SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021
together with the Independent Auditors' Report

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Saudi Industrial Services Company

Opinion

We have audited the consolidated financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report

To the Shareholders of Saudi Industrial Services Company (continued)

Key audit matters

Revenue recognition from sale of goods and services

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

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2021, the Group recognised total revenue of SR 985 million (year ended 31 December 2020: SR 1,021 million). The Group's most significant revenue streams include shipping and unloading services, sale of potable water, and income from rental and support services. Included in provision of services, certain contracts give rise to variable consideration for which the Group uses most likely amount method in estimating the variable consideration based on volume thresholds. The management exercises judgements, estimates and assumptions to determine the vaiable consideration. Revenue recognition is considered as a key audit matter due to existence of risk that the Group may overstate revenue by underestimating the variable consideration.	The audit procedures performed in this area, included among others: ▪ Evaluated the Group's revenue recognition accounting policies including method of estimating the variable consideration; ▪ Assessed the design and implementation, and tested the operating effectiveness of the Group's key internal controls, including anti-fraud controls, over the recognition of revenue and estimation of variable consideration; ▪ Obtained an understanding of the nature of the revenue contracts entered into by the Group and tested a sample of sales contracts to confirm that the revenue recognised is in accordance with the accounting policy and sales contracts; ▪ Selected, on a sample basis, revenue transactions and verified the related supporting documents to ensure the accuracy and completeness of revenue recognition; ▪ Performed analytical procedures by comparing the expectation with actual revenue and analysing the variances; ▪ Tested sales cut-off to assess whether revenue was recognised in the correct period; and ▪ Assessed the appropriateness of the disclosures made in the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia.

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Independent Auditor's Report

To the Shareholders of Saudi Industrial Services Company (continued)

Key audit matter (continued)

Accounting for disposal of direct ownership interest in a subsidiary

Note 4.1 for the accounting policy and refer note 1 for the related disclosure

The key audit matter	**How the matter was addressed in our audit**
As disclosed in note 1, the Company and its subsidiary Saudi Trade and Export Development Company ("Tusdeer") completed the sale of its 21.2% and 4% direct equity stake in Red Sea Gateway Terminal Company Limited (RSGT) respectively. The divestment transaction has been accounted for as change in ownership interest without loss of control. The divestment transaction is considered as a key audit matter as it required management to exercise judgement in respect of the equity interest retained and disposed including the calculation of gain and presentation and disclosure in the consolidated financial statements.	The audit procedures performed in this area, included among others: ▪ Obtained an understanding of the transaction from inquiries with the management and review of agreement for transfer of shares; ▪ Assessed whether as a result of above transaction the Group has continued to retain control of RSGT in accordance with the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia.; ▪ Recalculated the impact of changes in ownership interest of Group without loss of control including the determination of non-controlling interests and assessed the reasonableness of assumptions used in the calculation; ▪ Used our internal accounting specialists to provide assistance in assessing the proper accounting of this transaction in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia.; and ▪ Assessed the adequacy of relevant disclosures in the consolidated financial statements.

Independent Auditor's Report

To the Shareholders of Saudi Industrial Services Company (continued)

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 4 March 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated financial statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group"). We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

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

KPMG Professional Services

Ebrahim Oboud Baeshen
License No: 382

Jeddah, 8 March 2022
Corresponding to 5 Shaaban 1443H

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 SR	2020 SR
ASSETS			
Non-current assets			
Property, plant and equipment	6	**245,349,674**	268,481,533
Work in progress assets	7	**181,715,298**	117,954,228
Intangible assets	8	**3,052,852,881**	3,141,574,145
Goodwill	12	**8,776,760**	8,776,760
Right-of-use assets	23	**90,132,237**	86,918,253
Investment properties	9	**118,041,994**	128,000,604
Equity-accounted investees	10	**188,020,461**	136,922,460
Financial assets at fair value through other comprehensive income (FVOCI)	11	**14,909,532**	14,972,714
Deferred tax asset	29	**4,527,498**	2,401,519
TOTAL NON-CURRENT ASSETS		**3,904,326,335**	3,906,002,216
Current assets			
Inventories, net	13	**25,934,997**	19,627,992
Trade receivables, prepayments and other receivables	14	**161,793,623**	132,940,927
Due from related parties	31	**10,622,322**	12,048,664
Cash and cash equivalents	15	**892,374,091**	336,533,927
TOTAL CURRENT ASSETS		**1,090,725,033**	501,151,510
TOTAL ASSETS		**4,995,051,368**	4,407,153,726
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	**816,000,000**	816,000,000
Share premium		**36,409,063**	36,409,063
Statutory reserve	17	**96,111,908**	90,324,076
Other components of equity		**334,992,898**	(16,481,536)
Retained earnings		**202,500,260**	248,329,774
Equity attributable to the shareholders of the Parent		**1,486,014,129**	1,174,581,377
Non-controlling interests		**810,372,371**	534,995,715
TOTAL EQUITY		**2,296,386,500**	1,709,577,092
NON-CURRENT LIABILITIES			
Obligation under service concession arrangement	36	**1,369,299,805**	1,355,424,493
Long term loans and bank facilities	18	**648,146,865**	665,662,576
Employees' end-of-service benefits	19	**52,754,723**	48,126,455
Long term provisions	20	**2,034,027**	1,984,224
Derivative financial instrument	21	**5,662,361**	14,060,566
Lease liabilities – non current portion	23	**88,796,113**	84,597,772
TOTAL NON- CURRENT LIABILITIES		**2,166,693,894**	2,169,856,086
CURRENT LIABILITIES			
Current portion of obligation under service concession arrangement	36	**169,027,713**	190,530,528
Current portion of long term loans and bank facilities	18	**73,210,529**	70,670,666
Trade payables, accrued and other current liabilities	22	**260,768,053**	247,117,181
Zakat and tax payable	29	**18,622,175**	12,331,613
Lease liabilities	23	**8,739,576**	7,033,955
Due to related parties	31	**1,602,928**	36,605
TOTAL CURRENT LIABILITIES		**531,970,974**	527,720,548
TOTAL LIABILITIES		**2,698,664,868**	2,697,576,634
TOTAL EQUITY AND LIABILITIES		**4,995,051,368**	4,407,153,726

