SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022
together with the Independent Auditors' Report

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 403029792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جـده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Saudi Industrial Services Company

Opinion

We have audited the consolidated financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

To the Shareholders of Saudi Industrial Services Company

Key Audit Matters (continued)

Accounting for intangible assets relating to ongoing service concession arrangements

Refer note 4.5 for the accounting policy and note 8 and note 36 for related disclosures.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the carrying value of Group's intangible assets amounted to SR 3,010 million (2021: SR 3,052 million) and the related amortisation expense was SR 129 million (2021: SR 123 million). The intangible assets mainly relate to ongoing long-term port concession arrangement, wherein the Group has been contracted to develop (or upgrade), operate and maintain the concession assets and as operator has right to charge users for services rendered. The Group has recognised the concession arrangement in accordance with the IFRIC 12 *Service Concession Arrangements.* Intangible assets related to fixed and guaranteed variable fee comprises of the present value of the fixed and guaranteed variable fees payable to the Grantor. Port concession rights and assets comprise assets contributed to or developed by the Group for the concession arrangement. We have focused on the accounting for intangible assets relating to the ongoing concession arrangements due to the significance of amounts involved, complexities and judgements relating to recognition and measurement of the concession arrangement assets including related amortisation and assessment for any internal or external indicators of impairment.	We performed the following audit procedures in relation to intangible assets relating to service concession arrangements: ▪ Assessed the service concession arrangement by conducting interviews with management, reviewing contract arrangement and related documents to consider whether accounting for the concession assets is in accordance with the requirements of IFRIC 12 *Service Concession Arrangements*; ▪ Assessed the appropriateness of the Group's accounting policies including recognition and measurement of contract intangible assets, as well as methods of estimating the present value of the concession fees and the life and amortisation of the concession intangible assets and tested mathematical accuracy of related models; ▪ Evaluated the impairment indicators assessment and compared forecasts to historical experience and applied our understanding of the future prospects of the business from internal and external sources; ▪ Considered the adequacy of the Group's disclosures for the long-term concession arrangements, in terms of applicable accounting standards that are endorsed in the Kingdom of Saudi Arabia.

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Key Audit Matters (continued)

Revenue recognition from sale of goods and services

Refer note 4.16 for the accounting policy relating to revenue recognition and note 24 and note 37 for related disclosure.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2022, the Group recognised total revenue of SR 993 million (year ended 31 December 2021: SR 985 million). The Group's most significant revenue streams include shipping and unloading services, sale of potable water, income from rental and support services and provision of services. Included in provision of services, certain contracts give rise to variable consideration for which the Group uses most likely amount method in estimating the variable consideration based on volume thresholds. The management exercises judgements, estimates and assumptions to determine the variable consideration. We focused on this area due to significance of amounts involved, verity of distinct revenue streams, contracting nature of business requiring accounting policy decisions and judgments and volume of transactions.	We performed the following audit procedures in relation to revenue recognition: ▪ Evaluated the Group's revenue recognition and accounting policies including method of estimating the variable consideration, accounting policy decisions and significant judgements; ▪ Assessed the design and implementation, and tested the operating effectiveness of the Group's internal controls, including anti-fraud controls, over the recognition of revenue and estimation of variable consideration; ▪ Performed analytical procedures by comparing revenue expectations based on trend analysis information, taking into account transaction volumes and our understanding of each business segment, with actual revenues and analysing the variances; ▪ Obtained an understanding of the nature of the revenue contracts entered by the Group and tested a sample of sales contracts to confirm that the revenue recognised is in accordance with the accounting policy and sales contracts; ▪ Inspected, on a sample basis, revenue transactions and verified the related supporting documents to ensure the accuracy and completeness of revenue recognition; ▪ Inspected a sample of sales transactions before and after year end to assess whether revenue was recognised in the correct period; and ▪ Assessed the appropriateness of the disclosures made in the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia.

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Independent Auditor's Report (continued)

To the Shareholders of Saudi Industrial Services Company

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance, the Board of Directors.

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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and 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, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 International Standards on Auditing 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 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent Auditor's Report (continued)

To the Shareholders of Saudi Industrial Services Company

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial 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 auditor's 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 of Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group"). We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditor's 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.

KPMG Professional Services

Lic No. 46
C.R. 4030290792
J : 1
KPMG
KPMG Professional Services

Ebrahim Oboud Baeshen
License No: 382

Jeddah, 7 March 2023
Corresponding to 15 Sha'ban 1444H

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 SR	2021 SR
ASSETS			
Non-current assets			
Property, plant and equipment	6	**257,239,057**	245,349,674
Work in progress assets	7	**317,731,977**	181,715,298
Intangible assets	8	**3,010,723,741**	3,052,852,881
Investment properties	9	**163,831,725**	118,041,994
Equity-accounted investees	10	**251,827,074**	188,020,461
Financial assets at fair value through other comprehensive income (FVOCI)	11	**14,218,328**	14,909,532
Goodwill	12	**8,776,760**	8,776,760
Right-of-use assets	23	**45,496,556**	90,132,237
Deferred-tax asset	29	**5,748,284**	4,527,498
TOTAL NON-CURRENT ASSETS		**4,075,593,502**	3,904,326,335
Current assets			
Inventories	13	**26,054,119**	25,934,997
Derivative financial instrument	21	**923,823**	--
Due from related parties	31	**12,365,829**	10,622,322
Trade receivables, prepayments and other receivables	14	**155,521,566**	161,793,623
Short-term deposits	15	**279,986,229**	--
Cash and cash equivalents	15	**507,885,834**	892,374,091
TOTAL CURRENT ASSETS		**982,737,400**	1,090,725,033
TOTAL ASSETS		**5,058,330,902**	4,995,051,368
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	**816,000,000**	816,000,000
Share premium		**36,409,063**	36,409,063
Statutory reserve	17	**99,784,859**	96,111,908
Other components of equity		**393,450,994**	334,992,898
Retained earnings		**170,276,817**	202,500,260
Equity attributable to the shareholders of the Parent		**1,515,921,733**	1,486,014,129
Non-controlling interests	38	**800,268,156**	810,372,371
TOTAL EQUITY		**2,316,189,889**	2,296,386,500
LAIBILITIES			
Non-current liabilities			
Obligation under service concession arrangement	36	**1,391,741,067**	1,369,299,805
Long term loans	18	**685,960,123**	648,146,865
Employees' end-of-service benefits	19	**42,468,127**	52,754,723
Long term provisions	20	**2,060,448**	2,034,027
Derivative financial instrument	21	**--**	5,662,361
Lease liabilities – non-current portion	23	**94,086,028**	88,796,113
TOTAL NON- CURRENT LIABILITIES		**2,216,315,793**	2,166,693,894
Current liabilities			
Current portion of obligation under service concession arrangement	36	**164,607,341**	169,027,713
Current portion of long-term loans	18	**87,791,382**	73,210,529
Trade payables, accrued and other current liabilities	22	**248,355,733**	260,768,053
Zakat and income tax payable	29	**13,878,605**	18,622,175
Lease liabilities – current portion	23	**11,192,159**	8,739,576
Due to related parties	31	**--**	1,602,928
TOTAL CURRENT LIABILITIES		**525,825,220**	531,970,974
TOTAL LIABILITIES		**2,742,141,013**	2,698,664,868
TOTAL EQUITY AND LIABILITIES		**5,058,330,902**	4,995,051,368

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
REVENUE			
Revenues from sale of goods and services	24	**854,844,428**	921,200,340
Construction revenue	37	**138,992,575**	64,207,878
TOTAL REVENUES		**993,837,003**	985,408,218
Direct costs	25	**(438,693,983)**	(474,728,466)
Cost of construction	37	**(138,992,575)**	(64,207,878)
COST OF REVENUE		**(577,686,558)**	(538,936,344)
GROSS PROFIT		**416,150,445**	446,471,874
OPERATING EXPENSES			
Selling and distribution expenses	26	**(15,482,490)**	(16,583,061)
General and administrative expenses	27	**(170,667,113)**	(151,544,219)
TOTAL OPERATING EXPENSES		**(186,149,603)**	(168,127,280)
PROFIT FROM OPERATIONS		**230,000,842**	278,344,594
Finance income		**12,337,816**	221,203
Finance costs	40	**(213,579,543)**	(203,541,310)
Other income	28	**14,101,799**	14,847,197
Share of profit of equity accounted investees, net	10	**30,831,042**	23,682,459
PROFIT BEFORE ZAKAT AND INCOME TAX		**73,691,956**	113,554,143
Zakat and income tax charge, net	29	**(18,163,332)**	(18,437,430)
NET PROFIT FOR THE YEAR		**55,528,624**	95,116,713
Profit attributable to:			
Shareholders of the Parent Company		**36,729,508**	57,878,318
Non-controlling interests		**18,799,116**	37,238,395
		55,528,624	95,116,713
Earnings per share:			
Basic and diluted earnings per share from net profit for the year attributable to the Shareholders' of the Parent Company	30	**0.45**	0.71

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	**2022** **SR**	2021 SR
PROFIT FOR THE YEAR		**55,528,624**	95,116,713
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Gain/(loss) from re-measurement of employees' end-of-service benefits, net	19	**11,904,840**	(148,636)
Changes in fair value of financial assets at fair value through other comprehensive income (FVOCI)	11	**(691,204)**	(63,182)
Share of actuarial gain/(losses) of equity accounted investees	10	**4,537,573**	(125,485)
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value – Group	21	**6,586,184**	5,959,910
Cash flow hedges – effective portion of changes in fair value - share of equity accounted investments	10	**46,031,139**	--
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**68,368,532**	5,622,607
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**123,897,156**	100,739,320
Total comprehensive income attributable to:			
Shareholders of the Parent Company		**95,187,604**	61,564,787
Non-controlling interests		**28,709,552**	39,174,533
		123,897,156	100,739,320

