

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

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

**REVIEW REPORT TO THE SHAREHOLDERS OF  
SAUDI INDUSTRIAL SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)**

**Scope of review**

We have reviewed the accompanying interim consolidated balance sheet of Saudi Industrial Services Company (A Saudi Joint Stock Company) and its subsidiaries as at 31 December 2011 and the related interim consolidated statement of income for the three-month and twelve-month periods then ended, and the related statements of cash flows and changes in shareholders' equity for the twelve-month period then ended, which have been prepared by the Company's Board of Directors and submitted to us together with all the information and explanations which we required. Our review was conducted in accordance with Saudi Organization for Certified Public Accountants (SOCPA) standard on examining interim financial information. A review is limited primarily to analytical procedures applied to financial data and inquiries of Group's personnel on financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



Ahmed I. Reda  
Certified Public Accountant  
Licence No. 356

22 Safar 1433H  
16 January 2012

Jeddah

Saudi Industrial Services Company  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	2011 (Unaudited) SR	2010 (Audited) SR
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Bank balances and cash		221,451,839	225,296,079
Accounts receivables and other receivables		63,639,078	66,011,613
Inventories		11,074,506	10,182,459
<b>TOTAL CURRENT ASSETS</b>		<b>296,165,423</b>	<b>301,490,151</b>
<b>NON-CURRENT ASSETS</b>			
Investments	4	82,538,650	69,416,016
Property, plant and equipment		360,488,402	271,874,675
Property, plant and equipment - bonded and re-export project		112,055,340	115,002,354
Project in progress – bonded and re-export project		26,141,522	10,407,399
Property and equipment - quay project		81,327,377	13,396,026
Intangible assets – quay project		1,561,766,485	1,701,994,356
Goodwill	6	12,396,651	12,396,651
Deferred charges		411,790	74,345
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,237,126,217</b>	<b>2,194,561,822</b>
<b>TOTAL ASSETS</b>		<b>2,533,291,640</b>	<b>2,496,051,973</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and other payables		127,837,701	95,419,299
Short term loans, current portion of long term loans and bank facilities		148,449,544	131,810,510
<b>TOTAL CURRENT LIABILITIES</b>		<b>276,287,245</b>	<b>227,229,809</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term loans and bank facilities		1,175,307,459	1,215,684,435
Other long term liabilities		7,732,502	-
Employees' end of service benefits provision		8,632,360	7,183,918
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>1,191,672,321</b>	<b>1,222,868,353</b>
<b>TOTAL LIABILITIES</b>		<b>1,467,959,566</b>	<b>1,450,098,162</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	5	680,000,000	680,000,000
Share premium		36,409,063	36,409,063
Statutory reserve		4,259,094	3,250,885
Special reserve		2,120,004	1,615,899
Effect of reducing the ownership percentage in a subsidiary		4,653,218	4,653,218
Retained earnings/(accumulated losses)		8,569,776	(907,482)
<b>TOTAL SHAREHOLDERS' EQUITY OF PARENT COMPANY</b>		<b>736,011,155</b>	<b>725,021,583</b>
<b>MINORITY INTERESTS</b>		<b>329,320,919</b>	<b>320,932,228</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,065,332,074</b>	<b>1,045,953,811</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,533,291,640</b>	<b>2,496,051,973</b>

The attached notes 1 to 10 form part of these unaudited interim condensed consolidated financial statements.

Saudi Industrial Services Company  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three-month and twelve-month periods ended 31 December 2011