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
Revenue from contracts with customers			
Revenues from sale of goods and services	24	**921,200,340**	861,631,306
Construction revenue	37	**64,207,878**	159,233,442
TOTAL REVENUES		**985,408,218**	1,020,864,748
Direct costs	25	**(474,728,466)**	(437,891,731)
Cost of construction	37	**(64,207,878)**	(159,233,442)
COST OF REVENUE		**(538,936,344)**	(597,125,173)
GROSS PROFIT		**446,471,874**	423,739,575
OPERATING EXPENSES			
Selling and distribution expenses	26	**(16,583,061)**	(20,825,318)
General and administrative expenses	27	**(151,544,219)**	(146,671,759)
TOTAL OPERATING EXPENSES		**(168,127,280)**	(167,497,077)
PROFIT FROM OPERATIONS		**278,344,594**	256,242,498
Finance costs, net	39	**(203,541,310)**	(133,480,825)
Other income	28	**15,068,400**	88,727,888
Share of profit of equity accounted investees, net	10	**23,682,459**	21,609,171
PROFIT BEFORE ZAKAT AND INCOME TAX		**113,554,143**	233,098,732
Zakat and income tax charge, net	29	**(18,437,430)**	(16,429,831)
NET PROFIT FOR THE PERIOD		**95,116,713**	216,668,901
Attributable to:			
Shareholders of the Parent Company		**57,878,318**	139,412,924
Non-controlling interests		**37,238,395**	77,255,977
		95,116,713	216,668,901
Earnings per share:			
Basic and diluted earnings per share from net profit for the year attributable to the Shareholders' of the Parent	30	**0.71**	1.71

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	**2021** **SR**	2020 SR
Profit for the year		**95,116,713**	216,668,901
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Loss from re-measurement of employees' end-of-service benefits, net	19	**(148,636)**	(5,864,921)
Changes in fair value of financial assets at fair value through other comprehensive income (FVOCI)	11	**(63,182)**	(565,569)
Share of actuarial losses of equity accounted associates	10	**(125,485)**	(2,082,512)
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value	21	**5,959,910**	(956,911)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**5,622,607**	(9,469,913)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**100,739,320**	207,198,988
Attributable to:			
Shareholders of the Parent Company		**61,564,787**	132,448,236
Non-controlling interests		**39,174,533**	74,750,752
		100,739,320	207,198,988

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Equity attributable to the shareholders' of the Parent										
				Other components of equity							
	Share capital SR	Share premium SR	Statutory reserve SR	Effect of changes in ownership interest in subsidiaries SR	Actuarial valuation reserves SR	Cash flow hedging reserve SR	Unrealized gain on FVOCI investments SR	Retained earnings SR	Total SR	Non-controlling interests SR	Total equity SR
Balance at 1 January 2021	816,000,000	36,409,063	90,324,076	1,133,474	(14,496,871)	(8,520,703)	5,402,564	248,329,774	1,174,581,377	534,995,715	1,709,577,092
Profit for the year	--	--	--	--	--	--	--	57,878,318	57,878,318	37,238,395	95,116,713
Other comprehensive income	--	--	--	--	(273,922)	4,023,573	(63,182)	--	3,686,469	1,936,138	5,622,607
Total comprehensive income	--	--	--	--	(273,922)	4,023,573	(63,182)	57,878,318	61,564,787	39,174,533	100,739,320
Transfer to statutory reserve	--	--	5,787,832	--	--	--	--	(5,787,832)	--	--	--
Dividends paid (note 16)								(97,920,000)	(97,920,000)	(64,366,808)	(162,286,808)
Changes in ownership interests – sale of equity interest to non-controlling interest (note 1)	--	--	--	342,550,278	2,799,391	2,438,296	--	--	347,787,965	300,568,931	648,356,896
Balance at 31 December 2021	**816,000,000**	**36,409,063**	**96,111,908**	**343,683,752**	**(11,971,402)**	**(2,058,834)**	**5,339,382**	**202,500,260**	**1,486,014,129**	**810,372,371**	**2,296,386,500**

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2021

	Equity attributable to the shareholders' of the Parent										
				Other components of equity							
	Share capital SR	**Share premium SR**	**Statutory reserve SR**	**Effect of changes in ownership interest in subsidiaries SR**	**Actuarial valuation reserves SR**	**Cash flow hedging reserve SR**	**Unrealized gain on FVOCI investments SRSR**	**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
Profit for the year	-	-	-	-	-	-	-	139,412,924	139,412,924	77,255,977	216,668,901
Other comprehensive income	-	-	-	-	(5,819,231)	(579,888)	(565,569)	-	(6,964,688)	(2,505,225)	(9,469,913)
Total comprehensive income	-	-	-	-	(5,819,231)	(579,888)	(565,569)	139,412,924	132,448,236	74,750,752	207,198,988
Transfer to statutory reserve	-	-	13,941,292	-	-	-	-	(13,941,292)	-	-	-
Dividends paid (note 16)	-	-	-	-	-	-	-	(48,960,000)	(48,960,000)	(39,697,076)	(88,657,076)
Balance at 31 December 2020	816,000,000	36,409,063	90,324,076	1,133,474	(14,496,871)	(8,520,703)	5,402,564	248,329,774	1,174,581,377	534,995,715	1,709,577,092