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	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 ownership interest in subsidiaries SR	Actuarial valuation reserves SR	Cash flow hedging reserve SR	Fair value reserve SR	Retained earnings SR	Total SR	Non-controlling interests SR	Total equity SR
Balance at 1 January 2022	816,000,000	36,409,063	96,111,908	343,683,752	(11,971,402)	(2,058,834)	5,339,382	202,500,260	1,486,014,129	810,372,371	2,296,386,500
Profit for the year	--	--	--	--	--	--	--	36,729,508	36,729,508	18,799,116	55,528,624
Other comprehensive income	--	--	--	--	10,723,425	48,425,875	(691,204)	--	58,458,096	9,910,436	68,368,532
Total comprehensive income	--	--	--	--	10,723,425	48,425,875	(691,204)	36,729,508	95,187,604	28,709,552	123,897,156
Transfer to statutory reserve	--	--	3,672,951	--	--	--	--	(3,672,951)	--	--	--
Dividends paid (note 16)	--	--	--	--	--	--	--	(65,280,000)	(65,280,000)	(38,813,767)	(104,093,767)
Balance at 31 December 2022	**816,000,000**	**36,409,063**	**99,784,859**	**343,683,752**	**(1,247,977)**	**46,367,041**	**4,648,178**	**170,276,817**	**1,515,921,733**	**800,268,156**	**2,316,189,889**

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2022

	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 ownership interest in subsidiaries SR	Actuarial valuation reserves SR	Cash flow hedging reserve SR	Fair value reserve SR	Retained earnings SR	Total SR	Non-controlling interests SR	Total equity SR
Balance at 1 January 2021	816,000,000	36,409,063	90,324,076	1,133,474	(14,496,871)	(8,520,703)	5,402,564	248,329,774	1,174,581,377	534,995,715	1,709,577,092
Profit for the year	--	--	--	--	--	--	--	57,878,318	57,878,318	37,238,395	95,116,713
Other comprehensive income	--	--	--	--	(273,922)	4,023,573	(63,182)	--	3,686,469	1,936,138	5,622,607
Total comprehensive income	--	--	--	--	(273,922)	4,023,573	(63,182)	57,878,318	61,564,787	39,174,533	100,739,320
Transfer to statutory reserve	--	--	5,787,832	--	--	--	--	(5,787,832)	--	--	--
Dividends paid								(97,920,000)	(97,920,000)	(64,366,808)	(162,286,808)
Changes in ownership interests – sale of equity interest to non-controlling interest (note 1)	--	--	--	342,550,278	2,799,391	2,438,296	--	--	347,787,965	300,568,931	648,356,896
Balance at 31 December 2021	816,000,000	36,409,063	96,111,908	343,683,752	(11,971,402)	(2,058,834)	5,339,382	202,500,260	1,486,014,129	810,372,371	2,296,386,500

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	**2022 SR**	2021 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Zakat and income tax		**73,691,956**	113,554,143
Adjustments for:			
Depreciation and amortization	6, 8,9 & 23	**171,634,388**	173,745,753
Provision for employees' end-of-service benefits	19	**9,914,686**	9,472,784
Loss on disposal of non-current assets	28	**80,436**	60,261
Share of results from equity accounted associates, net	10	**(30,831,042)**	(23,682,459)
Allowance for expected credit losses	34	**2,695,907**	1,493,530
Work in progress assets written-off	7	**616,840**	--
Amortization of deferred revenue		**54,884**	59,000
Provision for dismantling cost		**26,421**	49,803
Amortization of advance Ijarah rentals		**8,388,014**	5,695,022
Allowance for slow moving and obsolete inventories	13	**1,602,782**	115,944
Loss on lease termination		**1,200,000**	--
Financial charges, net	40	**213,579,543**	203,541,310
		452,654,815	484,105,091
Changes in operating assets and liabilities			
Trade receivables, prepayments and other receivables		**3,576,150**	(30,580,695)
Due from related parties		**(1,743,507)**	1,660,811
Inventories		**(1,721,904)**	(6,422,948)
Trade payables, accrued and other current liabilities		**(162,842,385)**	(166,465,902)
Due to related parties		**(1,602,928)**	1,637,550
Cash generated from operating activities		**288,320,241**	283,933,907
Finance charges paid		**(42,680,420)**	(28,396,181)
Employees' end-of-service benefits paid	19	**(8,296,442)**	(4,993,152)
Zakat and income tax paid	29	**(24,127,688)**	(14,272,850)
Net cash from operating activities		**213,215,691**	236,271,724
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from equity accounted investee	10	**21,021,141**	17,003,409
Investment in an associate made during the period	10	**(3,428,000)**	(44,544,436)
Short term deposit made during the year	15	**(279,986,229)**	--
Proceeds from sale of equity interest to NCI	1	**--**	648,356,896
Addition to property, plant and equipment, work in progress assets and investment properties	6, 7 & 9	**(249,566,020)**	(99,162,663)
Addition to intangible assets	8	**(14,143,054)**	(10,334,702)
Proceeds from disposal of property, plant and equipment		**356,486**	129,445
Net cash (used in) / generated from investing activities		**(525,745,676)**	511,447,949
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loans		**(73,210,528)**	(70,670,667)
Receipt of long-term loans		**117,216,625**	50,000,000
Dividend paid	16	**(65,280,000)**	(97,920,000)
Dividends paid to non-controlling interests by subsidiaries		**(38,813,767)**	(64,366,808)
Lease liabilities paid	23	**(11,870,602)**	(8,922,034)
Net cash used in financing activities		**(71,958,272)**	(191,879,509)
Net (decrease)/increase in cash and cash equivalents		**(384,488,257)**	555,840,164
Cash and cash equivalents at the beginning of the year	15	**892,374,091**	336,533,927
Cash and cash equivalents at the end of the year	15	**507,885,834**	892,374,091

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2022

SUPPLEMENTARY NON-CASH INFORMATION

	Notes	**2022** **SR**	2021 SR
Cash flow hedges – effective portion of change in fair value	21	**6,586,184**	5,959,910
Cash flow hedges – effective portion of changes in fair value - share of equity accounted investments	10	**46,031,139**	--
Re-measurement of employees' end-of-service benefits liability	19	**(11,904,840)**	148,636
Deferred tax asset	29	**1,220,786**	2,125,979

The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.

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). The Group via its subsidiaries is engaged in the business of development and management of port terminal operations, maritime services, warehouse services, supply chain solutions, logistics services, associated development, and water desalination and treatment plant and sale of water. 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 2022	2021	Principal activities
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. (Logistic parks and support services segment).
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. (Logistic parks and support services segment).

1. ORGANIZATION AND ACTIVITIES (continued)

Company	Country of incorporation	Effective shareholding 2022	2021	Principal activities
Kindasa Water Services Company – Closed Joint Stock Company ("Kindasa")	Saudi Arabia	**65%**	65%	Water desalination and treatment plant and sale of water. (Water desalination and distribution segment)
Red Sea Gateway Terminal Company Limited ("RSGT") *	Saudi Arabia	**36.36%**	36.36%	Development, construction, operation and maintenance of container terminals and excavation and back filling works. (Port development and operations segment).
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. (Port development and operations segment).

*SISCO owns 60.6% effective interest in RSPD which in turn owns 60% interest in RSGT.

On 14 July 2021, SISCO and its subsidiary Saudi Trade and Export Development Company ("Tusdeer") completed the sale of its 21.2% and 4% direct equity stake in RSGT respectively. Total proceeds net of transaction cost for sale of these shares by SISCO and Tusdeer were SR 545.5 million and SR 102.9 million respectively. SISCO had continued to consolidate RSGT through its subsidiary RSPD. This transaction was accounted for in these consolidated financial statements of the Group as a change in ownership interest of the Group in RSGT without loss of control. Accordingly, the carrying amounts of non-controlling interests had increased by SR 300.6 million to reflect the increase in their relative interests in RSGT. The difference between the amount by which the non-controlling interests have increased and the consideration received by the Group net of transaction cost amounted to SR 347.8 million. This amount was recognized directly in equity as effect of changes in ownership interest in subsidiaries and is attributed to the shareholders of the Parent Company. Further in line with requirement of International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia, the share of Actuarial Valuation Reserve and Cashflow Hedging Reserve of RSGT attributable to shareholders of Parent Company in the amount of SR 2.8 million and SR 2.4 million respectively are also adjusted to reflect the new ownership interest.

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 that are endorsed in the Kingdom of Saudi Arabia (IFRS) and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional 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), derivative financial instruments which are carried at their fair values and employee benefits, which are measured at the present value of defined benefit obligation using projected unit credit method. Further, the financial statements are prepared using the accrual basis of accounting and the going concern assumption.

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 Parent Company.

3. 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 effects on the amounts recognised in the consolidated financial statements:

- Volume rebate (note 4.16)

- Accounting for intangible assets relating to service concession arrangements (4.5)

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Accounting for intangible assets relating to service concession arrangements
Accounting for intangible assets relating to the concession arrangements involve judgements due to significance of amounts involved, complexities and judgements relating to recognition and measurement of the concession arrangement assets including related amortisation and assessment for any internal or external indicators of impairment.

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.

Provision for expected credit losses (ECL) of trade receivables
The Group uses a provision matrix to calculate ECL 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 ECL is a significant estimate. The amount of ECL 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 ECL on the Group’s trade receivables is disclosed in note 34.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 19.

Discount rate for present value calculations

Discount rates represent the current market assessment of the risks specific to the entity, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the entity and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the entity's investors. The cost of debt is based on the interest-bearing borrowings the entity is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax/zakat discount rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all period presented in these consolidated financial statements.

4.1 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 2022. 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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

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. Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests
Non-controlling interest represents the interest in subsidiary companies, not held by the Group which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with non-controlling interest parties are treated as transactions with parties external to the Group.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition." Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. iv. Loss of control When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from the transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.
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.