	Note	For the three-month period ended 31 December		For the twelve-month period ended 31 December	
		2011 (Unaudited) SR	2010 (Unaudited) SR	2011 (Unaudited) SR	2010 (Audited) SR
Sales and operating income	7	112,111,526	79,051,406	398,275,344	281,843,419
Cost of sales and operations		(72,010,816)	(50,455,349)	(234,916,988)	(173,346,383)
<b>GROSS PROFIT</b>		<b>40,100,710</b>	<b>28,596,057</b>	<b>163,358,356</b>	<b>108,497,036</b>
Selling and distribution expenses		(3,343,042)	(2,946,207)	(11,074,592)	(7,638,064)
General and administration expenses		(27,644,252)	(20,184,528)	(93,712,586)	(65,741,009)
<b>Net income from main operations</b>		<b>9,113,416</b>	<b>5,465,322</b>	<b>58,571,178</b>	<b>35,117,963</b>
Financial charges		(5,538,347)	(26,925,878)	(29,811,808)	(28,488,948)
Non-temporary decline in available for sale investment		-	-	-	(7,700,000)
Share of results from associates		(1,062,819)	(1,017,191)	(550,334)	(1,508,422)
Realised gain from sale of available-for-sale investment		-	11,082,620	-	11,082,620
Other Income		522,773	303,616	1,946,028	1,639,610
<b>NET INCOME/(LOSS) BEFORE ZAKAT AND MINORITY INTERESTS</b>		<b>3,035,023</b>	<b>(11,091,511)</b>	<b>30,155,064</b>	<b>10,142,823</b>
Zakat		(1,271,029)	(1,562,050)	(3,434,780)	(2,098,776)
<b>NET INCOME/(LOSS) BEFORE MINORITY INTERESTS</b>		<b>1,763,994</b>	<b>(12,653,561)</b>	<b>26,720,284</b>	<b>8,044,047</b>
(Loss)/income attributable to minority interests		(2,331,563)	8,882,110	(15,730,712)	(5,917,263)
<b>NET INCOME/(LOSS) FOR THE PERIOD/YEAR</b>		<b>(567,569)</b>	<b>(3,771,451)</b>	<b>10,989,572</b>	<b>2,126,784</b>
Weighted average number of ordinary shares outstanding	5	68,000,000	68,000,000	68,000,000	68,000,000
Earning per share on net income from main operations (in SR per share)	8	0.13	0.08	0.86	0.52
(Loss)/earning per share on net (loss)/income for the period (in SR per share)	8	(0.01)	(0.06)	0.16	0.03

The attached notes 1 to 10 form part of these unaudited interim condensed consolidated financial statements.

Saudi Industrial Services Company  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve-month period ended 31 December 2011

	<i>For the twelve month period ended 31 December 2011 (Unaudited) SR</i>	<i>2010 (Audited) SR</i>
<b>OPERATING ACTIVITIES</b>		
Net income before zakat and minority interests	30,155,064	10,142,823
Adjustments for:		
Depreciation	32,259,962	28,936,676
Amortisation	64,385,183	44,352,625
End of service benefits provision	2,116,656	2,146,454
Share of results from associates	550,334	1,508,422
Other long term liabilities	7,732,502	-
Non-temporary decline in available for sale investment	-	7,700,000
Gain from sale of available for sale investment	-	(11,082,620)
Financial charges	29,811,808	28,488,948
	<u>167,011,509</u>	<u>112,193,328</u>
Changes in operating assets and liabilities:		
Accounts receivables and other receivables	2,372,535	4,387,094
Inventories	(892,047)	(159,340)
Accounts payable and other payables	33,882,719	1,145,687
	<u>202,374,716</u>	<u>117,566,769</u>
Cash from operations	202,374,716	117,566,769
Zakat paid	(4,899,097)	(4,083,958)
Employees' terminal benefits paid	(668,214)	(674,113)
Financial charges paid	(29,811,808)	(28,488,948)
	<u>166,995,597</u>	<u>84,319,750</u>
<b>INVESTING ACTIVITIES</b>		
Investments in associates	(13,672,968)	(8,675,035)
Additions to property, plant and equipment and intangible assets	(126,049,461)	(446,433,957)
Deferred charges	(37,445)	-
Proceeds from sale of investments	-	31,058,665
Proceeds from sale of property, plant and equipment	-	711,219
	<u>(139,759,874)</u>	<u>(423,339,108)</u>
Net cash used in investing activities	(139,759,874)	(423,339,108)
<b>FINANCING ACTIVITIES</b>		
Net change in loans and bank facilities	(23,737,942)	115,281,859
Net change in minority interests	(7,342,021)	8,005,806
	<u>(31,079,963)</u>	<u>123,287,665</u>
Net cash (used in)/from financing activities	(31,079,963)	123,287,665
<b>DECREASE IN BANK BALANCES AND CASH</b>	<b>(3,844,240)</b>	<b>(215,731,693)</b>
Bank balances and cash at the beginning of the period	<u>225,296,079</u>	<u>441,027,772</u>
<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD</b>	<b><u>221,451,839</u></b>	<b><u>225,296,079</u></b>

The attached notes 1 to 10 form part of these unaudited interim condensed consolidated financial statements.

