SAUDI INDUSTRIAL SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2020

EY
Building a better working world

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the shareholders
Saudi Industrial Services Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Industrial Services Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2020, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statement of changes in equity and cash flows for the six-month period then ended and the explanatory notes which form an integral part of these interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia (KSA). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" that are endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

27 August 2020
08 Muharram 1442H
Jeddah

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

	Note	***For the three-month period ended 30 June 2020 Unaudited SR***	*For the three-month period ended 30 June 2019 Unaudited SR*	***For the six-month period ended 30 June 2020 Unaudited SR***	*For the six-month period ended 30 June 2019 Unaudited SR*
Revenues	6	**215,571,655**	180,692,069	**382,863,297**	347,206,873
Direct costs		**(99,687,615)**	(103,138,090)	**(213,807,120)**	(196,981,698)
GROSS PROFIT		**115,884,040**	77,553,979	**169,056,177**	150,225,175
OPERATING EXPENSES					
General and administration expenses		**(38,764,342)**	(30,132,830)	**(74,735,070)**	(65,251,622)
Selling and distribution expenses		**(3,959,231)**	(4,107,868)	**(7,751,465)**	(8,351,089)
TOTAL OPERATING EXPENSES		**(42,723,573)**	(34,240,698)	**(82,486,535)**	(73,602,711)
OPERATING INCOME		**73,160,467**	43,313,281	**86,569,642**	76,622,464
Share of results of associates, net	12	**5,169,641**	8,157,026	**8,900,694**	13,136,584
Other income, net	18	**72,307,531**	269,690	**79,148,473**	986,686
Finance cost, net	19	**(51,432,810)**	(15,337,074)	**(30,972,263)**	(25,165,809)
PROFIT BEFORE ZAKAT AND INCOME TAX		**99,204,829**	36,402,923	**143,646,546**	65,579,925
Zakat and income tax	20	**(6,418,106)**	(3,494,632)	**(8,729,356)**	(6,449,019)
NET PROFIT FOR THE PERIOD		**92,786,723**	32,908,291	**134,917,190**	59,130,906
Attributable to:					
Shareholders of the Parent Company		**56,522,162**	21,336,476	**83,123,090**	38,236,321
Non-controlling interests		**36,264,561**	11,571,815	**51,794,100**	20,894,585
		92,786,723	32,908,291	**134,917,190**	59,130,906
Earnings per share					
Basic and diluted earnings per share from net profit for the period attributable to the shareholders of the parent	7	**0.69**	0.26	**1.02**	0.47

	For the three-month period ended 30 June 2020 Unaudited SR	*For the three-month period ended 30 June 2019 Unaudited SR*	***For the six-month period ended 30 June 2020 Unaudited SR***	*For the six-month period ended 30 June 2019 Unaudited SR*
Net profit for the period	**92,786,723**	32,908,291	**134,917,190**	59,130,906
OTHER COMPREHENSIVE INCOME				
Items that can be reclassified to consolidated statement of profit or loss in subsequent periods				
Cash flow hedges – effective portion of changes in fair value	**(51,478)**	(4,182,564)	**(5,836,345)**	(9,347,649)
Items that cannot be reclassified to consolidated statement of profit or loss in subsequent periods				
Gain on re-measurement of employees' end-of-service benefits	**1,491,817**	-	**1,491,817**	-
Change in fair value of financial assets at fair value through other comprehensive income (FVOCI)	**-**	(2,361,614)	**-**	(2,361,614)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**1,440,339**	(6,544,178)	**(4,344,528)**	(11,709,263)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**94,227,062**	26,364,113	**130,572,662**	47,421,643
Attributable to:				
Shareholders of the Parent Company	**57,395,007**	16,440,231	**80,490,306**	30,210,032
Non-controlling interests	**36,832,055**	9,923,882	**50,082,356**	17,211,611
	94,227,062	26,364,113	**130,572,662**	47,421,643

The attached notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	*30 June 2020 Unaudited SR*	*31 December 2019 Audited SR*
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	**8,776,760**	8,776,760
Property, plant and equipment	8	**277,441,627**	766,963,479
Intangible assets	9	**3,059,668,338**	1,070,384,638
Capital work in progress	10	**142,622,371**	107,456,458
Investment properties		**132,714,103**	133,781,349
Investments in associates	12	**136,321,999**	132,421,768
Deferred tax, net		**1,502,364**	4,407,665
Right-of-use assets	13	**85,610,978**	241,825,240
Financial assets at fair value through other comprehensive income (FVOCI)		**15,538,283**	15,538,283
TOTAL NON-CURRENT ASSETS		**3,860,196,823**	2,481,555,640
CURRENT ASSETS			
Inventories, net		**20,247,726**	18,171,701
Trade receivables, prepayments and other receivables		**120,672,823**	100,088,944
Due from related parties	21	**13,320,097**	11,185,041
Cash and cash equivalents	14	**244,657,317**	295,100,801
TOTAL CURRENT ASSETS		**398,897,963**	424,546,487
TOTAL ASSETS		**4,259,094,786**	2,906,102,127
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	15	**816,000,000**	816,000,000
Share premium		**36,409,063**	36,409,063
Statutory reserve		**76,382,784**	76,382,784
Other components of equity		**(12,149,632)**	(9,516,848)
Retained earnings		**205,981,232**	171,818,142
Equity attributable to the shareholders of the parent		**1,122,623,447**	1,091,093,141
Non-controlling interests		**520,886,553**	499,942,039
TOTAL SHAREHOLDERS' EQUITY		**1,643,510,000**	1,591,035,180
NON-CURRENT LIABILITIES			
Long term loans	16	**653,084,767**	540,389,501
Long term provisions	17	**1,944,632**	74,537,556
Lease liabilities	13	**85,403,899**	217,085,900
Employees' end-of-service benefits		**38,560,330**	39,470,059
Obligation under service concession arrangement	3(b)	**1,359,788,729**	-
Derivative financial instrument	16	**18,940,000**	13,103,655
TOTAL-NON-CURRENT LIABILITIES		**2,157,722,357**	884,586,671
CURRENT LIABILITIES			
Current portion of long term loans	16	**69,559,387**	240,711,549
Trade payables, accrued and other current liabilities		**167,687,551**	158,857,771
Obligation under service concession arrangement	3(b)	**216,930,484**	-
Lease liabilities	13	**3,685,007**	29,930,538
Due to a related party	21	**-**	980,418
TOTAL CURRENT LIABILITIES		**457,862,429**	430,480,276
TOTAL LIABILITIES		**2,615,584,786**	1,315,066,947
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,259,094,786**	2,906,102,127