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 the assets acquired, and all 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each subsidiary, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 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.

4.4 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. Property and equipment controlled by the operator and used as part of port operations are classified as property and equipment – port terminal operations.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment (continued)

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.

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 calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. 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 least annually and adjusted prospectively, if required.

The estimated useful lives are as follows:

Buildings	Shorter of lease / concession period or 10 – 40 years
Leasehold improvements	Shorter of lease / concession period or 10 – 40 years
Plant and equipment	Shorter of lease / concession period or 5 – 20 years
Desalination Plant	Shorter of lease / 40 years
Machinery and equipment	2 – 25 years
Motor vehicles	5 – 10 years
Fixtures and furnishing	5 – 10 years
Computers and equipment	2 - 5 years

4.5 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 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 long-term concession arrangements, whereby the grantor has contracted with the Group, as operator, to develop (or upgrade) operate and maintain the concession assets and as operator charge users for services rendered. 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 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. Any amounts paid by the operator to the grantor as a consideration for obtaining the rights relating to concession arrangements are accounted as part of service concession assets. Concession assets also include certain property, plant and equipment which are reclassified as intangible assets in accordance with IFRIC 12 'Service Concession Arrangements'. 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 which is 30 years or life of the underlying assets, whichever is shorter.

Gains or losses arising from de-recognition of service concession assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Intangibles (continued)

Intangible assets related to fixed and guaranteed variable fee

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

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

Subsequently, these intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is computed using the expected pattern of the usage of the underlying intangible assets over life of the New Concession Agreement in term of containers handling. In addition, at the end of each reporting period it is assessed if there is an indication that the intangible asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the intangible asset.

The concession right is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss from derecognition of the port concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

Other intangible assets

Other intangible assets, including software, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 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 depreciated on a straight-line basis on shorter of lease term and useful life of 10 to 30 years.

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 – "*Revenue from Contract with Customers*".

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.

4.7 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Leases (continued)

Group as a lessee (continued)

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The lease liability is measured at amortised cost using the effective interest method. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset or a change in estimate of amount to be payable under a residual value guarantee.

iii) Short-term leases and leases of low-value assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Leases (continued)

Group as a lessor
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. When the Group act as lessor, it determines at lease inception whether each lease is a finance lease or operating lease. Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. If this is not the case then the lease is classified as finance lease. 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. The Group recognized lease payments received under the operating leases as income on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

4.8 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.

4.9 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.

4.10 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets

Initial recognition and measurement
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.

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.

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.

Initial recognition and measurement
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets (continued)

c) Financial assets at fair value through profit or loss (continued)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets (continued)

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.

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 amortised 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

ii) Financial liabilities (continued)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

iv) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments such as interest rate swaps to hedge its cash flows exposed to risk of fluctuations in interest rates. The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forwardlooking approach to assessing hedge effectiveness.

Initial recognition
Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are either recognised in the consolidated statement of profit or loss or the consolidated statement of other comprehensive income.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates. On initial designation of the derivatives as the hedging instrument, the Group formally documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedging instrument and hedged item, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other together with the methods that will be used to assess the effectiveness of the hedging relationship.

Subsequent measurement
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in consolidated statement of other comprehensive income to the extent that the hedge is effective and presented in the hedging reserve in equity.

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the consolidated statement of profit or loss. When the hedged item is a non-financial asset, the amount recognised in the consolidated statement of other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in consolidated statement of other comprehensive income is transferred to the consolidated statement of profit or loss in the same period that the hedged item affects the consolidated statement of profit or loss.

Derivative instruments that are not designated as hedging instruments in hedge relationships are classified as financial liabilities or assets at fair value through profit or loss.

Derivative financial instruments and hedge accounting (continued)

Derecognition
If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in consolidated statement of other comprehensive income remains there until the forecast transaction or firm commitment occurs. If the forecast transaction or firm commitment is no longer expected to occur, then the balance in equity is reclassified to the consolidated statement of profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

v) Interest rate benchmark reform

In the context of IBOR reform, the Company's assessment of whether a change to an amortized cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform Phase 2. This requires the transition from an IBOR to RFR to be treated as a change to a floating interest rate.

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, the Company updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applies the policies on accounting for modifications to the additional changes.

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address the issues that might affect financial reporting after the reform of a profit rate benchmark.

Interest Rate Benchmark Reform – Phase 2 relates to the replacement of benchmark rates (IBORs) with alternative risk-free rates (RFRs). These amendments address issues that arise from the implementation of the reforms. The Phase 2 amendments provide temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence, of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis: and

- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

We understand that the Company's loans and derivatives are based on USD LIBORs which have still not been revised and curves for these benchmarks are available till 2023. Further, we understand that contractual rates are being discussed among counterparties and no changes have been contractually agreed as yet.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

vi) 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.

4.11 Fair value measurement

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

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When one is available, the Group measures the fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 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 (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL 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 over 1 years 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Impairment of financial and non-financial assets (continued)

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.

4.13 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 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 operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefit plan is not funded. The liability in respect of defined benefit plan is recognised in the consolidated statement of financial position at the present value of the defined benefit obligation at the reporting date. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit liability. The Group uses projected unit credit method.

Actuarial gains and losses, if any, are recorded in the profit or loss within the consolidated statement of profit or loss and other comprehensive income in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in consolidated statement of profit or loss and other comprehensive income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

4.15 Cash dividend and non-cash distribution

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 by-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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 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.

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 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Revenue (continued)

Construction and upgrade services

Revenue related to construction or upgrade services under a service concession arrangement is recognised over time, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operations or service revenue is recognized in the period in which the services are provided by the Group. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered.

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.

4.17 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 Group. 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.

4.18 Finance costs and finance income

Finance 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. Finance costs comprise of interest expense on loans, bank facilities and lease liabilities unwinding of the discount on long term provisions and obligation under service concession agreements. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Zakat and taxation

Zakat

The Group is subject to Zakat in accordance with the regulations of the Zakat, Customs and Tax Authority ("ZATCA"). 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 asset 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Zakat and taxation (continued)

Deferred income tax (continued)

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.

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

Value added tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

4.20 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Segment reporting (continued)

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

4.21 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

4.22 Work-in-progress assets

Work-in-progress assets comprise of non-current assets under construction and are carried at cost less any recognised impairment losses. The work in progress assets are capitalized as property, plant and equipment, investment property or intangible asset when ready for the intended use.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS AND STANDARDS NOT YET EFFECTIVE

(a) *New and amended standards adopted by the Group*

Standard/ Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IAS 37	Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use (Amendments to IAS 16)	1 January 2022
IFRS 3	Reference to the conceptual framework (Amendments to IFRS 3)	1 January 2022

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS AND STANDARDS NOT YET EFFECTIVE (continued)

(b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Standard/ Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
IAS 8	Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023
IAS 1	Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2024
IFRS 17	IFRS 17 Insurance Contracts and Amendments to IFRS 17	1 January 2023
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
IAS 1	Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional

6. PROPERTY, PLANT AND EQUIPMENT (continued)

2022	Land SR	Leasehold improvements SR	Buildings on leasehold land SR	Motor vehicles & tankers SR	Tools & equipment's SR	Furniture & fixtures SR	Computers SR	Desalination plants SR	**31 December 2022 SR**
Cost									
At the beginning of the year	66,808,150	27,893,666	21,472,720	20,493,517	73,757,758	32,196,689	20,044,006	355,839,968	**618,506,474**
Additions during the year	--	2,101,184	--	--	475,499	3,503,767	3,885,673	5,451,895	**15,418,018**
Disposals during the year	--	--	--	(73,150)	(91,527)	(984,480)	(5,035,638)	(1,356,704)	**(7,541,499)**
Transfers from capital work in progress (note 7)	--	19,848,604	--	--	952,331	1,234,124	623,408	--	**22,658,467**
Transfers	--	--	--	--	-	734,273	--	(734,273)	**--**
At the end of the year	66,808,150	914,218	21,472,720	18,578,176	14,171,324	15,076,273	3,090,086	359,200,886	**477,839,113**
Accumulated depreciation									
At the beginning of the year	--	15,851,330	7,156,531	14,853,792	47,172,798	23,844,088	14,527,906	249,750,355	**373,156,800**
Charge for the year	--	1,926,408	992,751	1,150,076	3,566,047	3,173,895	2,497,062	12,595,874	**25,902,113**
Disposals during the year	--	--	--	(73,150)	(89,861)	(983,883)	(5,030,276)	(1,079,340)	**(7,256,510)**
Transfers	--	--	--	--	--	734,242	--	(734,242)	**--**
At the end of the year	--	17,777,738	8,149,282	15,930,718	50,648,984	26,768,342	11,994,692	260,532,647	**391,802,403**
Net book value									
As at 31 December 2022	**66,808,150**	**32,065,716**	**13,323,438**	**4,489,649**	**24,445,077**	**9,916,031**	**7,522,757**	**98,668,239**	**257,239,057**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

2021	Land SR	Leasehold improvements SR	Buildings on leasehold land SR	Motor vehicles & tankers SR	Tools & equipment's SR	Furniture & fixtures SR	Computers SR	Desalination plants SR	31 December 2022 SR
Cost									
At the beginning of the year	66,808,150	27,509,733	21,398,394	21,047,536	71,617,916	30,342,488	20,512,681	354,501,252	613,738,150
Additions during the year	--	470,933	74,326	105,100	966,972	2,094,793	2,010,526	1,759,072	7,481,722
Disposals during the year	--	(87,000)	--	(1,064,119)	(227,755)	(315,962)	(3,269,218)	(420,356)	(5,384,410)
Transfers from capital work in progress (note 7)	--	--	--	405,000	1,400,625	75,370	790,017	--	2,671,012
At the end of the year	66,808,150	27,893,666	21,472,720	20,493,517	73,757,758	32,196,689	20,044,006	355,839,968	618,506,474
Accumulated depreciation									
At the beginning of the year	--	14,889,704	6,169,560	14,603,025	43,554,722	21,340,903	15,646,733	229,051,970	345,256,617
Charge for the year	--	1,035,209	986,971	1,233,216	3,845,058	2,789,178	2,109,360	21,095,878	33,094,870
Disposals during the year	--	(73,583)	--	(982,449)	(226,982)	(285,993)	(3,228,187)	(397,493)	(5,194,687)
Transfers	--	--	--	--	--	734,242	--	(734,242)	--
At the end of the year	--	15,851,330	7,156,531	14,853,792	47,172,798	23,844,088	14,527,906	249,750,355	373,156,800
Net book value									
As at 31 December 2021	66,808,150	12,042,336	14,316,189	5,639,725	26,584,960	8,352,601	5,516,100	106,089,613	245,349,674