Saudi Industrial Services Company  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the twelve-month period ended 31 December 2011

	Share capital SR	Share premium SR	Statutory reserve SR	Special reserve SR	Effect of reducing the shareholding in a subsidiary SR	Unrealized income/(loss) on available for sale investment SR	(Accumulated losses)/retained earnings SR	Total equity attributable to shareholders of the Company SR	Minority interests SR	Total shareholder's equity SR
Balance at 31 December 2009 (audited)	680,000,000	36,409,063	3,250,885	1,615,899	4,653,218	6,627,660	(3,034,266)	729,522,459	307,009,159	1,036,531,618
Net income for the year ended 31 December 2010	-	-	-	-	-	-	2,126,784	2,126,784	5,917,263	8,044,047
Unrealized gain on available for sale investment	-	-	-	-	-	(6,627,660)	-	(6,627,660)	-	(6,627,660)
Net movement in minority interests	-	-	-	-	-	-	-	-	8,005,806	8,005,806
Balance at 31 December 2010 (audited)	680,000,000	36,409,063	3,250,885	1,615,899	4,653,218	-	(907,482)	725,021,583	320,932,228	1,045,953,811
Net income for the twelve-month period ended 31 December 2011	-	-	-	-	-	-	10,989,572	10,989,572	15,730,712	26,720,284
Transfer to reserves	-	-	1,008,209	504,105	-	-	(1,512,314)	-	-	-
Net movement in minority interests	-	-	-	-	-	-	-	-	(7,342,021)	(7,342,021)
<b>Balance at 31 December 2011 (unaudited)</b>	<b>680,000,000</b>	<b>36,409,063</b>	<b>4,259,094</b>	<b>2,120,004</b>	<b>4,653,218</b>	<b>-</b>	<b>8,569,776</b>	<b>736,011,155</b>	<b>329,320,919</b>	<b>1,065,332,074</b>

The attached notes 1 to 10 form part of these unaudited interim condensed consolidated financial statements.

Saudi Industrial Services Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

At 31 December 2011

**1 COMPANY ACTIVITIES**

Saudi Industrial Services Company ("the Company") 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 Awwal 1409 H and registered under Commercial Registration No. 4030062502 of 10 Rabi Thani 1409 H (corresponding to 20 November 1988) to engage in maintenance, operations and management of factories, industrial facilities, construction of residential buildings and all related facilities like entertainment centers, malls, restaurants, catering projects, construction of hospitals and buildings to provide health services to factory and industrial company workmen, marketing factory products locally and worldwide, provide services and participate in formation of companies. The principal activity of the Company currently is investment and management of subsidiaries. The head office of the Company is located in Jeddah.

**2 BASIS OF PREPARATION**

The interim condensed consolidated financial statements have been prepared in accordance with accounting standards generally accepted in Kingdom of Saudi Arabia and Saudi Accounting Standard for interim financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The interim condensed financial statements are expressed in Saudi Riyals, being the functional currency of the Company.

The results presented in the interim condensed consolidated financial statements may not be an accurate indicator of the annual financial results of the Company.

**Basis of consolidation of the condensed financial statements**

These interim condensed consolidated financial statements include the financial statements of the Company and the following subsidiaries (hereinafter referred to as "Group"):

Company	Country of incorporation	Shareholding direct/indirect		Principal activity
		2011	2010	
Saudi Trade and Export Development Company Limited (Tusdeer)	Saudi Arabia	76%	76%	Management and operation of storage and Re-export Project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Company Limited	Saudi Arabia	60%	60%	Water desalination and treatment plant and sale of water.
Support Services Operation Limited Company (ISNAD)	Saudi Arabia	100%	100%	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.

Saudi Industrial Services Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)

At 31 December 2011

**2 BASIS OF PREPARATION (continued)**

**Basis of consolidation of the condensed financial statements (continued)**

Company	Country of incorporation	Shareholding direct/indirect		Principal activity
		2011	2010	
Red Sea Gateway Terminal Company Limited	Saudi Arabia	63%	63%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.
Red Sea Port Development Company – Closed Joint Stock Company	Saudi Arabia	63%	63%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

**Subsidiaries**

Subsidiaries are companies in which the Company has, directly or indirectly, a long term investment comprising an interest of not less than 50% in the voting capital and / or over which it exerts control. Subsidiaries are consolidated from the date the Company obtains control until control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The attributable equity interests of third parties in the Group are included under the 'minority interests' caption in these interim condensed consolidated financial statements.