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

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Zakat and income tax		**113,554,143**	233,098,732
Adjustments for:			
Depreciation and amortization	6, 8 & 9	**167,358,305**	156,626,110
Depreciation of right-of-use assets		**6,387,448**	7,218,597
Provision for employees' end-of-service benefits	19	**9,472,784**	7,237,006
Loss on disposal of property, plant and equipment	28	**60,261**	3,498,773
Share of results from equity accounted associates, net	10	**(23,682,459)**	(21,609,171)
(Reversal) / allowance for expected credit losses	34	**1,493,530**	1,047,551
Work in progress assets written-off	7	**--**	1,219,418
Amortization of deferred revenue		**59,000**	63,425
Provision for dismantling cost		**49,803**	79,185
Amortization of advance Ijarah rentals		**5,695,022**	7,549,298
Allowance for slow moving and obsolete inventories	13	**115,944**	3,660,891
Reversal of provision for asset replacement costs	28	**--**	(75,165,206)
Financial charges, net	39	**203,541,310**	133,480,825
		484,105,091	458,005,434
Changes in operating assets and liabilities			
Trade receivables, prepayments and other receivables		**(30,580,695)**	(33,665,065)
Due from related parties		**1,660,811**	(1,098,092)
Inventories		**(6,422,948)**	(5,117,182)
Trade payables, accrued and other current liabilities		**(166,465,902)**	(19,782,431)
Due to related parties		**1,637,550**	943,813
Cash generated from operating activities		**283,933,907**	399,286,477
Finance charges paid		**(28,396,181)**	(28,162,044)
Employees' end-of-service benefits paid	19	**(4,993,152)**	(4,445,531)
Zakat and income tax paid	29	**(14,272,850)**	(10,535,130)
Net cash from operating activities		**236,271,724**	356,143,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from equity accounted investee	10	**17,003,409**	15,025,967
Investment in an associate made during the period	10	**(44,544,436)**	-
Proceeds from sale of equity interest to NCI	1	**648,356,896**	-
Addition to property, plant and equipment, work in progress assets and intangible assets	6, 7, 8 & 9	**(109,497,365)**	(206,471,507)
Additions to right-of-use assets		**--**	(3,600,000)
Proceeds from disposal of property, plant and equipment		**129,445**	351,288
Net cash generated from / (used in) investing activities		**511,447,949**	(194,694,252)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loans		**(70,670,667)**	(66,956,898)
Receipt of long-term loans		**50,000,000**	45,000,000
Dividend paid	16	**(97,920,000)**	(48,960,000)
Dividends paid to non-controlling interests by subsidiaries		**(64,366,808)**	(39,697,076)
Lease liabilities paid	23	**(8,922,034)**	(9,402,420)
Net cash used in financing activities		**(191,879,509)**	(120,016,394)
Net increase in cash and cash equivalents		**555,840,164**	41,433,126
Cash and cash equivalents at the beginning of the year	15	**336,533,927**	295,100,801
Cash and cash equivalents at the end of the year	15	**892,374,091**	336,533,927

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2021

SUPPLEMENTARY NON-CASH INFORMATION

	Notes	**2021 SR**	2020 SR
Cash flow hedges – effective portion of change in fair value	21	**5,959,910**	(956,911)
Obligation under service concession arrangement	36	**-**	1,534,528,416
Transfer of assets from property plant and equipment to intangibles	6.3	**-**	489,210,493
Transfer from work in progress assets to property and equipment	7	**-**	2,090,703
Transfer from work in progress assets to investment property	7	**-**	3,314,973
Transfer from work in progress assets to port terminal operations	7	**2,671,012**	10,754,538
Transfer from work in progress assets to intangibles port concession rights	7	**24,209,591**	72,065,880
Transfer from work in progress assets to intangibles software	7	**221,352**	1,687,343
Modification of lease contracts	23	**256,568**	(147,340,195)
Re-measurement of employees' end-of-service benefits liability	19	**148,636**	5,864,921
Modification gain on loan arrangement	18	**-**	(31,959,301)
Deferred tax asset	29	**2,125,979**	(2,006,146)

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

1. ORGANIZATION AND ACTIVITIES

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

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

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

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

Company	Country of incorporation	Effective shareholding		Principal activities
		2021	2020	
Saudi Trade and Export Development Company Limited ("Tusdeer")	Saudi Arabia	**76%**	76%	Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Company – Closed Joint Stock Company ("Kindasa")	Saudi Arabia	**65%**	65%	Water desalination and treatment plant and sale of water.
Support Services Operation Company Limited ("ISNAD")	Saudi Arabia	**99.28%**	99.28%	Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease.

1. ORGANIZATION AND ACTIVITIES (continued)

Company	Country of incorporation	Effective shareholding 2021	2020	Principal activities
Red Sea Gateway Terminal Company Limited ("RSGT")	Saudi Arabia	**36.36%**	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.

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), derivative financial instruments which are carried at their fair values and employee benefits, which are measured at the present value of defined benefit obligation using projected unit credit method.

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- Decision related to control over investee (note 4.1)
- Classification of investment property (note 4.6)
- Lease classification (note 4.7)
- Provisions (4.13)
- Port concession rights and intangible assets related to fixed and guaranteed variable fee (4.5)

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

The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the provision of services with volume rebate as the selected method better predicts the amount of variable consideration driven by customers' rebate entitlement based on volume thresholds. Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty, if any, on the variable consideration will be resolved within a short time frame.

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

Going concern

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

Estimates and assumptions

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

Useful lives and residual value of property, plant and equipment

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

Allowance for inventory losses

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

Provision for expected credit losses (ECL) of trade receivables

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in note 34.

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

Impairment of non-financial assets

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

Defined benefit plan

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 19.

Fair value measurement of financial instruments

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

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

Provisions

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

Discount rate for present value calculations

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

Impact of COVID-19

Since early 2020, the Novel Coronavirus Pandemic (COVID-19) has spread globally across various geographies causing disruption to businesses and economic activities. Whilst it is challenging to predict the full extent and duration of business and economic impacts, the management has considered the potential impacts of COVID-19 on the Group's operations and concluded that as of the issuance date of these consolidated financial statements, no significant changes are required to the judgements and key estimates. The Group is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary is as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value. Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

These consolidated financial statements comprising the financial statements the Company and its subsidiaries as set out in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

Business combinations and goodwill (continued)

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

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

Investments in associates and jointly controlled entities

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

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

Investments in associates and jointly controlled entities (continued)

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

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

When the Group's share of losses exceeds its interest in associates, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

4.2 Foreign currencies

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Foreign currencies (continued)

Foreign operations

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

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

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

4.3 Current versus non-current classification

Assets

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

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

All other assets are classified as non-current.