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	31 December 2022 SR	31 December 2021 SR
Property, plant and equipment	**175,057,495**	184,193,503
Property and equipment of bonded and re-export project	**25,749,641**	26,453,022
Property and equipment – port terminal operations (note (ii))	**56,431,921**	34,703,149
	257,239,057	245,349,674

i) The desalination plant and filling stations are situated on land leased from the Saudi Port Authority.

ii) The Group's property and equipment – port terminal operations has been pledged against the Ijara facility (note 18).

iii) The buildings and leasehold improvements are situated on a plot of land leased from Saudi Ports Authority (MAWANI) 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.

iv) Depreciation charge for the year has been allocated as follows:

	31 December 2022 SR	31 December 2021 SR
Direct costs	**15,923,097**	21,739,311
Selling and distribution expenses (note 26)	**3,772,778**	7,355,027
General and administrative expenses (note 27)	**6,206,238**	4,000,532
	25,902,113	33,094,870

7. WORK IN PROGRESS ASSETS

The work in progress assets represent the payments made to suppliers for civil works, equipment and contract assets related to concession agreement. The movement in the work in progress assets is summarized below:

	31 December 2022 SR	31 December 2021 SR
Opening balance	**181,715,298**	117,954,228
Additions during the year	**231,483,865**	90,863,025
Transfer to property and equipment (note 6.1)	**(390,971)**	--
Transfer to port terminal operations (note 6.3)	**(22,267,496)**	(2,671,012)
Transfer to intangibles port concession rights (note 8.1)	**(71,661,441)**	(24,209,591)
Transfer to intangibles software (note 8.3)	**(530,438)**	(221,352)
Write off during the year	**(616,840)**	--
At the end of the year	**317,731,977**	181,715,298

During the year ended 31 December 2022, borrowing costs amounting 2.7 million (31 December 2021: SR 2.5 million) were capitalized into in work in progress assets.

Work in progress assets include contract assets amounting to SR 106.88 million (2021: SR 53.34 million) which represents the amounts incurred by the Group for the consolidation and expansion work on container terminal under the New Service Concession Agreement. During the year addition to contract assets amounted to SR 125.2 million and capitalization from contract asset to intangible assets – port concession rights amounted to SR 71.66 million (2021: SR 24.2 million).

8. INTANGIBLE ASSETS

Intangible assets comprise of the following:

	31 December 2022 SR	31 December 2021 SR
Port concession rights and assets (note 8.1)	**1,562,259,897**	1,570,313,251
Intangible assets related to fixed and guaranteed variable fee (note 8.2)	**1,446,114,774**	1,479,431,219
Other intangible assets (note 8.3)	**2,349,070**	3,108,411
	3,010,723,741	3,052,852,881

Saudi Trade and Export Development Company (Tusdeer), a subsidiary of the Group, had entered into a Build-Operate-Transfer (the "BOT" or the "Agreement") agreement with Saudi Ports Authority ("MAWANI" or the "grantor") for the construction of a container terminal at the Re-export Zone of Jeddah Islamic Port.

The Agreement was, subsequently, novated by Tusdeer to RSGT (another subsidiary of the Group), effective from 22 Shawal 1428H (corresponding to 3 November 2007). The period of the Agreement originally was for 32 years. However, on 23 December 2019, RSGT, entered into a new concession agreement (the New Concession Agreement) with MAWANI whereby RSGT acquired rights to built and operate North Container Terminal in addition to the terminal operated under the BOT agreement, effective from 1 April 2020 (the effective date) for a period of 30 years from this date and has an option to renew the term before the expiry based on mutually agreed negotiations. As per the BOT arrangement there is no explicit requirement to replace the assets, however there is a requirement of serviceability for 4 years at the end of the arrangement. Under the terms of the Concession, MAWANI stipulates the Tariffs to be applied by the Operator when providing services and has the right to review the published tariff structure periodically. The group has right to charge users of the port for services provided in accordance with the New Concession Agreement. Intangible assets – port concession rights are secured against the Ijara facilities obtained from local banks (note 18).

a) The New Concession Agreement stipulates payment of the fixed and guaranteed variable fee on the specified rates over the life of the agreement. These fees were recorded as intangible asset under the guidance of IFRIC 12 'Service Concession Arrangements', with a corresponding liability recognized as obligation under service concession arrangement during the year ended 31 December 2020 and measured in accordance with IFRS 9 "Financial Instruments". All other variable fees are charged to consolidated statement of profit or loss as and when incurred. Unamortised portion of 'intangible assets' and the 'obligation under service concession arrangement' are presented in 'note 8.2' and note 36, respectively.

8. INTANGIBLE ASSETS (continued)

8.1 Port concession rights and assets

The movement in port concession rights is as follows:

	31 December 2022 SR	31 December 2021 SR
Cost		
At the beginning of the year	**2,521,502,896**	2,487,828,059
Additions	**13,793,800**	10,075,212
Transfer from work in progress assets (note 7)	**71,661,441**	24,209,591
Disposal	**(1,381,537)**	(609,966)
At the end of the year	**2,605,576,600**	2,521,502,896
Amortization		
At the beginning of the year	**951,189,645**	861,934,905
Charge for the year	**93,427,475**	89,864,706
Disposal during the year	**(1,300,417)**	(609,966)
At the end of the year	**1,043,316,703**	951,189,645
Net book value	**1,562,259,897**	1,570,313,251

Amortization charged is included in the direct costs.

8.2 Intangible assets related to fixed and guaranteed variable fees

	31 December 2022 SR	31 December 2021 SR
Cost:		
Intangible assets related to fixed and guaranteed variable fees	**1,534,528,416**	1,534,528,416
Adjustments	**(70,810)**	--
	1,534,457,606	1,534,528,416
Accumulated amortization:		
At the beginning of the year	**55,097,197**	23,173,047
Charge for the year	**33,245,635**	31,924,150
At the end of the year	**88,342,832**	55,097,197
Net book value	**1,446,114,774**	1,479,431,219

Amortization charged is included in the direct costs.

8. INTANGIBLE ASSETS (continued)

8.3 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 2022 SR	31 December 2021 SR
Cost		
At the beginning of the year	**26,747,743**	26,266,901
Additions during the year	**349,254**	259,490
Transfers from capital work-in-progress (note 7)	**530,438**	221,352
At the end of the year	**27,627,435**	26,747,743
Amortization		
At the beginning of the year	**23,639,332**	21,941,279
Charge for the year	**1,639,033**	1,698,053
At the end of the year	**25,278,365**	23,639,332
Net book value	**2,349,070**	3,108,411

Amortization charge for the year has been allocated as follows:

	31 December 2022 SR	31 December 2021 SR
Selling and distribution expenses (note 26)	**20,913**	68,542
General and administrative expenses (note 27)	**1,618,120**	1,629,511
	1,639,033	1,698,053

9. INVESTMENT PROPERTIES

The movement in investment property is as follows:

	Leasehold land SR	Leasehold improvements SR	Buildings on leasehold land SR	**31 December 2022 SR**	31 December 2021 SR
Cost					
At the beginning of the year	--	108,791,593	136,007,365	**244,798,958**	243,981,042
Transfer from right of use assets	63,851,155	--	--	**63,851,155**	--
Additions during the year	--	5,002,247	756,070	**5,758,317**	817,916
	63,851,155	113,793,840	136,763,435	**314,408,430**	244,798,958
Accumulated depreciation					
At the beginning of the year	--	49,005,297	77,751,667	**126,756,964**	115,980,438
Transfer from right of use assets	11,839,396	--	--	**11,839,396**	--
Depreciation for the year (capitalized in Work in progress assets)	350,956	--	--	**350,956**	--
Charge for the year	2,226,649	3,682,294	5,720,446	**11,629,389**	10,776,526
At the end of the year	14,417,001	52,687,591	83,472,113	**150,576,705**	126,756,964
Net book value:					
At 31 December 2022	**49,434,154**	**61,106,249**	**53,291,322**	**163,831,725**	
At 31 December 2021		59,786,296	58,255,698		118,041,994

Investment properties represent warehouses rented to customers for storage and warehousing purposes.

The buildings and leasehold improvements are situated on a plot of land leased from Saudi Ports Authority for a nominal annual rental. The initial lease agreement was 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. The fair value of the investment properties is valued at SR 410.6 million (2021: SR 413.65 million) by Advisory Corp (2021: 9200.Co for Real Estate Valuation), licensed by "Saudi Authority for Accredited Valuers". The fair value for all of the investment properties is categorised as a Level 3 fair value. Discounted Cash flow method is used to measure the fair value of these properties using forecasted cashflows of these investment properties and related weighted average cost of Capital.

During the year, the intended use of lease hold land was changed and was transferred to investment properties from right of use assets.