	Equity attributable to the shareholders of the Parent										
					--------------Other components of equity-------------						
	Share Capital SR	*Share Premium SR*	*Statutory Reserve SR*	*Effect of changes in shareholding percentage in subsidiaries SR*	*Actuarial valuation reserves SR*	*Cash flow hedging reserve SR*	*Unrealized gain on FVOCI investments SR*	*Retained earnings SR*	*Total SR*	*Non-controlling interests SR*	*Total equity SR*
Balance at 1 January 2020	816,000,000	36,409,063	76,382,784	1,133,474	(8,677,640)	(7,940,815)	5,968,133	171,818,142	1,091,093,141	499,942,039	1,591,035,180
Net income for the period	-	-	-	-	-	-	-	83,123,090	83,123,090	51,794,100	134,917,190
Other comprehensive income/(loss)	-	-	-	-	904,041	(3,536,825)	-	-	(2,632,784)	(1,711,744)	(4,344,528)
Total comprehensive income	-	-	-	-	904,041	(3,536,825)	-	83,123,090	80,490,306	50,082,356	130,572,662
Dividends paid (note 15)	-	-	-	-	-	-	-	(48,960,000)	(48,960,000)	(28,942,099)	(77,902,099)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	(195,743)	(195,743)
Balance at 30 June 2020- unaudited	**816,000,000**	**36,409,063**	**76,382,784**	**1,133,474**	**(7,773,599)**	**(11,477,640)**	**5,968,133**	**205,981,232**	**1,122,623,447**	**520,886,553**	**1,643,510,000**

The attached notes 1 to 27 form an integral part of these interim condensed consolidated financial statements.

	Equity attributable to the shareholders of the Parent										
				--------------Other components of equity-------------							
	Share Capital SR	*Share Premium SR*	*Statutory Reserve SR*	*Effect of changes in shareholding percentage in subsidiaries SR*	*Actuarial valuation reserves SR*	*Cash flow hedging reserve SR*	*Unrealized gain on FVOCI investments SR*	*Retained Earnings SR*	*Total SR*	*Non-controlling Interests SR*	*Total Equity SR*
Balance at 1 January 2019 - audited	816,000,000	36,409,063	71,290,485	1,133,474	(805,878)	(2,750,012)	8,329,747	158,627,451	1,088,234,330	483,198,445	1,571,432,775
Net income for the period	-	-	-	-	-	-	-	38,236,321	38,236,321	20,894,585	59,130,906
Other comprehensive loss	-	-	-	-	-	(5,664,675)	(2,361,614)	-	(8,026,289)	(3,682,974)	(11,709,263)
Total comprehensive income	-	-	-	-	-	(5,664,675)	(2,361,614)	38,236,321	30,210,032	17,211,611	47,421,643
Transfer to statutory reserve	-	-	3,823,632	-	-	-	-	(3,823,632)	-	-	-
Dividends paid (note 15)	-	-	-	-	-	-	-	(32,640,000)	(32,640,000)	(1,680,000)	(34,320,000)
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	1,320,556	1,320,556
Balance at 30 June 2019 – unaudited	816,000,000	36,409,063	75,114,117	1,133,474	(805,878)	(8,414,687)	5,968,133	160,400,140	1,085,804,362	500,050,612	1,585,854,974

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six-month period ended 30 June 2020

	Note	***For the six month period ended 30 June 2020 Unaudited SR***	*For the six month period ended 30 June 2019 Unaudited SR*
OPERATING ACTIVITIES			
Profit before zakat and income tax		**143,646,546**	65,579,925
Adjustments for:			
Depreciation and amortization		**72,246,862**	74,776,541
Provision for employees' end of service benefits		**3,624,002**	3,912,378
Loss on disposal of property, plant and equipment		**3,497,515**	-
Share of results of associates, net	12	**(8,900,694)**	(13,136,584)
Allowance for expected credit losses		**634,946**	858,828
Provision for slow moving inventories		**712,102**	938,427
(Reversal of) / provision for asset replacement cost		**(75,165,205)**	5,133,825
Reversals of provision no longer needed	18	**(3,386,373)**	-
Financial cost, net		**30,972,263**	26,287,355
		167,881,964	164,350,695
Changes in operating assets and liabilities:			
Inventories		**(2,788,127)**	551,504
Trade receivables, prepayments and other receivables		**(23,353,881)**	(18,934,086)
Trade payable, accrued and other liabilities		**10,003,426**	3,671,147
Cash from operating activities		**151,743,382**	149,639,260
Employees' end of service benefits paid		**(3,041,916)**	(824,063)
Zakat and income tax paid		**(71,773)**	(6,110,198)
Financial charges paid		**(16,698,738)**	(23,741,567)
Net cash from operating activities		**131,930,955**	118,963,432
INVESTING ACTIVITIES			
Additions to property, plant and equipment, capital work in progress, intangible assets and right of use assets, net		**(81,168,833)**	(19,666,230)
Dividends received from an associate	12	**5,000,463**	6,884,000
Proceeds from disposal of property, plant and equipment		**856,579**	97,495
Net cash used in investing activities		**(75,311,791)**	(12,684,735)
FINANCING ACTIVITIES			
Repayment of long term loans		**(28,964,806)**	(75,510,357)
Dividend paid	15	**(48,960,000)**	(34,320,000)
Dividends paid to non-controlling interests by subsidiaries		**(28,942,099)**	-
Net movement in non-controlling interests		**(195,743)**	1,320,556
Net cash used in financing activities		**(107,062,648)**	(108,509,801)
NET DECREASE IN CASH AND BANK BALANCES		**(50,443,484)**	(2,231,104)
Cash and bank balances at the beginning of the period	14	**295,100,801**	180,584,183
CASH AND BANK BALANCES AT THE END OF THE PERIOD		**244,657,317**	178,353,079