Liabilities

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. Property and equipment controlled by the operator and used as part of port operations are classified as property and equipment – port terminal operations.

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

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

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

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets, development cost of leasehold land and building on leasehold land are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed least annually and adjusted prospectively, if required.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment (continued)

The estimated useful lives are as follows:

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

4.5 Intangibles

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

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

Port concession rights
The Group’s port terminal operations are conducted pursuant to long-term concession arrangements, whereby the grantor has contracted with the Group, as operator, to develop (or upgrade) operate and maintain the concession assets and as operator charge users for services rendered. The Group recognises port concession rights arising from a service concession arrangement, in which the public sector (“the grantor”) controls or regulates the services provided, the prices charged and also controls any significant residual interest in the infrastructure such as property and equipment if the infrastructure is existing infrastructure of the grantor or the infrastructure is constructed or purchased by the Group as part of the service concession arrangement.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Intangibles (continued)

Port concession rights (continued)

The port concession rights include all costs incurred towards construction of the container terminal. Port concession rights also include certain property, plant and equipment which are reclassified as intangible assets in accordance with IFRIC 12 'Service Concession Arrangements'. The port concession rights are stated at cost, less amortization of cost and accumulated impairment losses. The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period which is 30 years or life of the underlying assets, whichever is shorter.

Intangible assets related to fixed and guaranteed variable fee

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Intangibles (continued)

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

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

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

4.6 Investment properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequently investment properties are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the investment properties and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of investment properties are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All repairs and maintenance costs are recognised in the consolidated statement of profit or loss as incurred. Investment properties are depreciated on a straight line basis on shorter of lease term and useful life of 10 to 30 years.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investment properties (continued)

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

4.7 Leases

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

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

i) Right-of-use assets

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Leases (continued)

ii) Lease liabilities

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Leases (continued)

Group as a lessor

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

4.8 Inventories

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

4.9 Cash and cash equivalents

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

4.10 Financial instruments

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets

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

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

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

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:

a) Financial assets at amortised cost
b) Financial assets at fair value through OCI (FVOCI)
c) Financial assets at fair value through profit or loss (FVTPL)

a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets (continued)

b) Financial assets at fair value through OCI

Debt instruments
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

c) Financial assets at fair value through profit or loss

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets (continued)

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

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

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

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

i) Financial assets (continued)

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

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

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

ii) Financial liabilities

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

ii) Financial liabilities (continued)

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

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

iii) Derecognition

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

iv) Offsetting of financial instruments

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

4.11 Fair value measurement

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Impairment of financial and non-financial assets

Financial assets

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

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

The Group considers a financial asset in default when contractual payments are over 1 years past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Non-financial assets

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

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

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

4.13 Provisions

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits

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

4.15 Cash dividend and non-cash distribution to equity holders of the Parent

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

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

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

4.16 Revenue

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Revenue (continued)

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

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

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

Revenue is measured at the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. Sales, value add, and other taxes collected concurrent with revenue-producing activities are excluded from revenue. The Group does not have any material significant payment terms as payment is received in advance, at or shortly after the point of sale.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Revenue (continued)

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

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

4.17 Expenses

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

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

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

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

4.18 Finance costs and finance income

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Finance costs comprise of interest expense on loans, bank facilities and lease liabilities unwinding of the discount on long term provisions and obligation under service concession agreements. Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in consolidated statement of profit or loss, using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Zakat and taxation

Zakat

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

Current income tax

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

Deferred income tax

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Zakat and taxation (continued)

Deferred income tax (continued)

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

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

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

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

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

4.20 Segment reporting

Business segment is group of assets, operations or entities:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Segment reporting (continued)

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

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

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

4.21 Work-in-progress assets

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

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

New and amended standards and interpretations

Following amendments to IFRS and International Accounting Standards were effective from 1 January 2021, but they did not have a material effect on the Group's consolidated financial statements:

Effective date	New Standards or amendments
1 June 2020	COVID-19-Related Rent Concessions (Amendment to IFRS 16)
1 January 2021	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 7)

Standards issued but not yet effective

The standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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

Standards issued but not yet effective (continued)

Effective date	New Standards or amendments
1 April 2021	COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
1 January 2022	Onerous Contracts - Cost of Fulfilling a Contract Insights into IFRS (Amendments to /IAS 37)
1 January 2022	Annual Improvements to IFRS Standards 2018-2020
1 January 2022	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
1 January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-current Insights into IFRS (Amendments to IAS 1)
1 January 2023	IFRS 17 Insurance Contracts!' and amendments to IFRS 17 Insurance Contracts
1 January 2023	Disclosure of Accounting Policies (Amendments to IAS Insights into IFRS 1 and IFRS Practice Statement 2)
1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8)
1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to /IAS 12)
Available for optional effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS28)

The standards, interpretations and amendments with effective date of 1 January 2022 will not have any material impact on the Group's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Group is currently assessing the implications on the Group's consolidated financial statements on adoption.