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

10. EQUITY-ACCOUNTED INVESTEES

	31 December 2022 SR	31 December 2021 SR
As at 1 January	**188,020,461**	136,922,460
Investment during the year	**3,428,000**	44,544,436
Share in results of associates, net	**30,831,042**	23,682,459
Share of actuarial losses of associates recognized in OCI	**4,537,573**	(125,485)
Share of effective portion of changes in fair value of cash flow hedges	**46,031,139**	--
Dividend received during the year	**(21,021,141)**	(17,003,409)
As at 31 December	**251,827,074**	188,020,461

10.1 As at 31 December 2022, the investment in associates comprise the following:

	Principal activity	Country of incorporation	Effective shareholding percentage **2022**	Effective shareholding percentage 2021	Carrying amount **31 December 2022 SR**	Carrying amount 31 December 2021 SR
International Water Distribution Company Limited (note a)	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	**50%**	50%	**139,113,597**	90,199,793
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%	**1,740,810**	4,480,326
Saudi Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	**33.3%**	33.3%	**60,599,624**	48,638,162
Xenmet SA, Vaduz (note c)	Trading, storage and brokerage of commodities	Principality of Liechtenstein	**19%**	19%	**3,081,329**	2,187,969
Green Dome Holdings Limited	Investment and management of companies providing logistic services	United Arab Emirates	**24%**	24%	**47,291,714**	42,514,211
					251,827,074	188,020,461

10. EQUITY-ACCOUNTED INVESTEE (continued)

The movement during the year in the equity accounted investees is as follows:

31 December 2022	International Water Distribution Company Limited SR	Saudi Water and Environmental Services Company SR	Al Jabr Talke Company Limited SR	Xenmet SA, Vaduz SR	Green Dome Holdings Limited SR	Total SR
As at 1 January	**90,199,792**	**4,480,327**	**48,638,162**	**2,187,969**	**42,514,211**	**188,020,461**
Investment during the year	**--**	**--**	**--**	**--**	**3,428,000**	**3,428,000**
Share in results of associates, net	**11,123,630**	**(2,739,517)**	**20,204,066**	**893,360**	**1,349,503**	**30,831,042**
Share of actuarial losses of associates recognized in OCI	**1,759,036**	**--**	**2,778,537**	**--**	**--**	**4,537,573**
Share of effective portion of changes in fair value of cash flow hedges	**46,031,139**	**--**	**--**	**--**	**--**	**46,031,139**
Dividend received during the year	**(10,000,000)**	**--**	**(11,021,141)**	**--**	**--**	**(21,021,141)**
As at 31 December	**139,113,597**	**1,740,810**	**60,599,624**	**3,081,329**	**47,291,714**	**251,827,074**

a) The Parent Company does not have any control over management and operations of "International Water Distribution Company" accordingly, it is classified as joint venture 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, accordingly, it is classified as an associate and accounted for as such.

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, accordingly, it is classified as an associate and accounted for as such.

d) During the year, additional SR 3.4 million (2021: SR 44.5 million) were invested by Tusdeer as one of the founding shareholders in Green Dome Holdings Limited which was incorporated during the prior year. Green Dome Holdings Limited is 31.6% owned by Tusdeer, which is 76% owned by the Parent Company, accordingly, it is classified as an associate and accounted for as such.

10. EQUITY-ACCOUNTED INVESTEE (continued)

Summarized financial information of equity accounted investee companies is as follows:

Associates	International Water Distribution Company Limited SR	Saudi Water and Environmental Services Company SR	Al Jabr Talke Company Limited SR	Xenmet SA, Vaduz SR	Green Dome Holdings Limited SR	Total SR
31 December 2022						
Non-current assets	287,186,959	3,031,671	45,630,564	6,276,206	153,124,400	495,249,800
Current assets	210,585,780	3,851,074	181,454,916	6,829,890	12,676,504	415,398,164
Non-current liabilities	(13,114,646)	-	(29,081,016)	-	38,755,045	(80,950,707)
Current liabilities	(201,215,146)	(300,000)	(40,026,193)	(752,336)	6,834,667	(249,128,342)
Net assets	283,442,947	6,582,745	157,978,271	12,353,760	120,211,192	580,568,915
Revenue	405,937,387	-	307,720,988	1,975,789	125,100,387	840,734,551
Profit for the year	22,320,185	(5,590,849)	60,491,216	3,573,439	7,390,599	88,184,590
Other comprehensive income	95,580,349	-	8,336,444	-	-	103,916,793
Total comprehensive income	117,900,534	(5,590,849)	68,827,660	3,573,439	7,390,599	192,101,383
Share of OCI	46,031,138	-	2,778,537	-	-	48,809,675
Share of profit / (loss)	11,291,666	(2,739,516)	20,036,029	893,360	1,349,503	30,831,042
Dividend received	(10,000,000)	-	(11,021,141)	-	-	(21,021,141)

10. EQUITY-ACCOUNTED INVESTEE (continued)

Associates	International Water Distribution Company Limited SR	Saudi Water and Environmental Services Company SR	Al Jabr Talke Company Limited SR	Xenmet SA, Vaduz SR	Green Dome Holdings Limited SR	Total SR
31 December 2021						
Non-current assets	184,557,675	5,706,315	51,487,739	5,300,963	168,439,841	415,492,533
Current assets	92,667,616	3,939,420	140,270,259	3,818,839	15,831,132	256,527,266
Non-current liabilities	(15,468,746)	-	(38,180,865)	-	(49,894,320)	(103,543,931)
Current liabilities	(81,224,905)	503,813	(27,586,560)	(486,478)	(7,480,000)	(116,274,130)
Net assets	180,531,640	10,149,548	125,990,573	8,633,324	126,896,653	452,201,738
Revenue	285,052,031	4,275,999	276,457,706	3,237,934	101,876	569,125,546
Profit for the year	20,322,877	(450,056)	41,774,683	2,975,146	(6,412,590)	58,210,060
Other comprehensive income	(13,183)	-	(356,717)	-	-	(369,900)
Total comprehensive income	20,309,694	(450,056)	41,417,966	2,975,146	(6,412,590)	57,840,160
Share of OCI	(6,592)	-	(118,894)	-	-	(125,486)
Share of profit / (loss)	10,161,438	(220,528)	15,048,383	723,392	(2,030,226)	23,682,459
Dividend received	(4,000,000)	(1,960,000)	(10,105,988)	(937,421)	-	(17,003,409)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

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

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	**14,909,532**	14,972,714
Changes in fair value	**(691,204)**	(63,182)
At the end of the year	**14,218,328**	14,909,532

12. GOODWILL

The Group recorded a goodwill of SR 9.3 million on acquisition of Kindasa Water Services Company (Kindasa), a subsidiary of the Group. Subsequently, an impairment of SR 0.5 million was recorded in previous periods resulting in net carrying value of SR 8.8 million (2021: 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.

As at 31 December 2022, the carrying amount of goodwill was reviewed and no impairment was identified.

13. INVENTORIES

	31 December 2022 SR	31 December 2021 SR
Spare parts	**37,854,670**	36,099,118
Raw materials and chemicals	**1,470,675**	1,420,003
Fuel, oil and desalinated water	**119,977**	204,297
	39,445,322	37,723,418
Less: allowance for slow moving and obsolete inventories	**(13,391,203)**	(11,788,421)
	26,054,119	25,934,997

13. INVENTORIES (continued)

Movement in allowance for slow moving in obsolete inventories is as follows:

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	**11,788,421**	11,672,477
Charge for the year	**1,602,782**	115,944
At the end of the year	**13,391,203**	11,788,421

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2022 SR	31 December 2021 SR
Trade receivables, net (note 34)	**88,747,159**	96,211,788
Prepayments and other receivables	**49,116,728**	57,662,072
Margin deposits (note 32)	**6,952,551**	2,867,436
Advances to suppliers	**10,705,128**	5,052,327
	155,521,566	161,793,623

15. CASH AND CASH EQUIVALENTS

	31 December 2022 SR	31 December 2021 SR
Cash on hand	**462,738**	258,247
Cash at banks	**352,349,937**	687,072,718
Murabaha deposits	**435,059,388**	205,043,126
	787,872,063	892,374,091
Less: Short-term Murabaha deposits with original maturities more than 90 days	**(279,986,229)**	**--**
	507,885,834	**892,374,091**

15.1 Murabaha deposits are placed with local commercial banks and yield financial income at prevailing market rates.

15.2 Murabaha deposits with original maturities greater than 90 days are presented separately from cash and cash equivalents.

16. SHARE CAPITAL

As at 31 December 2022, the authorized and paid up capital of the Parent Company amounting to SR 816 million (2021: SR 816 million) is divided into 81.6 million shares of SR 10 each (31 December 2021: 81.6 million shares of SR 10 each).

Dividends

On 28 Rajab 1443H (corresponding to 1 March 2022), the Board of directors of the Company approved final dividend amounting to SR 32.64 million (SR 0.4 per share). Dividend was paid in full during the year ended 31 December 2022.

On 12 Muharram 1444H (corresponding to 10 August 2022), the Board of directors of the Company approved interim dividend amounting to SR 32.64 million (SR 0.4 per share). Dividend was paid in full during the year ended 31 December 2022.

17. STATUTORY RESERVE

In accordance with the Company's By-laws, 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.

18. LONG-TERM LOANS

	31 December 2022 SR	31 December 2021 SR
Long-term loans	**773,751,505**	721,357,394
Less: current portion	**(87,791,382)**	(73,210,529)
Non-current portion	**685,960,123**	648,146,865

a) On 3 December 2007, RSGT (a subsidiary of the Company) entered into an Ijara arrangement with two local commercial banks to obtain a loan of SR 1,271 million. The Ijara facility was secured against the property and equipment / port concession rights of RSGT. The loan was repayable in semi-annual instalments ending in December 2023.The loan carried special commission rate of SIBOR plus an agreed margin (see note(c) below).

b) On 28 September 2016, RSGT entered into an Ijara arrangement with two local commercial banks to obtain a loan of SR 260 million for expansion of its existing berths. This facility was also secured against the port concession rights of RSGT (note 8.1). The loan was to be repaid in semi-annual installments ending in December 2023. The loan carried special commission rate of SIBOR plus an agreed margin (see note (c) below).