1. ORGANISATION AND ACTIVITIES

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

The registered head office of the Parent Company is located at the following address:

Saudi Business Center
P. O. Box 14221,
Jeddah 21424,
Kingdom of Saudi Arabia.

These interim condensed consolidated financial statements include assets, liabilities and the results of the operations of the Parent Company and its following subsidiaries collectively referred to as "the Group":

Company	Country of incorporation	Effective shareholding 2020	2019	Principal activities
Saudi Trade and Export Development Company ("Tusdeer")	Saudi Arabia	**76%**	76%	Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Company – Closed Joint Stock Company ("Kindasa")	Saudi Arabia	**65%**	65%	Water desalination and treatment plant and sale of water.
Support Services Operation Company ("ISNAD")	Saudi Arabia	**99.28%**	99.28%	Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease.
Red Sea Gateway Terminal Company Limited ("RSGT")	Saudi Arabia	**60.6%**	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.
Red Sea Port Development Company – Closed Joint Stock Company ("RSPD")	Saudi Arabia	**60.6%**	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 – "Interim Financial Reporting", as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.2 Significant judgments, estimates and assumptions

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments, estimates and assumptions were consistent with the Group's annual consolidated financial statements for the year ended 31 December 2019, except as mentioned below and in note 3.

Impact of COVID-19

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Majority of Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular have implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The Group, whose operations are largely concentrated in an economy which is primarily based on oil, the economic impacts of the above events, though the scale and duration of which remains uncertain, primarily include:

- Significant interruption of international businesses and trade as well as travel restrictions and unavailability of personnel etc.;
- A significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a general decline in interest rates globally.
- Transfer/receipt of cash where majority of business are not working at optimum level.

The resultant situation necessitated the Group's management to revisit its significant judgments in applying the Group's accounting policies and the methods of computation and the key sources of estimation applied to the annual consolidated financial statements for the year ended 31 December 2019. Whilst it is still challenging to predict the full extent and duration of its business and economic impact, management carried out an impact assessment on the overall Group's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condense consolidated financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals ("SR") which is the Group's functional and presentation currency.

3. NEW CONCESSION AGREEMENT

Saudi Trade and Export Development Company, a subsidiary of the Group, had entered into a Build-Operate-Transfer (the "BOT" or the "agreement") agreement with Saudi Arabian Seaports 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 Saudi Trade and Export Development Company to RSGT (another subsidiary of the Group), effective from 22 Shawal 1428H (corresponding to 3 November 2007). The period of the Agreement originally was 32 years.

However, on 23 December 2019, RSGT entered into a New Concession Agreement (the New Concession Agreement) with MAWANI whereby RSGT has acquired rights to 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 the effective date. On the basis that the new concession falls under IFRIC 12 intangible asset model, then the existing rights to operate the terminal operated under the BOT agreement shall still represent an intangible asset under the new agreement with no derecognition of existing intangible assets.

Summary of changes due to application of New Concession Agreement
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 interim condensed consolidated statement of profit or loss as and when incurred.

Subsequently, these intangible assets are carried at cost less accumulated amortization and any impairment in value. Subsequent expenditures or replacement of parts of it are normally recognized in the interim condensed consolidated statement of profit or loss as these are incurred to maintain the expected future economic benefits embodied in the concession rights. Expenditures that will contribute to the increase in revenue from operations are recognized as an intangible asset. Amortization is computed using the expected pattern of the usage of the underlying intangible assets over life of the New Concession Agreement. In addition, the Intangible is assessed annually for impairment or whenever there is an indication that the asset may be impaired.

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 interim condensed consolidated statements of profit or loss. As a result of New Concession Agreement, the following adjustments have been made as of the effective date:

Statement of financial position	*Note*	***31 March 2020 SR***	***Impact of new agreement SR***	***1 April 2020 SR***
NON-CURRENT ASSETS				
Property, plant and equipment, net	a)	900,240,692	(489,210,493)	411,030,199
Intangible assets	a), b)	1,053,968,944	2,023,738,909	3,077,707,853
SHAREHOLDERS' EQUITY				
Retained earnings	c)	198,419,070	75,165,205	273,584,275
NON-CURRENT LIABILITIES				
Long-term provisions	c)	77,090,700	(75,165,205)	1,925,495
Obligation under service concession arrangement	b)	-	1,361,930,569	1,361,930,569
CURRENT LIABILITIES				
Current portion of obligation under service concession arrangement	b)	-	172,597,847	172,597,847