6. PROPERTY, PLANT AND EQUIPMENT

	31 December 2021 SR	31 December 2020 SR
Property, plant and equipment (note 6.1)	**184,193,503**	204,962,895
Property and equipment of bonded and re-export project (note 6.2)	**26,453,022**	28,634,885
Property and equipment – port terminal operations (note 6.3)	**34,703,149**	34,883,753
	245,349,674	268,481,533

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

2021	Land SR	Leasehold improvements SR	Motor vehicles & tankers SR	Tools & equipment's SR	Furniture & fixtures SR	Computers SR	Desalination plants SR	**31 December 2021 SR**
Cost								
At the beginning of the year	66,808,150	131,943	19,287,845	13,538,236	12,966,079	2,868,268	354,501,252	**470,101,773**
Additions during the year	--	391,304	105,100	600,480	608,635	117,618	1,759,072	**3,582,209**
Disposals during the year	--	--	(741,619)	(89,794)	(315,962)	(68,525)	(420,356)	**(1,636,256)**
At the end of the year	66,808,150	523,247	18,651,326	14,048,922	13,258,752	2,917,361	355,839,968	**472,047,726**
Accumulated depreciation								
At the beginning of the year	--	131,943	13,432,211	10,645,750	9,260,499	2,616,505	229,051,970	**265,138,878**
Charge for the year	--	6,739	1,010,927	590,016	1,258,524	217,747	21,095,878	**24,179,831**
Disposals during the year	--	--	(659,949)	(89,038)	(285,993)	(32,013)	(397,493)	**(1,464,486)**
At the end of the year	--	138,682	13,783,189	11,146,728	10,233,030	2,802,239	249,750,355	**287,854,223**
Net book value								
As at 31 December 2021	**66,808,150**	**384,565**	**4,868,137**	**2,902,194**	**3,025,722**	**115,122**	**106,089,613**	**184,193,503**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.1 The movement in property, plant and equipment is as follows (continued):

2020	Land	Leasehold improvements	Motor vehicles & tankers	Tools & equipment	Furniture & fixtures	Computers	Desalination plants	**31 December 2021**
	SR	SR	SR	SR	SR	SR	SR	SR
Cost								
At the beginning of the year	66,808,150	131,943	19,067,583	15,152,227	13,719,985	5,202,580	353,819,529	473,901,997
Additions during the year	--	--	491,775	599,688	897,889	132,140	1,970,323	4,091,815
Disposals during the year	--	--	(396,310)	--	(26,758)	(9,992)	(4,915,311)	(5,348,371)
Transfer from work in progress assets (note 7)	--	--	--	835,135	--	--	1,255,568	2,090,703
Transfer (note 6.2)	--	--	--		(2,177,911)	(2,456,460)	--	(4,634,371)
Reclassifications during the year	--	--	124,797	(3,048,814)	552,874	--	2,371,143	--
At the end of the year	66,808,150	131,943	19,287,845	13,538,236	12,966,079	2,868,268	354,501,252	470,101,773
Accumulated depreciation								
At the beginning of the year	--	131,943	12,526,094	10,472,073	9,260,505	3,279,588	211,227,367	246,897,570
Charge for the year	--	--	1,267,677	609,252	1,529,653	294,591	21,903,183	25,604,356
Disposals during the year	--	--	(361,560)	--	(26,092)	(4,764)	(4,078,580)	(4,470,996)
Transfer (note 6.2)	--	--	--	--	(1,939,142)	(952,910)	--	(2,892,052)
Reclassifications during the year	--	--	--	(435,575)	435,575	--	--	--
At the end of the year	--	131,943	13,432,211	10,645,750	9,260,499	2,616,505	229,051,970	265,138,878
Net book value								
As at 31 December 2020	66,808,150	--	5,855,634	2,892,486	3,705,580	251,763	125,449,282	204,962,895

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.2 Property and equipment of bonded and re-export project

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

2021	Leasehold improvements SR	Buildings on leasehold land SR	Equipment SR	**31 December 2021 SR**
Cost				
At the beginning of the year	27,290,790	21,398,394	5,826,028	**54,515,212**
Additions during the year	79,629	74,326	366,492	**520,447**
Disposals	--	--	(137,961)	**(137,961)**
At the end of the year	**27,370,419**	**21,472,720**	**6,054,559**	**54,897,698**
Accumulated depreciation				
At the beginning of the year	14,687,385	6,169,560	5,023,382	**25,880,327**
Charge for the year	1,025,263	986,971	690,059	**2,702,293**
Disposals	--	--	(137,944)	**(137,944)**
At the end of the year	**15,712,648**	**7,156,531**	**5,575,497**	**28,444,676**
Net book value				
At 31 December 2021	**11,657,771**	**14,316,189**	**479,062**	**26,453,022**

2020	Leasehold improvements SR	Buildings on leasehold land SR	Equipment SR	31 December 2020 SR
Cost				
At the beginning of the year	27,281,790	20,983,336	1,162,575	49,427,701
Additions during the year	9,000	415,058	29,082	453,140
Transfer from property plant and equipment (note 6.1)	--	--	4,634,371	4,634,371
At the end of the year	27,290,790	21,398,394	5,826,028	54,515,212
Accumulated depreciation				
At the beginning of the year	13,659,727	5,211,920	1,162,575	20,034,222
Charge for the year	1,027,658	957,640	968,755	2,954,053
Transfer from property plant and equipment (note 6.1)	-	--	2,892,052	2,892,052
At the end of the year	14,687,385	6,169,560	5,023,382	25,880,327
Net book value				
At 31 December 2020	12,603,405	15,228,834	802,646	28,634,885

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.3 Property and equipment – port terminal operations

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

2021	Leasehold improvements SR	Motor vehicles SR	Furniture and fixtures SR	Computers and equipment SR	Machinery and equipment SR	31 December 2021 SR
Cost						
At the beginning of the year	87,000	1,759,691	17,376,409	17,644,413	52,253,652	**89,121,165**
Additions during the year	--	--	1,486,158	1,892,908	--	**3,379,066**
Transfers from work in progress assets (note 7)	--	405,000	75,370	790,017	1,400,625	**2,671,012**
Disposals during the year	(87,000)	(322,500)	--	(3,200,693)	--	**(3,610,193)**
At the end of the year	--	1,842,191	18,937,937	17,126,645	53,654,277	**91,561,050**
Accumulated depreciation						
At the beginning of the year	70,376	1,170,814	12,080,404	13,030,228	27,885,590	**54,237,412**
Charge for the year	3,207	222,289	1,530,654	1,891,613	2,564,983	**6,212,746**
Disposals during the year	(73,583)	(322,500)	--	(3,196,174)	--	**(3,592,257)**
At the end of the year	--	1,070,603	13,611,058	11,725,667	30,450,573	**56,857,901**
Net book value						
At 31 December 2021	**--**	**771,588**	**5,326,879**	**5,400,978**	**23,203,704**	**34,703,149**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6.3 Property and equipment – port terminal operations (continued)

