter-segment revenue	-	(3,607)	(713)	(4,320)	-	(4,320)
Segment Revenue	369,057	94,930	98,420	562,407	-	562,407
Direct costs	261,535	40,185	66,320	368,040	-	368,040
Inter-segment direct costs	(4,294)	(26)	-	(4,320)	-	(4,320)
Segment cost	257,241	40,159	66,320	363,720	-	363,720
Segment gross profit	111,816	54,771	32,100	198,687	-	198,687
Profit attributable to shareholders of the Parent Company	20,598	21,300	8,404	50,302	8,509	58,811
Segment assets	1,995,726	302,773	228,414	2,526,913	257,922	2,784,835
Segment liabilities	1,158,431	36,428	19,158	1,214,017	26,757	1,240,774

32 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risks, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include long term loans and long term liabilities.

Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments.

Majority of the Group's borrowings are at floating rate of interest and are subject to re-pricing on a regular basis. Management regularly monitors the changes in interest rates. The Group enters into Interest Rate Swaps ("IRS") (Derivative financial instruments) to manage its exposure to interest rate risk. Such IRS is designated as a Cash flow hedge.

Increase / decrease in variable rate by 1% with all other variables held constant, the impact on the equity and profit before zakat and income tax for the year would have been SR 3.4 million (31 December 2017: SR 10.11 million).

32 FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

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

Other price risk

The Group does not hold quoted instruments, accordingly not exposed to other price risk.

Credit risk

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

The Groups gross maximum exposure to credit risk at the reporting date is as follows:

	31 December 2018	*31 December 2017*
Financial assets		
Trade receivables, net	**86,722,446**	48,462,699
Due from related parties	**9,920,006**	12,245,174
Balances with banks	**180,584,183**	150,355,017
	277,226,635	211,062,890

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. As at 31 December 2018, 6 largest customers (31 December 2017: 6 largest customers) account for approximately 61% (31 December 2017: 76%) of outstanding trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of cash promissory note, security deposit or advance, which are considered integral part of trade receivables and considered in the calculation of impairment.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	31 December 2018					
	Current SR	***<90 days SR***	***90–180 days SR***	***271–365 days SR***	***>1 year SR***	***Total SR***
Exposure at default	28,290,654	40,025,740	10,063,594	6,731,084	3,056,219	88,167,291
Expected credit loss	76,932	267,817	76,257	289,571	734,267	1,444,845

32 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Movement of impairment allowance against trade receivables is as follows:

	31 December 2018	*31 December 2017*
Balance at beginning of the year	**5,550,939**	2,648,799
Charge during the year	**393,378**	3,777,935
Written off during the year	**(4,499,472)**	(875,795)
	1,444,845	5,550,939

Credit risk on bank balances is limited as the bank balances are held with banks with sound credit ratings ranging from A2 to A1 based on Moody's credit rating. All bank accounts are held with banks within Saudi Arabia.

Financial position of related parties is stable. There were no past due or impaired receivables from related parties.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in in meeting its obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments as well as close monitoring of cash inflows and outflows from operations. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2018	***Within 1 year SR***	***1 to 5 years SR***	***More than 5 years SR***	***Total SR***
Bank borrowings	**153,414,129**	**699,026,622**	**-**	**852,440,751**
Trade payables, accrued and other liabilities	**145,004,341**	**-**	**-**	**145,004,341**
Due to related parties	**892,345**	**-**	**-**	**892,345**
	299,310,815	**699,026,622**	**-**	**998,337,437**

31 December 2017	*Within 1 year SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Bank borrowings	178,960,569	750,371,551	201,614,411	1,130,946,531
Trade payables, accrued and other liabilities	150,281,821	-	-	150,281,821
Due to related parties	3,040,026	-	-	3,040,026
	332,282,416	750,371,551	201,614,411	1,284,268,378

33 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, share premium, statutory reserve and retained earnings attributable to the equity holders of the Parent Company. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt.

	***31* December 2018 SR**	*31 December 2017 SR*
Total liabilities	**1,106,302,152**	1,240,231,827
Less: Cash and cash equivalents	**(180,584,183)**	(150,707,941)
Net debt	**925,717,969**	1,089,523,886
Equity	**1,571,432,775**	1,544,061,258
Total capital	**2,497,150,744**	2,633,585,144
Gearing ratio	**37%**	41%

34 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

34 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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.

31 December 2018	***Carrying value SR***	***Level 1 SR***	***Level 3 SR***	***Total SR***
FINANCIAL ASSETS				
Amortised cost				
Trade receivables	**116,074,248**	**-**	**-**	**-**
Due from related parties	**9,920,006**			
Cash and cash equivalents	**180,584,183**	**-**	**-**	**-**
FVOCI				
Investment in equity securities	**17,899,897**	**-**	**17,899,898**	**17,899,898**
	324,478,334	**-**	**17,899,898**	**17,899,898**
FINANCIAL LIABILITIES				
Loans and bank facility	**852,440,751**	-	-	-
Trade payables and other liabilities	**49,832,330**	-	-	-
Due to related parties	**892,345**			
Derivative financial instrument	**4,537,974**	-	**4,537,974**	**4,537,974**
	907,703,400	-	**4,537,974**	**4,537,974**

31 December 2017	*Carrying value SR*	*Level 1 SR*	*Level 3 SR*	*Total SR*
FINANCIAL ASSETS				
Amortised cost				
Trade receivables	97,178,325	-	-	-
Due from related parties	12,245,174	-	-	-
Cash and cash equivalents	150,707,941	-	-	-
FVOCI				
Investment in mutual fund	50,487,996	50,487,996	-	50,487,996
Investment in equity securities	18,838,212	-	18,838,212	18,838,212
	329,457,648	50,487,996	18,838,212	69,326,208
FINANCIAL LIABILITIES				
Loans and bank facility	986,101,768	-	-	-
Due to related parties	3,040,026	-	-	-
Trade payables and other liabilities	98,637,054	-	-	-
	1,087,778,848	-	-	-

35 MATERIAL PARTLY-OWNED SUBSIDIARIES

	***31* December 2018 SR**	*31 December 2017 SR*
Non-controlling interest	**329,328,943**	319,432,770

Summarised financial information of material non-controlling interest in "Red Sea Gateway Terminal Company Limited" and "Red Sea Ports Development Company Limited", is disclosed in note 31 to the consolidated financial statements under "Port development and operations" segment.

36 SUBSEQUENT EVENT

A Memorandum of Understanding (MoU) was signed on 28 January 2019 between a subsidiary of the Group and MAWANI, to further extend the scope of its concession agreement, the terms and conditions of which are under negotiation.

37 COMPARATIVE FIGURES

Certain of the prior year 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.

38 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 26 February 2019 (corresponding to 21 Jamada II 1440H).