3. NEW CONCESSION AGREEMENT (continued)

Statement of profit or loss	*Note*	***Impact for the six-month period ended 30 June 2020***
		SR
Other income	c)	75,165,205

a) Certain items of property, plant and equipment with a cost of SR 633.68 million and accumulated depreciation of SR 144.47 million, which previously owned by the Company and used for terminal operations (being classified as non-concession arrangement assets), were transferred to intangible assets as they are now part of the concession arrangements as per the New Concession Agreement. In addition, as a result of New Concession Agreement and in accordance with the adopted accounting policy to depreciate assets at lower of useful life or concession period, the Group changed the useful lives of certain items of property, plant and equipment (underlying the Intangible assets under concession arrangement), prospectively. Had the Group not changed the useful lives of those items of property, plant and equipment, the amortization charge for the period would have been higher by SR 5.69 million.

b) 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 are recorded as intangible asset under the guidance of IFRIC 12 ‘Service Concession Arrangements’, with a corresponding liability is recognized as obligation under service concession arrangement and measured in accordance with IFRS 9 “Financial Instruments”. All other variable fee is charged to interim condensed consolidated statement of profit or loss as and when incurred. Unamortised portion of ‘intangible assets’ and the ‘obligation under service concession arrangement’ is presented in ‘note 9’ and on the face of the ‘Interim condensed consolidated statement of financial position’, respectively.

c) There is no obligation under the New Concession Agreement for the Group to undertake an asset replacement program at the end of the term of the agreement. Accordingly, the total provision for asset replacement cost of SR 75.16 million that was recorded under the previous BOT agreement of RSGT has been reversed, being no longer required and has been recognised as “other income” in the interim condensed consolidated statement of profit or loss (note 18).

4. BASIS OF CONSOLIDATION

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

4.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all of the following three criteria must be met:
i) the Group has power over an entity;
ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
iii) the Group has the ability to use its power over the entity to affect the amount of the entity’s returns.

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of income from the date of the acquisition or up to the date of disposal, as appropriate.

4.2 Non-controlling interests

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Group in its subsidiaries and are presented separately in the interim condensed consolidated statement of income and within equity in the interim condensed consolidated statement of financial position, separately from the Group’s equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4.3 Transactions eliminated on consolidation

Balances between the Group entities, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4. BASIS OF CONSOLIDATION (continued)

4.4 Investments in an associates and jointly controlled entities

The Group's interest in equity-accounted investee comprises interest in a joint venture and investments in associates. Associates are entities over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the interim condensed consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount.

A joint venture is an arrangement in which the Company has joint control whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/ (losses) based on the latest available financial information) less impairment, if any. After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share in net income / (loss) of an associate' in the interim condensed consolidated statement of profit or loss.

The previously recognized impairment loss in respect of investment in associate can be reversed through the interim condensed consolidated statement of income, such that the carrying amount of the investment in the interim condensed consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in year 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a business
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments do not have any impact on the interim condensed consolidated financial statements of the Group.

5 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendment to IFRS 16: COVID 19 related rent concessions

In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

The information required by paragraph 28(f) of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The amendment has no impact on the Group.

6. REVENUES

	For the three-month period ended 30 June 2020 Unaudited SR	*For the three-month period ended 30 June 2019 Unaudited SR*	***For the six-month period ended 30 June 2020 Unaudited SR***	*For the six-month period ended 30 June 2019 Unaudited SR*
Shipping and unloading services	**175,333,833**	139,258,999	**299,158,721**	263,859,351
Sale of potable water	**20,873,998**	22,000,612	**45,059,517**	43,613,930
Rentals and support services	**19,363,824**	19,432,458	**38,645,059**	39,733,592
	215,571,655	180,692,069	**382,863,297**	347,206,873

7. EARNINGS PER SHARE

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

	For the three-month period ended 30 June 2020 Unaudited SR	*For the three-month period ended 30 June 2019 Unaudited SR*	***For the six-month period ended 30 June 2020 Unaudited SR***	*For the six-month period ended 30 June 2019 Unaudited SR*
Profit for the period attributable to ordinary equity holders of the Parent	**56,522,162**	21,336,476	**83,123,090**	38,236,321
Weighted average number of ordinary shares in issue	**81,600,000**	81,600,000	**81,600,000**	81,600,000
Basic and diluted earnings per share	**0.69**	0.26	**1.02**	0.47

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

8. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
Port terminal operations (note ‘a’)	**33,676,211**	512,307,940
Property, plant and equipment (note ‘b’)	**213,950,612**	225,262,060
Bonded and re-export project	**29,814,804**	29,393,479
	277,441,627	766,963,479

a) As a result of New Concession Agreement (note 3), certain items of property and equipment of RSGT are transferred to intangible assets (note 9).

b) During the six-month period ended 30 June 2020, additions amounting to SR 1.45 million (30 June 2019: SR 1.15 million) were made to the property, plant and equipment.

9. INTANGIBLE ASSETS

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
Port concession rights (see note ‘3’ and note ‘a’ below)	**1,529,038,735**	1,067,739,776
Related to fixed and guaranteed variable fee (note 3)	**1,526,779,733**	-
Other intangible assets	**3,849,870**	2,644,862
	3,059,668,338	1,070,384,638

9. INTANGIBLE ASSETS (continued)

a) The movement in port concession rights is as follows:

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
Cost		
Balance at 1 January	**1,710,555,638**	1,710,555,638
Additions (see note 'b' below)	**7,337,812**	-
Transfer from capital work in progress	**1,037,667**	-
Transfers (note 3 and note 8)	**633,682,080**	-
Disposals	**(2,401,842)**	-
	2,350,211,355	1,710,555,638
Amortisation		
Balance at 1 January	**642,815,862**	577,473,248
Accumulated amortization pertaining to transfers (note 3 and note 8)	**144,471,587**	-
Charge for the period / year	**36,227,265**	65,342,614
Relating to disposals	**(2,342,094)**	-
	821,172,620	642,815,862
	1,529,038,735	1,067,739,776

b) Corresponding amounts of construction revenue and construction costs under the guidance of 'IFRIC 12' and IFRS 15 *'Revenue from Contracts with Customers'* have not been recognized as these amounts are immaterial to the context of these interim condensed consolidated financial statements and does not have any impact on the gross profit of the Group, as management believes that the fair value of the construction services provided approximates to the construction cost.