2020	Leasehold improvements SR	Motor vehicles SR	Furniture and fixtures SR	Computers and equipment SR	Machinery and equipment SR	31 December 2020 SR
Cost						
At the beginning of the year	333,650,236	5,209,919	19,374,819	9,566,395	350,061,513	717,862,882
Additions during the year	-	579,896	2,355,056	2,572,316	16,253,858	21,761,126
Transfers from work in progress assets (note 7)	-	-	17,002	1,763,456	8,974,080	10,754,538
Transfer to port concession rights (8.1)	(309,476,260)	(3,692,924)	(3,502,402)	3,790,775	(320,801,270)	(633,682,081)
Disposals during the year	(24,086,976)	(337,200)	(868,066)	(48,529)	(2,234,529)	(27,575,300)
At the end of the year	87,000	1,759,691	17,376,409	17,644,413	52,253,652	89,121,165
Accumulated depreciation						
At the beginning of the year	62,511,326	3,279,869	13,295,344	7,891,374	120,319,396	207,297,309
Charge for the year	5,702,663	274,222	1,581,376	1,396,609	7,958,857	16,913,727
Transfer to port concession rights (see note 8.1)	(45,812,664)	(2,083,279)	(2,110,869)	3,790,775	(98,255,551)	(144,471,588)
Disposals during the year	(22,330,949)	(299,998)	(685,447)	(48,530)	(2,137,112)	(25,502,036)
At the end of the year	70,376	1,170,814	12,080,404	13,030,228	27,885,590	54,237,412
Net book value						
At 31 December 2020	16,624	588,877	5,296,005	4,614,185	24,368,062	34,883,753

a) The Group’s property and equipment – port terminal operations has been pledged against the Ijara facility (note 18).
b) Property and equipment with net book value of SR 489.2 million were transferred from port terminal assets to port concession rights in accordance with the New Concession Agreement (note 8(a)).

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	31 December 2021 SR	31 December 2020 SR
Direct costs	**21,739,311**	33,835,062
Selling and distribution expenses (note 26)	**7,355,027**	7,431,279
General and administrative expenses (note 27)	**4,000,532**	4,205,795
	33,094,870	45,472,136

7. WORK IN PROGRESS ASSETS

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

	31 December 2021 SR	31 December 2020 SR
Opening balance	**117,954,228**	107,456,458
Additions during the year	**90,863,025**	101,630,625
Transfer to property and equipment (note 6.1)	**-**	(2,090,703)
Transfer to investment property (note 9)	**-**	(3,314,973)
Transfer to port terminal operations (note 6.3)	**(2,671,012)**	(10,754,538)
Transfer to intangibles port concession rights (note 8.1)	**(24,209,591)**	(72,065,880)
Transfer to intangibles software (note 8.3)	**(221,352)**	(1,687,343)
Write off during the year	**-**	(1,219,418)
At the end of the year	**181,715,298**	117,954,228

During the year ended 31 December 2021, borrowing costs amounting 2.5 million (31 December 2020: SR 3.9 million) were capitalized into in work in progress assets.

Work in progress assets include contract assets amounting to SR 53.34 million (2020: SR 23.42 million) which represents the amounts incurred by the Group for the consolidation and expansion work on container terminal under the New Service Concession Agreement. During the year addition to contract assets amounted to SR 54.13 million and capitalization from contract asset to intangible assets – port concession rights amounted to SR 24.21 million.

8. INTANGIBLE ASSETS

Intangible assets comprise of the following:

	31 December 2021 SR	31 December 2020 SR
Port concession rights and assets (note 8.1)	**1,570,313,251**	1,625,893,154
Intangible assets related to fixed and guaranteed variable fee (note 8.2)	**1,479,431,219**	1,511,355,369
Other intangible assets (note 8.3)	**3,108,411**	4,325,622
	3,052,852,881	3,141,574,145

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

The Agreement was, subsequently, novated by Tusdeer to RSGT (another subsidiary of the Group), effective from 22 Shawal 1428H (corresponding to 3 November 2007). The period of the Agreement originally was for 32 years. However, on 23 December 2019, RSGT, entered into a new concession agreement (the New Concession Agreement) with MAWANI whereby RSGT acquired rights to built and operate North Container Terminal in addition to the terminal operated under the BOT agreement, effective from 1 April 2020 (the effective date) for a period of 30 years from this date. Under the terms of the Concession, MAWANI stipulates the Tariffs to be applied by the Operator when providing services and has the right to review the published tariff structure periodically. The group has right to charge users of the port for services provided in accordance with the New Concession Agreement. Intangible assets – port concession rights are secured against the Ijara facilities obtained from local banks (note 18).

a) Certain items of property and equipment with a cost of SR 633.68 million and accumulated depreciation of SR 144.47 million, which were previously owned by the Group and used for terminal operations, were transferred to intangible assets during the year ended 31 December 2020.

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 were recorded as intangible asset under the guidance of IFRIC 12 'Service Concession Arrangements', with a corresponding liability recognized as obligation under service concession arrangement during the year ended 31 December 2020 and measured in accordance with IFRS 9 "Financial Instruments". All other variable fees are charged to consolidated statement of profit or loss as and when incurred. . Unamortised portion of 'intangible assets' and the 'obligation under service concession arrangement' are presented in 'note 8.2' and note 36, respectively.

8. INTANGIBLE ASSETS (continued)

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 was reversed, being no longer required and was recognised as "other income" in the consolidated statement of profit or loss during year ended 31 December 2020 (note 28).