18. LONG-TERM LOANS (continued)

c) During the year ended 31 December 2020, RSGT and the banks mutually agreed to amend the terms of the loan agreements above. These amendments, among others, included modification of the applicable rate from six months SIBOR to three months SIBOR, lowered the agreed margin, modified the repayment frequency from biannual to quarterly payment and extended the maturity period from year 2023 to 2030. The Ijara facilities are secured against property and equipment of RSGT. The modifications of the terms were assessed qualitatively and quantitively in accordance with IFRS 9 "Financial Instruments" and, as a result, the management concluded that the changes in terms of agreement did not resulted in substantial modification under the requirements of IFRS 9 "Financial Instruments". Accordingly, the modifications resulted in a day one gain of SR 31.96 million recorded in the statement of profit or loss as at the effective date of the modification of the terms of the loans (note 39). Un-amortised balance of the modification gain as at 31 December 2022 is of SR 18.12 million (2021: 22.7 million) which will be amortised over the remaining period of the Ijara facility, using effective interest rate.

d) Unamortized portion of the advance rentals and other fees paid to the banks, are amortized over the remaining period of the Ijara facility, using effective interest rate approach.

e) During the year ended 31 December 2020, RSGT obtained a facility with sanctioned limit of SR 750 million towards its consolidation and expansion works. Out of which SR 175 million was drawn as of the date of the consolidated statement of financial position. RSGT pays an agreed commitment fee on the undrawn balance and an agreed profit payable at SIBOR plus a margin on the drawn balance. The commitment fee paid has been deferred and amortised as part of effective interest rate. The loan will be repaid in quarterly instalments starting from 2023 and ending in 2033. The loan is secured against assets relating to the consolidation and expansion works.

	31 December 2022 SR	31 December 2021 SR
Long-term loans	**735,206,352**	718,257,496
Less: current portion (note below)	**(85,312,559)**	(71,439,158)
Non-current portion	**649,893,793**	646,818,338

18. LONG-TERM LOANS (continued)

f) During 2016, Kindasa (a subsidiary of the Company) entered into an agreement for a long-term facility with a commercial bank for SR 24 million to finance the construction of a new water desalination facility. The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in quarterly instalments commencing one year after the first drawdown. The loan is secured by secondary mortgage over Kindasa's property and equipment. As at 31 December 2022, Kindasa has drawn down SR 8.5 million (2021: SR 8.5 million) out of total facility of SR 24 million.

	31 December 2022 SR	31 December 2021 SR
Long-term loan	**1,328,528**	3,099,898
Less: current portion	**(1,328,528)**	(1,771,371)
Long-term portion	**-**	1,328,527

g) During the year, Tusdeer (a subsidiary of the Company) obtained a long-term loan facility with sanctioned limit of SR 290 million from a commercial bank towards the construction of new warehouse, out of which SR 36.9 million was drawn as of the date of the consolidated statement of financial position. The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in quarterly instalments commencing 9 months after the first drawdown.

	31 December 2022 SR	31 December 2021 SR
Long-term loan	**37,216,625**	-
Less: current portion	**(1,150,295)**	-
Long-term portion	**36,066,330**	-

h) All the above loans carry certain financial covenants, which had been complied with as of the reporting date.

i) All loans of the Group are denominated in Saudi Arabian Riyal.

19. 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 2022 SR	31 December 2021 SR
At the beginning of the year	**52,754,723**	48,126,455
Included in statement of profit or loss		
Current service cost	**8,475,934**	8,217,963
Interest cost	**1,438,752**	1,254,821
	9,914,686	9,472,784
Included in statement of other comprehensive income		
Actuarial (gain)/loss	**(11,904,840)**	148,636
Benefits paid	**(8,296,442)**	(4,993,152)
At the end of the year	**42,468,127**	52,754,723

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 2022	31 December 2021
Discount rate	**5.45%**	2.96%
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 11.632 years (2021: 13.525 years).

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

	31 December 2022 SR	31 December 2021 SR
Increase in discount rate	**(4,939,892)**	(7,135,077)
Decrease in discount rate	**4,939,893**	7,135,077
Increase in salary growth	**6,851,733**	9,150,196
Decrease in salary growth	**(5,715,640)**	(7,552,486)

20. LONG-TERM PROVISIONS

	31 December 2022 SR	31 December 2021 SR
Provision for dismantling cost (note a)	**1,940,035**	1,900,442
Others	**120,413**	133,585
	2,060,448	2,034,027

a) Provision for dismantling cost

It represents cost to remove the plant pertaining to Kindasa, a subsidiary, from land leased from MAWANI for a period of 17 years.

21. DERIVATIVE FINANCIAL INSTRUMENT

During the year ended 31 December 2018, RSGT entered into a Profit Rate Swap contract maturing on 30 June 2023.

For the purpose of hedge accounting, hedging instrument is classified as cash flow hedge. The fair value and notional amount of the derivative is as follows:

	31 December 2022 SR	31 December 2021 SR
Notional amount	**118,011,977**	228,966,472
Positive / (negative) fair value	**923,823**	(5,662,361)

The hedge has been assessed to be effective and as at 31 December 2022, net un-realised gain net of deferred tax of SR 0.92 million (un-realized loss in 2021: SR 5.66 million) has been included in the consolidated statement of other comprehensive income.

The amount shown as cash flow hedging reserve in the consolidated statement of other comprehensive income as at 31 December 2022 is expected to affect the consolidated statement of profit or loss in forthcoming years.

22. TRADE PAYABLES, ACCRUED AND OTHER CURRENT LIABILITIES

	31 December 2022 SR	31 December 2021 SR
Accrued liabilities	**136,331,482**	145,836,294
Unearned revenue (note 22.1)	**2,465,976**	4,373,920
Trade payables	**54,335,315**	54,060,993
Advances from customers	**381,550**	12,550
Retention money payable	**5,495,637**	2,430,282
Payable to Jeddah Islamic Port Authority	**30,570,541**	26,609,453
Other payables	**18,775,232**	27,444,561
	248,355,733	260,768,053

22.1 Unearned revenue mainly relates to rent received in advance for which revenue is recognized over time. All of the unearned rent as at 31 December 2021 was recognized as revenue during the year ended 31 December 2022.

23. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	31 December 2022 SR	31 December 2021 SR
Cost:		
At the beginning of the year	**110,682,500**	101,081,068
Lease contracts modification (note below)	**-**	256,568
Additions during the year	**14,366,827**	9,344,864
Transfer to investment properties (note 9)	**(63,851,155)**	--
Lease contract terminated during the year	**(3,600,000)**	--
	57,598,172	110,682,500
Depreciation:		
Accumulated depreciation	**(20,550,263)**	(14,162,815)
Depreciation for the year	**(5,790,743)**	(6,038,415)
Depreciation for the year (capitalized in Work in progress assets)	**--**	(349,033)
Transfer to investment properties (note 9)	**11,839,390**	--
Relating to terminated contract	**2,400,000**	--
Accumulated depreciation	**(12,101,616)**	(20,550,263)
Net value at end of the year	**45,496,556**	90,132,237

23. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

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

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year:	**97,535,689**	91,631,727
Addition during the year	**14,366,827**	9,509,292
Lease contracts modification (note below)	**-**	256,568
Interest charge for the year	**2,503,052**	2,597,779
Interest cost capatlised (capitalized in work in progress assets)	**2,743,221**	2,462,357
Payment of lease liabilities during the year	**(11,870,602)**	(8,922,034)
At the end of the year	**105,278,187**	97,535,689
Current lease liability	**11,192,159**	8,739,576
Non-current lease liability	**94,086,028**	88,796,113
	105,278,187	97,535,689

The following are the amounts recognized in profit or loss:

	31 December 2022 SR	31 December 2021 SR
Depreciation on right-of-use assets	**5,790,743**	6,038,415
Interest charge on lease liabilities	**2,503,052**	2,597,779
Total amount recognized in profit or loss	**8,293,795**	8,636,194

24. REVENUE FROM SALE OF GOODS AND SERVICES

	31 December 2022 SR	31 December 2021 SR
Revenue from shipping and unloading services	**673,936,173**	723,881,654
Revenue from Sale of potable water	**87,444,851**	96,340,475
Revenue from support services	**47,055,034**	54,311,912
Revenue from rentals	**46,408,370**	46,666,299
	854,844,428	921,200,340

24. REVENUE FROM SALE OF GOODS AND SERVICES (continued)

24.1. Shipping and unloading services are provided based on predefined rates. Sales of goods and services and rental incomes are based on contractual agreed rates. The entity satisfies its performance obligation upon delivery of the goods and services to the customers and recognises revenue at contracted rates adjusted for variable components. All of the Group's revenue generating activities are conducted in the Kingdom of Saudi Arabia.