10. CAPITAL WORK IN PROGRESS

The carrying amount of capital work in progress represent amounts paid to contractors and suppliers for the acquisition of the intangible assets and items of property, plant and equipment. Once complete, these assets and their carrying amount will be transferred to respective asset category (see note 9 (b)).

11. GOODWILL

The Group recorded a goodwill of SR 9.3 million at the time of acquisition of Kindasa Water Services Company (Kindasa), a subsidiary of the Group. Subsequently, an impairment of SR 0.5 million was recorded resulting in net carrying value of SR 8.8 million (31 December 2019: 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.

12. INVESTMENTS IN ASSOCIATES

	30 June 2020 Unaudited	*31 December 2019 Audited*	*30 June 2019 Unaudited*
	SR	*SR*	*SR*
As at 1 January	**132,421,768**	121,114,973	121,114,973
Share in results of associates, net	**8,900,694**	27,372,268	13,136,584
Share of actuarial losses of associates recognized in other comprehensive income	**-**	(1,796,618)	-
Dividend received during the period / year	**(5,000,463)**	(14,268,855)	(6,884,000)
	136,321,999	132,421,768	127,367,557

12.1 Investments in associates

Associates	*Principal activities*	*Country of incorporation*	*Effective shareholding percentage*		*Carrying amount*	
			30 June 2020 Unaudited	*31 December 2019 Audited*	***30 June 2020 Unaudited***	*31 December 2019 Audited*
					SR	*SR*
International Water Distribution Company Limited (note a)	Water/waste works, water treatment and lease of water equipment	Saudi Arabia	**50%**	50%	**84,964,169**	81,610,509
Saudi Water and Environmental Services Company (note b)	Electrical, water and mechanical works and related operation and maintenance	Saudi Arabia	**31.85%**	31.85%	**6,889,295**	7,685,124
Saudi Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Saudi Arabia	**33.3%**	33.3%	**42,499,168**	41,480,770
Xenmet SA, Vaduz (note c)	Trading, storage and brokerage of commodities	Liechtenstein	**19%**	19%	**1,969,367**	1,645,365
					136,321,999	132,421,768

a) The Parent Company does not have any direct control over management and operations of “International Water Distribution Company” accordingly, it is classified as associates and accounted for as such.

b) Saudi Water and Environmental Services Company is 49% owned by Kindasa Water Services Company (a subsidiary), which is 65% owned by the Parent Company.

c) Xenmet SA, Vaduz is 25% owned by Saudi Trade and Export Development Company Limited (a subsidiary), which is 76% owned by the Parent Company.

13. RIGHT OF USE ASSETS

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

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
Cost:		
At the beginning of the period / year	**256,622,317**	-
IFRS 16 transition adjustments	**-**	230,459,708
Transfer from intangible assets on the date of application of IFRS 16, net	-	26,162,609
Lease contracts modification (note below)	**(146,694,649)**	-
Lease contract terminated during the period / year	**(9,815,829)**	-
	100,111,839	256,622,317
Depreciation:		
At the beginning of the period/year	**(14,797,077)**	-
Depreciation for the period/year	**(4,436,701)**	(8,437,952)
Depreciation for the period/year (classified in capital work in progress)	**(174,997)**	(6,359,125)
Relating to modified and terminated contract	**4,907,914**	-
	(14,500,861)	(14,797,077)
As at 30 June 2020	**85,610,978**	241,825,240

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

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
At the beginning of the period/year	**247,016,438**	-
IFRS 16 transition adjustments	**-**	241,835,939
Lease contracts modification (note below)	**(146,694,649)**	-
Interest charge for the period/year	**437,176**	1,994,535
Unwinding of lease liability (classified under capital work in progress)	**1,368,562**	9,901,143
Payment of lease liabilities during the period/year	**(8,130,707)**	(6,715,179)
Disposals during the period/year	**(4,907,914)**	-
As at 30 June 2020	**89,088,906**	247,016,438

The classification of lease liabilities is as follows:

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
Current lease liabilities	**3,685,007**	29,930,538
Non-current lease liabilities	**85,403,899**	217,085,900
	89,088,906	247,016,438

During the period, TUSDEER, a subsidiary of the Parent Company, entered into a revised contract with "Jeddah Development and Urban Regeneration Company (JDURC)" with respect to lease of land for construction and development of a logistics park. According to the revised lease agreement, the land area is lower than before with corresponding decrease in annual rental for the current and future years.

14. CASH AND CASH EQUIVALENTS

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
Cash in hand	**300,689**	318,714
Cash at banks (see note below)	**244,356,628**	259,243,419
Murabaha term deposits	**-**	35,538,668
	244,657,317	295,100,801

Out of the total balances, SR 0.81 million (31 December 2019: SR 0.54 million) was held with a commercial bank in respect of accumulated unclaimed dividends.

15. SHARE CAPITAL AND DIVIDEND

As at 30 June 2020, the authorised and paid up capital of the Group is divided into 81.6 million shares (31 December 2019: 81.6 million shares) of SR 10 each.

On 20 Sha'ban 1441H (corresponding to 13 April 2020), the shareholders of the Company in their Annual General meeting approved the dividend amounting to SR 48.96 million (SR 0.6 per share) (On 7 May 2019, dividend amounting to SR 32.6 million (SR 0.4 per share)). Dividend was paid in full during the period ended 30 June 2020.