Unrealised profits and losses resulting from transactions between the Company and its subsidiaries are eliminated in full upon consolidation.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are as follows:

**Accounting convention**

The interim condensed consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of investments held as available for sale modified to measure at fair value available-for sale investments.

**Use of estimate**

The preparation of interim condensed consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

**Cash and cash equivalents**

Cash and cash equivalents consists of bank balances, cash on hand and short-term deposits that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

**Sales and revenue recognition**

Sales are recognized when the goods are delivered and the services rendered to customers and are stated net of trade discount and volume rebates and the share of Saudi Arabian Seaports Authority (SEAPA). Lease revenue from leased spaces and warehouses is distributed over respective lease periods. Lease revenue relating to subsequent years is deferred and recognized in appropriate years.

**Expenses**

Selling and distribution expenses primarily comprise the cost incurred for distributing and selling of subsidiaries' goods. All other expenses are classified as general and administrative expenses.



Saudi Industrial Services Company  
(A Saudi Joint Stock Company)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
At 31 December 2011

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories**

Inventories are stated at the lower of cost or market value. Cost is determined using weighted average cost method.

**Investment in associates**

The Company's investment in an associate is accounted for under the equity method of accounting. This is an entity over which the Company exercises significant influence and which are neither a subsidiary nor a joint venture. Investment in an associate is carried in the balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value based on its latest financial statements at each reporting date. The income statement reflects the Company's share of the results of its associates. Where there has been a change recognized directly in the equity of associate, the Group recognizes its share of any changes and discloses this when applicable in the interim consolidated statement of changes in shareholders' equity.

Unrealised gains and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

Dividends are recorded when received and credited to the investment.

**Available for sale investments**

Investments which are neither bought with the intention of being held to maturity nor for trading purposes are classified as available for sale and are stated at fair value. Changes in the fair value are credited or charged to the interim consolidated statement of changes in equity. However, any non-temporary decline in value is charged to the interim consolidated income statement.

Fair value is determined by reference to the market value if an open market exists. Otherwise cost is considered to be the fair value.

Dividend income is recognised when the right to receive the dividend is established.

**Goodwill**

Goodwill represents the increase in the cost of investment over the Company's share in the net fair value of investee's net assets, liabilities and contingencies as at acquisition date and is stated at cost as adjusted by the amount of impairment (if any). Goodwill is subsequently recognized at cost net of any impairment accumulated losses. The carrying value of goodwill is reviewed at each balance sheet date to determine whether any objective indicator of impairment exists unless an event or change in circumstances occurs during the year indicative of an impairment of carrying value and thus requiring a valuation of goodwill during the year.

For impairment test the goodwill for subsidiaries is determined individually as each subsidiary is considered as an independent cash generating unit.

The impairment is determined by reviewing the recoverable amount of cash generating unit (subsidiary), the acquisition of which has given rise to goodwill. Where the recoverable amount of a subsidiary is less than its carrying value, an impairment loss is recognized in the interim consolidated statement of income.

**Property, plant and equipment**

a) Property, plant and equipment

Free hold land is not depreciated. Property, plant and equipment are stated at cost net of accumulated depreciation, and any impairment in value. Depreciation is calculated on the basis of estimated useful lives of property, plant and equipment using straight line method.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)

At 31 December 2011

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment (continued)**

a) Property, plant and equipment (continued)

Expenditure for repair and maintenance are charged to interim consolidated statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

b) Bonded and re-export project

Bonded and re-export project is stated at cost net of accumulated depreciation and any impairment value. The development cost of leasehold land and the buildings constructed thereon is amortized over the shorter of estimated useful life or remaining period of lease.

**Intangible asset**

Intangible assets are recognized on acquisition at cost. Subsequently intangible assets are stated at cost net of any amortization and impairment provisions. Intangible assets consist of finite and infinite useful life assets.

Intangible assets with finite useful lives are amortized over their respective useful lives and reviewed for impairment. Where an impairment indicator exists, amortization period and method of intangible assets with the finite useful lives are reviewed at least at the end of each financial year.