8.1 Port concession rights and assets

The movement in port concession rights is as follows:

	31 December 2021 SR	31 December 2020 SR
Cost		
At the beginning of the year	**2,487,828,059**	1,710,555,638
Additions	**10,075,212**	75,426,303
Transfer from work in progress assets(note 7)	**24,209,591**	72,065,880
Disposal	**(609,966)**	(2,401,843)
Transfer from port terminal operations (note 6.3 and 8(a))	**--**	632,182,081
At the end of the year	**2,521,502,896**	2,487,828,059
Amortization		
At the beginning of the year	**861,934,905**	642,815,862
Charge for the year	**89,864,706**	76,989,549
Disposal during the year	**(609,966)**	(2,342,094)
Transfer from port terminal operations (note 6.3 and 8(a))	**--**	144,471,588
At the end of the year	**951,189,645**	861,934,905
Net book value	**1,570,313,251**	1,625,893,154

8.2 Intangible assets related to fixed and guaranteed variable fee

	31 December 2021	31 December 2020 SR
Cost:		
Intangible assets related to fixed and guaranteed variable fee	**1,534,528,416**	1,534,528,416
Accumulated amortization:		
At the beginning of the year	**23,173,047**	--
Charge for the year	**31,924,150**	23,173,047
At end of the year	**55,097,197**	23,173,047
Net book value	**1,479,431,219**	1,511,355,369

8. INTANGIBLE ASSETS (continued)

8.3 Other intangible assets

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

	31 December 2021 SR	31 December 2020 SR
Cost		
At the beginning of the year	**26,266,901**	22,690,481
Additions during the year	**259,490**	1,889,077
Transfers from capital work-in-progress (note 7)	**221,352**	1,687,343
At the end of the year	**26,747,743**	26,266,901
Amortization		
At the beginning of the year	**21,941,279**	20,045,619
Charge for the year	**1,698,053**	1,895,660
At the end of the year	**23,639,332**	21,941,279
Net book value	**3,108,411**	4,325,622

Amortization charge for the year has been allocated as follows:

	31 December 2021 SR	31 December 2020 SR
Direct costs	**-**	7,183
Selling and distribution expenses (note 26)	**68,542**	125,025
General and administrative expenses (note 27)	**1,629,511**	1,763,452
	1,698,053	1,895,660

9. INVESTMENT PROPERTIES

The movement in investment property is as follows:

	Leasehold improvements SR	Buildings on leasehold land SR	**31 December 2021 SR**	31 December 2020 SR
Cost				
At the beginning of the year	107,998,677	135,982,365	243,981,042	240,666,069
Additions during the year	792,916	25,000	817,916	
Transfer from Work in progress assets (note 7)	--	--	**--**	3,314,973
	108,791,593	136,007,365	244,798,958	243,981,042
Accumulated depreciation				
At the beginning of the year	45,569,657	70,410,781	115,980,438	106,884,720
Charge for the year	3,435,640	7,340,886	10,776,526	9,095,718
At the end of the year	49,005,297	77,751,667	126,756,964	115,980,438
Net book value:				
At 31 December 2021	**59,786,296**	**58,255,698**	**118,041,994**	
At 31 December 2020	61,649,652	66,350,952		128,000,604

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

The buildings and leasehold improvements are situated on a plot of land leased from Saudi Ports Authority for a nominal annual rental. The initial lease agreement was for 20 Hijra years starting from 15 Muharram 1419H (corresponding to 11 May 1998) with a grace period of two Hijra years, on 22 Ramadan 1424H (corresponding to 16 November 2003) the lease agreement was extended to 40 Hijra years. The fair value of the investment properties is valued at SR 413.65 million (2020: SR 311.5 million) by Advisory Corp (2020: 9200.Co for Real Estate Valuation), licensed by "Saudi Authority for Accredited Valuers". The fair value for all of the investment properties is categorised as a Level 3 fair value. Discounted Cash flow method is used to measure the fair value of these properties using forecasted cashflows of these investment properties and related weighted average cost of Capital.

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

10. EQUITY-ACCOUNTED INVESTEES

	31 December 2021 SR	31 December 2020 SR
As at 1 January	**136,922,460**	132,421,768
Investment during the year	**44,544,436**	--
Share in results of associates, net	**23,682,459**	21,609,171
Share of actuarial losses of associates recognized in OCI	**(125,485)**	(2,082,512)
Dividend received during the year	**(17,003,409)**	(15,025,967)
As at 31 December	**188,020,461**	136,922,460

10.1 As at 31 December 2021, the investment in associates comprises the following:

Associates	Principal activity	Country of incorporation	Effective shareholding percentage 2021	Effective shareholding percentage 2020	Carrying amount 31 December 2021	Carrying amount 31 December 2020
International Water Distribution Company Limited (note a)	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	**50%**	50%	**90,199,793**	84,044,946
Saudi Water and Environmental Services Company(note b)	Electrical, water and mechanical works and related operation and maintenance	Kingdom of Saudi Arabia	**31.85%**	31.85%	**4,480,326**	6,660,855
Saudi Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	**33.3%**	33.3%	**48,638,162**	43,814,661
Xenmet SA, Vaduz (note c)	Trading, storage and brokerage of commodities	Principality of Liechtenstein	**19%**	19%	**2,187,969**	2,401,998
Green Dome Holdings Limited	Investment and management of companies providing logistic services	United Arab Emirate	**24%**	-	**42,514,211**	-
					188,020,461	136,922,460

10. EQUITY-ACCOUNTED INVESTEE (continued)

a) The Parent Company does not have any control over management and operations of "International Water Distribution Company" accordingly, it is classified as investment in 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.

d) During the year SR 44.5 million were invested by Tusdeer as one of the founding shareholders in Green Dome Holdings Limited which was incorporated during the current year. Green Dome Holdings Limited is 31.6% owned by Tusdeer, which is 76% owned by the Parent Company.