16. LONG TERM LOANS

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
Long-term loan	**722,644,154**	781,101,050
Less: current portion	**(69,559,387)**	(240,711,549)
Non-current portion	**653,084,767**	540,389,501

a) During 2007, RSGT entered into an Ijara arrangement with two local banks to obtain a loan of SR 1,271 million. The Ijara facility was secured by property and equipment – port terminal operations and intangible assets – port concession rights of RSGT (note 8 and note 9). The remaining amount of loan was repayable in semi-annual installments, with maturity up to December 2023. The loan carried commission rate of SIBOR plus an agreed margin.

b) During 2016, RSGT entered into an Ijara arrangement with two local banks to obtain a loan of SR 260 million for expansion of its existing berths. The Ijara facility was secured by the property and equipment – port terminal operations of a subsidiary (note 8). The loan carried commission at commercial rates (SIBOR plus an agreed margin) and is repayable in nine installments ending in December 2023.

c) During the current period, RSGT and the two local lending banks mutually agreed to amend and modify the terms of the loan agreements as detailed in note (a) and note (b) 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. These Ijara facilities are secured against property and equipment – port terminal operations and intangible assets – port concession rights of RSGT. The modifications of the terms were assessed qualitatively and quantitively in accordance with IFRS 9 "Financial Instruments" and, as a result, the Group concluded that the revised loan agreement is a continuation of the previous loan. Accordingly, the modifications of the terms of the loan resulted in a day one gain of SR 31.96 million recorded in the interim condensed consolidated statement of profit or loss as at the effective date of the modification of the terms of the loans (note 19). Un-amortised balance of the modification gain as at 30 June 2020 is of SR 30.58 million and will be amortised over the remaining period of the Ijara facility, using effective interest rate.

16. LONG TERM LOANS (continued)

d) RSGT continued to hedge the cash flow risk arising from the variability of the cash flows arising from the changes of applicable rates of the amended loan agreement. Management assessed the cash flow hedge effectiveness in accordance with the adopted policy and concluded that the existing hedging relationship continues and is accounted for as "effective cash flow" hedge under the requirements of IFRS9.

e) As a result of the modifications, the current and non-current portion of the loan is as follows:

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
Long-term loans	**717,773,584**	775,344,095
Less: current portion	**(67,788,016)**	(238,940,177)
Non-current portion	**649,985,568**	536,403,918

f) During the period the bank charged SR 12.37 million as facilitation fee for the loan earmarked for construction work to be performed by the Group under the New Concession Agreement. The amount is deferred and would become part of effective interest rate once the related amount is drawn down and will be amortized over the period of the loan.

g) The Ijara facility included unamortised management fees paid at inception to secure the loan, amounting to SR 16.45 million as on 30 June 2020 (31 December 2019: SR 18.42 million) and will be amortised over the remaining period of the Ijara facility, using effective interest rate.

h) During 2016, Kindasa entered into an agreement for a long-term facility with a local 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 30 June 2020, Kindasa has cumulatively drawn down SR 8.5 million out of total facility of SR 24 million.

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
Long-term loan	**4,870,570**	5,756,954
Less: current portion	**(1,771,371)**	(1,771,371)
Non-current portion	**3,099,199**	3,985,583

17. LONG TERM PROVISIONS

	30 June 2020 Unaudited SR	*31 December 2019 Audited SR*
Provision for asset replacement cost (note 3)	**-**	72,632,517
Provision for dismantling cost	**1,781,665**	1,742,072
Others	**162,967**	162,967
	1,944,632	74,537,556

18. OTHER INCOME, NET

	For the three-month period ended 30 June 2020 Unaudited SR	*For the three-month period ended 30 June 2019 Unaudited SR*	***For the six-month period ended 30 June 2020 Unaudited SR***	*For the six-month period ended 30 June 2019 Unaudited SR*
Reversal of provision for asset replacement cost (note 3)	**75,165,205**	-	**75,165,205**	-
Loss on disposal of property, plant and equipment	**(3,497,515)**	-	**(3,497,515)**	-
Reversals of provision no longer needed	**-**	-	**3,386,373**	-
Others	**639,841**	269,690	**4,094,410**	986,686
	72,307,531	269,690	**79,148,473**	986,686

19. FINANCE COST, NET

	For the three-month period ended 30 June 2020 Unaudited SR	*For the three-month period ended 30 June 2019 Unaudited SR*	***For the six-month period ended 30 June 2020 Unaudited SR***	*For the six-month period ended 30 June 2019 Unaudited SR*
Gain on modification of loan agreement (note 16 (c))	**-**	-	**31,959,301**	-
Relating to obligation under service concession arrangement	**(42,190,797)**	-	**(42,190,797)**	-
Finance cost of long-term loan	**(9,280,413)**	(16,142,848)	**(20,863,125)**	(26,287,355)
Others	**38,400**	805,774	**122,358**	1,121,546
	(51,432,810)	(15,337,074)	**(30,972,263)**	(25,165,809)

20. ZAKAT AND INCOME TAX

Parent Company

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

In addition, the Parent Company has also requested the GAZT to reconsider their revised assessment. The BOG has recently issued their decision by rejecting to review the appeal filed by the Company. The company is in process of filing an appeal to second level of BOG, the BOG have dismissed this case from a procedural perspective without considering the merits thereof, in response the entity filed an appeal against the BOG's decision with the Supreme Court. Furthermore, the case was also escalated to the General Secretariat of Tax Committees (GSTC) in line with the latest regulations in this regard.