25. DIRECT COSTS

	31 December 2022 SR	31 December 2021 SR
Cost of shipping and unloading services	**331,928,555**	341,516,247
Cost of sale of potable water	**54,667,655**	70,138,838
Cost of rentals and support services	**52,097,773**	63,073,381
	438,693,983	474,728,466

26. SELLING AND DISTRIBUTION EXPENSES

	31 December 2022 SR	31 December 2021 SR
Salaries, wages and benefits	**5,307,877**	5,456,960
Depreciation (note 6 (iv))	**3,772,778**	7,355,027
Expected credit losses on trade receivables (note 34)	**2,695,908**	1,493,530
Advertising and marketing	**1,019,942**	664,519
Right-of-use assets depreciation	**852,172**	412,113
Utilities and telecommunication	**666,063**	632,821
Amortization (note 8.3)	**20,913**	68,542
Others	**1,146,838**	499,549
	15,482,490	16,583,061

27. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2022 SR	31 December 2021 SR
Salaries, wages and benefits	**102,931,122**	98,701,652
Legal and professional fees	**14,000,371**	13,342,376
Depreciation (note 6 (iv))	**6,206,238**	4,000,532
Utilities, telecommunication and office supplies	**5,753,115**	2,234,629
Travelling	**3,935,263**	3,693,540
Amortization of intangibles (note 8.3)	**1,618,120**	1,629,511
Others	**36,222,884**	27,941,979
	170,667,113	151,544,219

28. OTHER INCOME

	31 December 2022 SR	31 December 2021 SR
Reversal of provisions no longer required	**6,445,779**	9,466,000
Loss on disposal of property and equipment	**(80,436)**	(60,261)
Management services fees and others	**7,736,456**	5,441,458
	14,101,799	14,847,197

29. ZAKAT AND INCOME TAX CHARGE, NET

Zakat and income tax charge for the year comprise of:

	31 December 2022 SR	31 December 2021 SR
Zakat charge for the year related to Saudi partners (note 29.1)	**12,783,049**	12,636,098
Income tax charge / (reversal) for the year related to non-Saudi shareholders (note 29.3)	**5,380,283**	5,801,332
	18,163,332	18,437,430

29.1 Movement in provision for Zakat is as follows:

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	**13,788,633**	8,809,495
Charge for the year	**12,783,049**	12,636,098
Amounts paid during the year	**(13,256,069)**	(7,656,960)
At the end of the year	**13,315,613**	13,788,633

29.2 Movement in provision for current income tax is as follows:

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	**4,833,542**	3,522,118
Charge relating to current year	**6,601,069**	7,927,311
Paid during the year	**(10,871,619)**	(6,615,887)
At the end of the year	**562,992**	4,833,542

29. ZAKAT AND INCOME TAX CHARGE, NET (continued)

29.3 Major components of income tax are as follows:

	31 December 2022 SR	31 December 2021 SR
Current income tax (see note 29.2)	**6,601,069**	7,927,311
Deferred income tax (see note 29.4)	**(1,220,786)**	(2,125,979)
	5,380,283	5,801,332

Income tax charge relating to the non-Saudi partners of RSGT has been provided based on non-Saudi partners share of adjusted net income for the year at the rate of 20%.

29.4 Movement in deferred tax asset during the year is as follows:

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	**4,527,498**	2,401,519
Deferred tax credit during the year charged to profit or loss	**1,220,786**	2,125,979
At the end of the year	**5,748,284**	4,527,498

29.5 Zakat assessments status

Parent Company

During the year ended 31 December 2021, ZATCA has raised the assessments for the years 2019 and 2020 with additional liability of SR 2.65 million. The Parent Company has filed an appeal with ZATCA in respect of these assessments and settled SR 0.66 million representing 25% of the assessed amount pursuant to the requirement under the New Zakat Regulation. Subsequent to filing of appeal, the ZATCA has issued its revised assessments with a reduced Zakat liability of SR 0.019 million which has accepted under protest. The Parent Company has received, during the first quarter of 2022, a refund from ZATCA for the additional Zakat paid of SR 0.64 million representing the difference between the accepted Zakat liability and 25% of previously assessed Zakat upon filing the appeal. The Parent Company has filed its Zakat returns up to the year 2021 and ZATCA is yet to raise assessment for year 2021. The Company has filed the Zakat returns up to 2021 and obtained the Zakat certificate valid until 30 April 2023.

Subsidiaries

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

RSGT has finalized its Zakat and income tax assessments with ZATCA up to 2013 and has filed its Zakat and income tax returns up to the year 2021. Tax / Zakat assessment for the year 2014 is considered as finalized under statute of limitation. RSGT has received an assessment SR 0.082 million for year 2016 which was accepted and paid. ZATCA is yet to raise the assessment for the years from 2017 through 2021.

29. ZAKAT AND INCOME TAX (continued)

29.5 Zakat assessments status (continued)

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

RSPD has filed its Zakat and income tax returns with ZATCA up to the year 2021. RSPD has received an assessment for year 2018 which was accepted and paid under protest. Assessment for the years upto 2016 and prior years are considered as finalized under statute of limitation. ZATCA is yet to raise assessments for the years from 2016 through 2017 and 2019 to 2021.

Saudi Trade and Export Development Company Limited ("the Subsidiary")
The Company has finalized its Zakat assessments with ZATCA up to 2016 and has filed its Zakat returns up to 2021. ZATCA is yet to raise the assessment for the years from 2017 to 2021.

Support Services Operation Company Limited ("the Subsidiary")
The Company has finalized its Zakat assessment with ZATCA for the years from 2007 up to 2008 and 2016 up to 2018. During the 3rd quarter of 2022, ISNAD received the final assessment for year 2020 with additional Zakat liability of SR 2,243 which the Company accepted and settled under protest. ISNAD has filed its Zakat returns up to 2021. ZATCA has not raised the assessment for the years from 2009 up to 2015 and is yet to raise the assessments for years 2019 and 2021.

Kindasa Water Service Company ("the Subsidiary")
The Subsidiary has finalized its Zakat assessments with ZATCA up to 2016 and has filed its Zakat returns up to 2021. Up to the date of these consolidated financial statements, ZATCA is yet to raise the assessment for the years from 2016 to 2021.

30. 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 2022 SR	31 December 2021 SR
Profit for the year attributable to ordinary shareholders of the Parent Company	**36,729,508**	57,878,318
Weighted average number of ordinary shares in issue	**81,600,000**	81,600,000
Basic and diluted earnings per share	**0.45**	0.71

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

31. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, associates of the Group, and other entities (Affiliates) 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:

Due from related parties

Related party	***Relationship***	***Description***	***Amount of transaction***		***Balance as at***	
			31 December 2022 SR	31 December 2021 SR	**31 December 2022 SR**	31 December 2021 SR
International Water Distribution Company	Associate	Sales of goods and services	**66,676,906**	66,565,273	**12,111,059**	9,532,543
		Services rendered to associate	**759,000**	759,000		
		Expenses incurred by associate on behalf of the Group	**(35,801)**	(11,867)		
		Expenses incurred by Group on behalf of the associate	**89,695**	78,200		
		Dividend received from associate	**10,000,000**	4,000,000		
Arabian Bulk Trade Limited	Affiliate	Sales of goods and services	**13,824**	348,900	**1,150**	356,373
		Expenses incurred by Group on behalf of the Associate	**--**	3,393		
Al Jabr Talke Company Limited	Associate	Services rendered to associate	**138,000**	138,000	**54,278**	-
		Dividend received from associate	**11,021,141**	10,105,988		
		Expenses cross charged by Group to associate	**479,650**	427,230		
Saudi Water and Environmental Services Company Limited	Associate	Sales of goods and services	**67,778**	2,087,380	**-**	14,675
		Dividend received from associate	**--**	1,960,000		

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due from related parties (continued)

Related party	***Relationship***	***Description***	***Amount of transaction*** **31 December 2022 SR**	31 December 2021 SR	***Balance as at*** **31 December 2022 SR**	31 December 2021 SR
Xenel Industries Limited	Shareholder	Expenses incurred by the Group on behalf of the Shareholder	**346,273**	337,862		
		Expenses incurred by the shareholder on behalf of the Group	**(147,008)**	(40,095)	**199,341**	718,731
		Dividend received from associate	**-**	937,421		
Al-Karam Al-Arabi Catering	Affiliate	Purchase of goods and services	**(19,001,531)**	-		
Total					**12,365,829**	10,622,322

Due to related parties

Related party	***Relationship***	***Description***	***Amount of transaction*** **31 December 2022 SR**	31 December 2021 SR	***Balance as at*** **31 December 2022 SR**	31 December 2021 SR
Al Karam Alarabi Catering	Affiliate	Purchase of goods and services	**-**	(19,298,438)	**-**	1,602,928
Total					**-**	1,602,928

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	31 December 2022 SR	31 December 2021 SR
Short term employee benefits	**14,409,270**	12,529,606
Post-employment benefits	**779,988**	451,471
	15,189,258	12,981,077

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

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

	31 December 2022 SR	31 December 2021 SR
Meeting attendance fees	**780,000**	872,000
Other short-term remuneration	**7,097,500**	7,370,000
	7,877,500	8,242,000

32. COMMITMENTS AND CONTINGENCIES

Contingencies relating to Zakat and income tax are disclosed in note 29.

At 31 December 2022, the Group's bankers have issued letters of guarantee amounting to SR 128.9 million (31 December 2021: SR 149.6 million) against which cash margin of SR 6.9 million (31 December 2021: SR 5.9 million) was deposited.

As at 31 December 2022, the Group has commitments for capital work in progress amounting to SR 551.6 million (31 December 2021: SR 262.8 million) mainly relating to new logistic hub and park construction project and new desalination plant construction and development project.

33. 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. All revenue are generated within Kingdom of Saudi Arabia.