The changes in useful life of intangible asset or change in the depreciation pattern of inherent future economic benefits are accounted for by either changing the most appropriate of amortization period or amortization method. Such changes are treated as changes in accounting estimates. Amortization change relating to intangible assets with finite useful lives are charged to interim consolidated statement of income together with similar items.

Intangible assets with infinite useful lives are not amortized. Instead, they are annually reviewed for impairment on an individual basis or on cash generating unit level. The useful life of intangible asset is reviewed annually to determine whether the infinite useful life still can be supported at interim condensed consolidated financial statement date. Where this cannot be supported, the change in useful life from infinite to finite is made on prospective basis.

Gains or losses on disposal of intangible asset is accounted for as the difference between the proceeds from sale and carrying value of intangible asset and is recognized in interim consolidated statement of income. Intangible asset's impairment loss is recognized in interim consolidated statement of income.

**Capitalization of borrowing costs**

Borrowing cost attributable to the construction of a qualifying asset is capitalized during construction phase and then recorded borrowing cost as expense in interim consolidated income statement.

**Accounts receivable**

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**End of service benefits**

Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the interim consolidated balance sheet date.

**Accounts payable and other payables**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Provisions**

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
At 31 December 2011

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment and uncollectibility of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the interim consolidated statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the interim consolidated statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

**Deferred charges**

Deferred charges primarily comprise pre-incorporation and pre-operation expenses incurred during pre-incorporation period and prior to commencement of commercial operation of the related project, net of non-operating revenue earned during incorporation period. Such expenses are amortised using straight line method over seven years.

**Zakat**

The Company and its subsidiaries are subject to the requirements of Saudi Arabian Zakat and Income Tax Department. Zakat provision is charged to interim consolidated income statement. Zakat is provided for in accordance with zakat base. Any differences between zakat provision and final assessment are recognized when the assessment is finalized.

**Foreign currencies**

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the interim consolidated balance sheet date. The resulting gains or losses are taken to interim consolidated income statement.

**Segmental reporting**

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Company carries out its activities entirely in the Kingdom of Saudi Arabia, segment reporting is provided by business segment only (see note 10).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)  
At 31 December 2011

4 INVESTMENTS

	2011 SR	2010 SR
Available for sale investment –unquoted (see note ‘a’ below)	9,570,150	9,570,150
Advance for purchase of investment (see note ‘b’ below)	9,375,000	-
Investment in associates (see note ‘c’ below)	63,593,500	59,845,866
	<u>82,538,650</u>	<u>69,416,016</u>

- a) During the year ended 31 December 2010, the Company’s management decided to record non-temporary decline in market value of investment, amounting to SR 7.7 million, in the interim consolidated statement of income.
- b) The amount represents advance paid by one of the subsidiaries to acquire 25% ownership interest in Xenmet SA, Vaduz
- c) As at 31 December the investment in associates comprises the following :

Associates	Principal activity	Shareholding %	2011 SR	2010 SR
- International Water Distribution Company Limited	Water/waste works, water treatment and lease of water equipment	50%	28,265,870	32,893,116
- Saudi Water and Environmental Services Company(see note (a) below)	Electrical, water and mechanical works and related operation and maintenance	49% Indirect shareholding	23,299,585	18,808,293
- Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	33.3%	12,028,045	8,144,457
			<u>63,593,500</u>	<u>59,845,866</u>

- a) Saudi Water and Environment Services Company is 49% owned by Kindasa Water Service Company (Subsidiary) which is 60% owned by the Company.

5 CAPITAL

Capital is divided into 68 million shares of SR 10 each (2010: 68 million shares).

**Saudi Industrial Services Company**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED) (continued)**  
**At 31 December 2011**

**6 GOODWILL**

	<i>2011</i>	<i>2010</i>
	<i>SR</i>	<i>SR</i>
Goodwill arose on acquisition of:		
- Kindasa Water services Company – subsidiary	8,776,760	8,776,760
- Al Jabr Talke Company Limited – associate	3,619,891	3,619,891
	<u>12,396,651</u>	<u>12,396,651</u>

**7 SALES AND OPERATING INCOME**

	<i>2011</i>	<i>2010</i>
	<i>SR</i>	<i>SR</i>
Total nominal construction revenue from Build-Operate-Transfer project	48,574,050	528,180,691
Total construction cost on Build Operate Transfer project	(48,574,050)	(528,180,691)
Selling of potable water revenue	73,920,546	78,662,742
Selling of fuel and transport and support services revenue	39,778,061	38,156,319
Shipping and unloading services revenue	239,759,624	121,282,218
Rent services revenue	44,817,113	43,742,140
<b>Total</b>	<u>398,275,344</u>	<u>281,843,419</u>

Red Sea Gateway Terminal Company Limited, a subsidiary, entered into a Build-Operate-Transfer (BOT) concession service agreement with Saudi Arabia Sea Ports Authority.

In accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia, in such agreement, the Group should recognize during construction period nominal construction revenue and corresponding construction costs incurred up to date on percentage of completion basis. Also, the construction costs for capital assets are required to be shown as intangible assets. Accordingly, Group`s management has recognized total construction costs and nominal construction revenue of SR 48,574,050 during the twelve-month period ended 31 December 2011 (2010: SR 528,180,691). Amortization charge is allocated over the useful life of the intangible assets.

The Group`s management believes the pricing of such projects is generally determined on the basis that any profit realized solely from construction activities cannot be separately determined. Therefore, in line with prudence concept the Group`s management has decided not to recognize such profit in the interim condensed consolidated financial statements.

**8 EARNINGS PER SHARE**

Earning per share on income from main operations is calculated by dividing income from main operations by number of shares in issue during the period.

Earning per share on net income is calculated by dividing the net income by the number of shares in issue during the period.

The calculation of diluted earnings per share is not applicable to the Group.

Saudi Industrial Services Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED) (continued)

At 31 December 2011

**9 COMMITMENTS AND CONTINGENCIES**

The Group's bankers have issued letters of guarantee amounting to SR 25 million on which cash margin of SR 7.5 million was paid (2010: SR 25 million on which cash margin of SR 25 million was paid).

During the twelve-month period ended 31 December 2011, the Group's bankers have issued letters of credit amounting to SR 1.3 million on which cash margin of SR 1.3 million was paid.

As at 31 December 2011, the Company has commitments for capital work in progress amounting to SR 24 million (2010: SR 126.5 million).

In addition, civil work contractor of Red Sea Gateway Terminal Company Limited (a subsidiary) has notified three major claims relating to extension of time, shortage of reclamation materials and late provision of drawings. Management of the subsidiary has not yet reached an agreement with the contractor in respect of settlement of such claims.

**10 BUSINESS SEGMENTS**

The Company and its subsidiaries consist of the following main business segments of business:

- Fuel station and maintenance
- Quay project
- Ports development
- Sea Water desalination
- Storage and re-export
- Main office: consist of operation activities and investment activities.

These form the basis of internal management reporting of main business segments.

Following are the assets, liabilities, sales and result of such segments for the twelve month period ended 31 December:

	<i>Fuel stations and maintenance SR'000 (Unaudited)</i>	<i>Port development and quay SR'000 (Unaudited)</i>	<i>Desalination SR'000 (Unaudited)</i>	<i>Storage and re-export SR'000 (Unaudited)</i>	<i>Main office SR'000 (Unaudited)</i>	<i>Total SR'000 (Unaudited)</i>
<b>2011(Unaudited)</b>						
Assets	25,300	1,812,442	285,961	200,700	208,889	<b>2,533,292</b>
Liabilities	3,870	1,350,137	66,044	22,525	25,384	<b>1,467,960</b>
Sales and operating income	39,778	239,760	73,920	44,817	-	<b>398,275</b>
Net income/(loss) before minority interests	2,014	8,728	23,193	13,799	(21,014)	<b>26,720</b>
Net income/(loss)	2,014	5,499	14,127	10,364	(21,014)	<b>10,990</b>
<b>2010(Audited)</b>						
Assets	22,638	1,814,015	259,419	185,435	214,544	2,496,051
Liabilities	2,837	1,352,002	50,830	25,625	18,804	1,450,098
Sales and operating income	38,156	121,282	78,663	43,742	-	281,843
Net income/(loss) before minority interests	1,959	(22,985)	29,215	16,055	(16,200)	8,044
Net income/(loss)	1,959	(14,481)	17,998	12,850	(16,200)	2,126

The Group operates only in Kingdom of Saudi Arabia.