The GAZT raised assessments for the years 2009 through 2013 with an additional Zakat and withholding tax liability of SR 10.95 million. The Company accepted and paid the imposition of Zakat amounting to SR 0.016 million. An appeal against the remaining amount was filed by the Company with the GAZT. The Preliminary Appeal Committee (PAC) issued their decision reducing the liability to SR 7.1 million. The Company has filed an appeal with the Higher Appeal Committee (HAC) and submitted a bank guarantee of SR 7.1 million, based on their understanding of the PAC decision. Following the change in regulation the cases for 2009 - 2013 were also transferred to the GSTC. The GAZT raised assessments for the years 2014 and 2015 with an additional liability of SR 0.69 million. The Parent Company has filed an appeal against the GAZT's assessments. The GAZT has issued a revised assessment with reduced liability of SR 0.52 million. An appeal against the remaining amount was filed by the Company with the GSTC. Hearing dates for each of the cases transferred to the GSTC are yet to be assigned.

The GAZT has raised the assessments for the years 2016, 2017 and 2018 with an additional Zakat liability of SR 1.4 million. The Company is in the process of filing an appeal against the assessments.

The Parent Company has filed its Zakat returns for the years up to 31 December 2019. GAZT is yet to raise the assessment for the year 2019.

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 GAZT up to 2013 and has filed its Zakat and income tax returns up to the year 2019. GAZT is yet to raise the assessment for the years from 2014 to 2019.

RSPD has filed its Zakat and income tax returns up to the year 2019. Up to the date of these interim condensed consolidated financial statements, GAZT is yet to raise assessments.

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

The Subsidiary has finalized its Zakat assessments with GAZT up to 2016 and has filed its Zakat returns up to 2019. Upto the date of these interim condensed consolidated financial statements, GAZT is yet to raise the assessment for the years from 31 December 2017 to 31 December 2019.

Support Services Operation Company Limited ("the Subsidiary")

The Subsidiary has finalized its Zakat assessments with GAZT up to 2008 and for 2018 and has filed its Zakat returns up to 2019. GAZT has not raised the assessment for the years from 31 December 2009 to 31 December 2017 and 31 December 2019.

Kindasa Water Service Company ("the Subsidiary")

The Subsidiary has finalized its Zakat assessments with GAZT up to 2008 and has filed its Zakat returns up to 2019. Upto the date of these interim condensed consolidated financial statements, GAZT is yet to raise the assessment for the years from 31 December 2009 to 31 December 2019.

21. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

a) Significant related party transactions for the period ended 30 June are as follows:

			Amount of transactions			
			Three-month period ended		***Six-month period ended***	
Name	***Relationship***	***Nature of transactions***	***30 June 2020 Unaudited SR***	*30 June 2019 Unaudited SR*	***30 June 2020 Unaudited SR***	*30 June 2019 Unaudited SR*
International Water Distribution Company Limited	Associate	Sales of goods and services	**15,038,706**	15,598,416	**30,779,175**	30,888,064
		Services rendered	**173,250**	173,250	**346,500**	346,500
		Expenses incurred on behalf of the Group	**-**	87,667	**(10,088)**	97,752
		Expenses incurred on behalf of the associate	**45,333**	22,277	**83,640**	99,923
Arabian Bulk Trade Limited	Affiliate	Lease of land and warehouses	**1,410**	1,510	**1,410**	8,620
Ambro Limited	Affiliate	Purchase of goods and services	**(22,079)**	-	**(35,635)**	-
Saudi Cable Company	Affiliate	Lease of land and warehouses	**20,000**	10,374	**20,000**	24,857
Al Jabr Talke Company Limited	Associate	Services rendered	**182,882**	184,815	**323,891**	302,850
		Dividend received	**-**	4,000,000	**5,000,463**	4,000,000
		Expenses incurred on behalf of an Associate	**-**	**-**	**1,218**	**-**
Saudi Water and Environmental Services Company Limited	Associate	Sales of goods and services	**1,682,647**	1,404,948	**3,125,110**	2,311,182
Xenel Industries Limited	Shareholder	Payment made on behalf of the shareholder	**66,924**	140,722	**142,881**	156,022
		Expenses incurred on behalf of the Group	**36,000**	45,745	**(52,495)**	66,614
Aecom Arabia Limited	Affiliate	Purchase of goods and services	**(45,000)**	-	**(45,000)**	-
Al Karam Fedics Services Company	Affiliate	Purchase of goods and services	**(4,565,453)**	(4,685,482)	**(8,255,594)**	(4,685,482)
Haji Abdullah Ali Reza & Co. Limited - General Technical Division	Affiliate	Purchase of goods and services	**(68,718)**	-	**(604,506)**	-

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from related parties

	30 June 2020	*31 December 2019*
	Unaudited	*Audited*
	SR	*SR*
International Water Distribution Company Limited	**10,292,310**	10,376,904
Saudi Water and Environmental Services Company Limited	**2,354,658**	309,637
Xenel Industries Limited	**334,968**	208,582
Al Jabr Talke Company Limited	**334,311**	10,420
Saudi Cable Company Limited	**2,440**	210,035
Arabian Bulk Trade Limited	**1,410**	5,237
Aecom Arabia Limited	**-**	64,226
	13,320,097	11,185,041

c) Due to a related party

	30 June 2020	*31 December 2019*
	Unaudited	*Audited*
	SR	*SR*
Al Karam Fedics Services Company	-	980,418
	-	980,418

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

	Three-months period ended 30 June 2020	*Three-months period ended 30 June 2019*	***Six-months period ended 30 June 2020***	*Six-months period ended 30 June 2019*
	Unaudited	*Unaudited*	***Unaudited***	*Unaudited*
	SR	*SR*	***SR***	*SR*
Short-term employee benefits	**4,746,000**	3,626,557	**9,165,125**	6,339,573
Post-employment benefits	**109,222**	295,132	**223,087**	404,702
	4,855,222	3,921,689	**9,388,212**	6,744,275

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

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	Three-months period ended 30 June 2020 Unaudited SR	*Three-months period ended 30 June 2019 Unaudited SR*	***Six-months period ended 30 June 2020 Unaudited SR***	*Six-months period ended 30 June 2019 Unaudited SR*
Meeting attendance fees	**210,000**	275,000	**330,000**	395,000
Other remuneration	**3,737,500**	2,225,400	**3,737,500**	3,725,400
	3,947,500	2,500,400	**4,067,500**	4,120,400

22. COMMITMENTS AND CONTINGENCIES

At 30 June 2020, the Group's bankers have issued letters of guarantee amounting to SR 154.9 million (31 December 2019: SR 67.1 million) against which cash margin of SR 1.6 million (31 December 2019: SR 2.25 million) was deposited.