33. BUSINESS SEGMENTS (continued)

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 2022	***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 revenue						
Point in time	673,936	80,225	88,717	**842,878**	-	**842,878**
Over period of time	138,993	54,755	-	**193,748**	-	**193,748**
Total external revenue	812,929	134,980	88,717	**1,036,626**	-	**1,036,626**
Inter-segment revenue	-	(41,517)	(1,272)	**(42,789)**	-	**(42,789)**
Segment revenue	812,929	93,463	87,445	**993,837**	-	**993,837**
Cost of revenue	472,193	91,329	54,668	**618,190**	-	**618,190**
Inter-segment cost of revenue	(1,272)	(39,231)	-	**(40,504)**	-	**(40,504)**
Segment cost	470,921	52,098	54,668	**577,687**	-	**577,687**
Segment gross profit	342,008	41,366	32,777	**416,150**	-	**416,150**
Finance cost	211,006	2,154	419	**213,580**	-	**213,580**
Depreciation and amortization	139,383	16,922	15,651	**171,956**	-	**171,956**
Profit attributable to:						
Shareholders of the Parent Company	9,093	14,369	7,055	**30,518**	6,212	**36,730**
Non-controlling interests	10,713	3,968	4,118	**18,799**	-	**18,799**
Segment assets	3,552,415	549,670	164,941	**4,267,026**	791,305	**5,058,331**
Segment liabilities	2,525,257	164,106	35,831	**2,725,194**	16,947	**2,742,141**
Net assets	1,027,158	385,564	129,110	**1,541,832**	774,358	**2,316,190**

33. BUSINESS SEGMENTS (continued)

31 December 2021	Reportable segments: *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 revenue						
Point in time	723,882	38,989	97,369	860,240	-	860,240
Over period of time	64,208	61,989	-	126,197	-	126,197
Total External revenue	788,090	100,978	97,369	986,437	-	986,437
Inter-segment revenue	-	-	(1,029)	(1,029)	-	(1,029)
Segment revenue	788,090	100,978	96,340	985,408	-	985,408
Cost of revenue	406,753	63,073	70,139	539,965	-	539,965
Inter-segment cost of revenue	(1,029)	-	-	(1,029)	-	(1,029)
Segment cost	405,724	63,073	70,139	538,936	-	538,936
Segment gross profit	382,366	37,905	26,201	446,472	-	446,472
Finance cost	200,536	2,084	445	203,065	476	203,541
Depreciation and amortization	133,497	17,402	22,634	173,533	213	173,746
Profit / (loss) attributable to:						
Shareholders of the Parent Company	53,358	5,480	3,313	62,151	(4,273)	57,878
Non-controlling interests	30,416	4,851	1,972	37,238	-	37,238
Segment assets	3,576,168	471,585	167,799	4,215,552	779,499	4,995,051
Segment liabilities	2,534,164	114,411	28,430	2,677,005	21,660	2,698,665
Net assets	1,042,004	357,174	139,369	1,538,547	757,839	2,296,386

34. 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.

34. FINANCIAL RISK MANAGEMENT (continued)

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 1.7 million (31 December 2021: SR 4.1 million).

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:

34. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

	31 December 2022 SR	31 December 2021 SR
Financial assets		
Trade receivables, net	**88,747,159**	96,211,788
Due from related parties	**12,365,829**	10,622,322
Margin deposits	**6,952,551**	2,867,436
Cash at banks including term deposits	**787,409,325**	892,115,844
	895,474,864	1,001,817,390

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. As at 31 December 2022, 6 largest customers (31 December 2021: 6 largest customers) account for approximately 85% (31 December 2021: 92%) 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 2022					
	Current SR	**<90 days SR**	**90–180 days SR**	**181–365 days SR**	**>1 year SR**	**Total SR**
Exposure at default	**60,947,443**	**21,363,394**	**1,898,835**	**3,874,564**	**19,321,628**	**107,405,865**
% of expected credit loss	**1%**	**3%**	**16%**	**22%**	**85%**	**17%**
Expected credit loss	**586,869**	**549,322**	**311,402**	**865,351**	**16,345,762**	**18,658,706**
	60,360,574	**20,814,072**	**1,587,433**	**3,009,213**	**2,975,866**	**88,747,159**

	31 December 2021					
	Current SR	<90 days SR	90–180 days SR	181–365 days SR	>1 year SR	Total SR
Exposure at default	41,447,044	43,621,822	7,592,882	4,215,447	15,828,640	112,705,835
% of expected credit loss	0.3%	0.4%	12%	6%	95%	15%
Expected credit loss	131,884	195,907	935,003	239,858	14,991,395	16,494,047
	41,315,160	43,425,915	6,657,879	3,975,589	837,245	96,211,788

34. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Movement of impairment allowance against trade receivables is as follows:

	31 December 2022 SR	31 December 2021 SR
At the beginning of the year	**16,494,047**	18,275,318
Charge during the year	**2,695,907**	1,493,530
Written off during the year	**(531,248)**	(3,274,801)
At the end of the year	**18,658,706**	16,494,047

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

31 December 2022	**Within 1 year SR**	**1 to 5 Years SR**	**More than 5 years SR**	**Total SR**
Bank borrowings	**91,497,144**	**418,986,911**	**318,906,110**	**829,390,165**
Obligation under service concession arrangement	**164,607,341**	**642,307,878**	**4,826,580,830**	**5,633,496,049**
Trade payables, accrued and other liabilities	**245,508,207**	**-**	**-**	**245,508,207**
Lease liabilities	**8,037,799**	**29,191,196**	**137,366,455**	**174,595,450**
	509,650,491	**1,090,485,985**	**5,282,853,394**	**6,882,989,871**

34. FINANCIAL RISK MANAGEMENT (continued)

***Liquidity risk* (continued)**

31 December 2021	Within 1 year SR	1 to 5 years SR	More than 5 years SR	Total SR
Bank borrowings	73,210,732	346,410,694	353,104,175	772,725,601
Obligation under service concession arrangement	169,027,713	791,358,244	4,807,313,939	5,767,699,896
Trade payables, accrued and other liabilities	256,381,583	--	--	256,381,583
Lease Liabilities	11,194,467	44,057,604	146,434,254	201,686,325
Derivative financial instrument	5,662,361	--	--	5,662,361
Due to related parties	1,602,928	--	--	1,602,928
	517,079,784	1,181,826,542	5,306,852,368	7,005,758,694

35. 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 shareholders' 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 2022 SR	31 December 2021 SR
Total liabilities	**2,742,141,013**	2,698,664,868
Less: Cash and cash equivalents	**(787,872,063)**	(892,374,091)
Net debt	**1,954,268,950**	1,806,290,777
Equity	**2,316,189,889**	2,296,386,500
Total capital	**4,270,458,839**	4,102,677,277
Gearing ratio	**46%**	44%

36. OBLIGATION UNDER SERVICE CONCESSION AGREEMENT

Current and non-current portion of obligation under service concession agreement is as follows:

	31 December 2022 SR	31 December 2021 SR
Balance at 31 December	**1,556,348,408**	1,538,327,518
Less: current portion	**(164,607,341)**	(169,027,713)
Non current portion	**1,391,741,067**	1,369,299,805

37. CONSTRUCTION REVENUE AND CONSTRUCTION COST

	31 December 2022 SR	31 December 2021 SR
Construction revenue	**138,992,575**	64,207,878
Cost of construction	**(138,992,575)**	(64,207,878)

In accordance with IFRIC 12 "Service Concession Agreements", the Group has recorded construction revenue of SR 138.9 million (2021:SR 64.2 million) on construction of a container terminal during the year ended 31 December 2022. The construction revenue represents the fair value of the construction services provided in developing the container terminal. No margin has been recognized, as in management's opinion the fair value of the construction services provided approximates to the construction cost.

38. NON-CONTROLLING INTEREST

	31 December 2022 SR	31 December 2021 SR
Non -controlling interest	**800,268,156**	810,372,371

The following table summarizes the information relating to material significant Non-Controlling Interests ("NCI"), RSPD before any intra group eliminations:

	31 December 2022 SR	31 December 2021 SR
Non-current assets	**3,230,523,365**	3,216,367,988
Current assets	**345,454,521**	377,596,855
Non-current liabilities	**2,071,851,232**	2,058,144,363
Current liabilities	**457,955,059**	472,902,305
Net assets – 100%	**1,046,171,595**	1,062,918,175
Carrying amount of NCI	**660,642,462**	673,641,105
Revenue	**812,928,749**	788,089,532
Profit for the year	**16,007,276**	81,928,708
Other Comprehensive Income ("OCI")	**14,286,001**	8,478,529
Total comprehensive income (100%)	**30,293,277**	90,407,237
Profit for the year allocated to NCI	**10,713,243**	30,415,729
Total comprehensive income allocated to NCI	**20,039,292**	32,318,844

39. 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 consolidated 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.

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.

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

31 December 2022	**Carrying value SR**	**Level 3 SR**
FINANCIAL ASSETS		
Amortised cost		
Trade receivables and other receivables	**88,747,159**	
Due from related parties	**12,365,829**	
Derivative financial instrument	**923,823**	**923,823**
Cash and cash equivalents	**787,872,063**	
Financial assets at fair value through other comprehensive income (FVOCI)		
- Investment in equity securities	**14,218,328**	**14,218,328**
	904,127,202	**15,142,151**
FINANCIAL LIABILITIES		
Loans and bank facility	**773,751,505**	
Obligation under service concession arrangements	**1,556,348,408**	
Trade payables and other liabilities	**245,958,207**	
	2,576,058,120	**--**

31 December 2021	Carrying value SR	Level 3 SR
FINANCIAL ASSETS		
Amortised cost		
Trade receivables and other receivables	96,211,788	
Due from related parties	10,622,322	
Cash and cash equivalents	892,374,091	
Financial assets at fair value through other comprehensive income (FVOCI)		
- Investment in equity securities	14,909,532	14,909,532
	1,014,117,733	14,909,532
FINANCIAL LIABILITIES		
Loans and bank facility	721,357,394	
Obligation under service concession arrangements	1,538,327,518	
Trade payables and other liabilities	256,381,583	
Due to related parties	1,674,155	
Derivative financial instrument	5,662,361	5,662,361
	2,523,403,011	5,662,361

None of the Group’s financial assets and liabilities are classified under level 1 and level 2

40. FINANCE COST

	31 December 2022 SR	31 December 2021 SR
Financial charges on loans and bank facilities including amortization of advance rentals	**42,452,496**	32,649,430
Finance charges on obligation under service concession arrangement	**168,396,071**	168,125,480
Financial charges on lease liabilities	**2,503,052**	2,597,779
Other financial charges	**227,925**	168,621
	213,579,543	203,541,310

41. SUBSEQUENT EVENTS

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Parent Company shall present the amended By-Laws to the shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 28 February 2023, corresponding to 8 Sha'ban 1444H.