As at 30 June 2020, the Group has commitments for capital work in progress amounting to SR 96.8 million (31 December 2019: SR 141.7 million) mainly relating to new logistic hub and park construction project and new desalination plant construction and development project.

23. BUSINESS SEGMENTS

The Group has the following main business segments:

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

23. BUSINESS SEGMENTS (continued)

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

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

	Reportable Segments					
	Port development and operations	*Logistic parks and support services*	*Water desalination and distribution*	*Total*	*Unallocated*	*Total*
	SR 000'(Unaudited)					
30 June 2020						
External revenues	299,158	38,645	45,493	383,296	-	383,296
Inter-segment revenue	-	-	(433)	(433)	-	(433)
Segment revenue	**299,158**	**38,645**	**45,060**	**382,863**	**-**	**382,863**
Direct costs	157,811	23,867	32,562	214,240	-	214,240
Inter-segment direct costs	(433)	-	-	(433)	-	(433)
Segment cost	**157,378**	**23,867**	**32,562**	**213,807**	**-**	**213,807**
Segment gross profit	141,780	14,778	12,498	169,056	-	169,056
Profit attributable to shareholders of the Parent	82,073	3,017	805	85,895	(2,772)	83,123
Segment assets	3,399,507	416,708	209,090	4,025,305	233,790	4,259,095
Segment liabilities	2,442,300	112,151	32,175	2,586,626	28,959	2,615,585

23. BUSINESS SEGMENTS (continued)

	Reportable Segments					
	Port development and operations	*Logistic parks and support services*	*Water desalination and distribution*	*Total*	*Unallocated*	*Total*
	SR 000'(Unaudited)					
30 June 2019						
External revenues	263,859	39,734	44,065	347,658	-	347,658
Inter-segment revenue	-	-	(451)	(451)	-	(451)
Segment revenue	263,859	39,734	43,614	347,207	-	347,207
Direct costs	146,958	19,064	31,411	197,433	-	197,433
Inter-segment direct costs	(451)	-	-	(451)	-	(451)
Segment cost	146,507	19,064	31,411	196,982	-	196,982
Segment gross profit	117,352	20,670	12,203	150,225	-	150,225
Profit attributable to shareholders of the Parent	29,332	4,732	1,786	35,850	2,386	38,236
Segment assets	1,834,854	405,317	230,801	2,470,972	225,740	2,696,712
Segment liabilities	957,535	93,520	32,639	1,083,694	27,163	1,110,857

24. 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 takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous accessible market for the asset or liability
- Fair value information of the Group's financial instruments is analysed below:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices inactive markets for similar assets and liabilities or valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

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

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

30 June 2020 (Unaudited)	***Carrying value SR***	***Level 3 SR***
FINANCIAL ASSETS		
Amortised cost		
Trade receivables and other receivables	**102,539,941**	**-**
Due from related parties	**13,320,097**	**-**
Cash and cash equivalents	**244,657,317**	**-**
FVOCI		
Investment in equity securities	**15,538,283**	**15,538,283**
	376,055,638	**15,538,283**
FINANCIAL LIABILITIES		
Loans and bank facilities	**722,644,154**	-
Obligation under service concession arrangement	**1,576,719,213**	**1,576,719,213**
Trade payables and other liabilities	**161,303,536**	-
Due to related parties	**-**	-
Derivative financial instrument	**18,940,000**	**18,940,000**
	2,479,606,903	**1,595,659,213**

31 December 2019 (Audited)	*Carrying value SR*	*Level 3 SR*
FINANCIAL ASSETS		
Amortised cost		
Trade receivables and other receivables	71,298,525	-
Due from related parties	11,185,041	-
Cash and cash equivalents	295,100,801	-
FVOCI		
Investment in equity securities	15,538,283	15,538,283
	393,122,650	15,538,283
FINANCIAL LIABILITIES		
Loans and bank facilities	781,101,050	-
Trade payables and other liabilities	140,943,097	-
Due to a related party	980,418	-
Derivative financial instrument	13,103,655	13,103,655
	936,128,220	13,103,655

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

Level 3 financial assets comprise investment in unquoted investee company.

There were no transfers between level 1 and level 3 during the six-month period 30 June 2020 (31 December 2019: nil). There were no financial assets or financial liabilities classified under level 2.

There were no changes in valuation techniques during the period.

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

25. SIGNIFICANT NON-CASH TRANSACTIONS

	For the six-month period ended 30 June 2020	*For the six-month period ended 30 June 2019*
	Unaudited	*Unaudited*
	SR	*SR*
Cash flow hedges – effective portion of change in fair value	**(5,836,345)**	(9,347,649)
Obligation under service concession arrangement	**(1,576,719,213)**	-
Transfer of assets from property plant and equipment to intangibles	**489,210,493**	-
Modification of lease contracts	**(146,694,649)**	-

26. COMPARATIVE FIGURES

Certain of the prior period/year amounts have been reclassified to conform with the presentation in the current period/year. However, there was no impact of such reclassifications on the interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of changes in equity.

27. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised to issue by the Board of Directors on 24 August 2020 (corresponding to 5 Muharram 1442H).