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

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

10. EQUITY-ACCOUNTED INVESTEE (continued)

Associates	International Water Distribution Company Limited SR	Saudi Water and Environmental Services Company SR	Al Jabr Talke Company Limited SR	Xenmet SA, Vaduz SR	Total SR
31 December 2020					
Non-current assets	198,332,474	6,171,555	76,291,006	4,505,364	285,300,399
Current assets	79,295,067	8,120,064	124,839,783	6,192,909	218,447,823
Non-current liabilities	(12,269,549)	-	(40,999,738)	-	(53,269,287)
Current liabilities	(97,135,838)	(699,641)	(48,361,186)	(909,858)	(147,106,523)
Net assets	168,222,154	13,591,978	111,769,865	9,788,415	303,372,412
Revenue	260,756,913	8,917,623	260,700,113	2,443,008	532,817,657
Profit for the year	14,226,684	14,833	40,138,159	2,331,325	56,711,001
Other comprehensive income	(1,513,000)	-	(3,978,626)	-	(5,491,626)
Total comprehensive income	12,713,684	14,833	36,159,533	2,331,325	51,219,375
Share of OCI	(756,436)	-	(1,326,076)	-	(2,082,512)
Share of profit	7,190,873	(1,024,270)	14,685,934	756,633	21,609,170
Dividend received	4,000,000	-	11,025,967	-	15,025,967

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

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

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**14,972,714**	15,538,283
Changes in fair value	**(63,182)**	(565,569)
At the end of the year	**14,909,532**	14,972,714

12. GOODWILL

The Group recorded a goodwill of SR 9.3 million on acquisition of Kindasa Water Services Company (Kindasa), a subsidiary of the Group. Subsequently, an impairment of SR 0.5 million was recorded in previous periods resulting in net carrying value of SR 8.8 million (31 December 2020: SR 8.8 million).

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

As at 31 December 2021, the carrying amount of goodwill was reviewed and no impairment was identified.

13. INVENTORIES, NET

	31 December 2021 SR	31 December 2020 SR
Spare parts	**36,099,118**	30,367,000
Raw materials and chemicals	**1,420,003**	218,467
Fuel, oil and desalinated water	**204,297**	715,002
	37,723,418	31,300,469
Less: allowance for slow moving and obsolete inventories	**(11,788,421)**	(11,672,477)
	25,934,997	19,627,992

13. INVENTORIES, NET (continued)

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

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**11,672,477**	8,011,586
Charge for the year	**115,944**	3,660,891
At the end of the year	**11,788,421**	11,672,477

14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021 SR	31 December 2020 SR
Trade receivables, net (note 34)	**96,211,788**	102,696,717
Prepayments and other receivables	**57,662,072**	19,962,078
Margin deposits (note 32)	**2,867,436**	2,770,225
Advances to suppliers	**5,052,327**	7,511,907
	161,793,623	132,940,927

15. CASH AND CASH EQUIVALENTS

	31 December 2021 SR	31 December 2020 SR
Cash on hand	**258,247**	234,090
Cash at banks	**687,072,718**	336,299,837
Murabaha deposits (note 15.1)	**205,043,126**	-
	892,374,091	336,533,927

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

16. SHARE CAPITAL

As at 31 December 2021, the authorized and paid up capital of the Company is divided into 81.6 million shares (31 December 2020: 81.6 million shares) of SR 10 each.

On 23rd Ramadan, 1442H (corresponding to 5 May 2021), the shareholders of the Company in their Annual General meeting approved the dividend amounting to SR 65.28 million (SR 0.8 per share) [2020: On 13 April 2020, dividend amounting to SR 48.96 million (SR 0.6 per share)].

On 29th Rabi ul Awwal, 1443H (corresponding to 4 November 2021), the shareholders of the Company in their Ordinary General Assembly meeting approved the interim dividend amounting to SR 32.64 million (SR 0.4 per share). Dividend was paid in full during the year ended 31 December 2021.

17. STATUTORY RESERVE

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

18. LONG-TERM LOANS AND BANK FACILITIES

	31 December 2021 SR	31 December 2020 SR
Long-term loans	**721,357,394**	736,333,242
Less: current portion	**(73,210,529)**	(70,670,666)
Non-current portion	**648,146,865**	665,662,576

a) On 3 December 2007, RSGT (a subsidiary of the Company) entered into an Ijara arrangement with two local commercial banks to obtain a loan of SR 1,271 million. The Ijara facility was secured against the property and equipment of RSGT (note 6). The loan was to be repaid in semi-annual installments ending in December 2023.The loan carried special commission rate of SIBOR plus an agreed margin (see note(c) below).

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

18. LONG-TERM LOANS AND BANK FACILITIES (continued)

c) During the year ended 31 December 2020, RSGT and the banks mutually agreed to amend the terms of the loan agreements above. These amendments, among others, included modification of the applicable rate from six months SIBOR to three months SIBOR, lowered the agreed margin, modified the repayment frequency from biannual to quarterly payment and extended the maturity period from year 2023 to 2030. The Ijara facilities are secured against property and equipment of RSGT. The modifications of the terms were assessed qualitatively and quantitively in accordance with IFRS 9 "Financial Instruments" and, as a result, the management concluded that the changes in terms of agreement did not resulted in substantial modification under the requirements of IFRS 9 "Financial Instruments". Accordingly, the modifications resulted in a day one gain of SR 31.96 million recorded in the statement of profit or loss as at the effective date of the modification of the terms of the loans (note 39). Un-amortised balance of the modification gain as at 31 December 2021 is of SR 22.7 million (2020: 27.85 million) which will be amortised over the remaining period of the Ijara facility, using effective interest rate.

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

e) During the year ended 31 December 2020, RSGT obtained a facility with sanctioned limit of SR 750 million towards its consolidation and expansion works. Out of which SR 95 million (2020: 45 million) was drawn as of the date of statement of financial position. RSGT pays an agreed commitment fee on the undrawn balance and an agreed profit payable at SIBOR plus a margin on the drawn balance. The commitment fee paid has been deferred and amortised as part of effective interest rate. The loan will be repaid in quarterly instalments starting from 2023 and ending in 2033. The loan is secured against assets relating to the consolidation and expansion works.

	31 December 2021 SR	31 December 2020 SR
Long-term loans	**718,257,496**	731,461,973
Less: current portion (note below)	**(71,439,158)**	(68,899,295)
Non-current portion	**646,818,338**	662,562,678

18. LONG-TERM LOANS AND BANK FACILITIES (continued)

f) During 2016, Kindasa (a subsidiary of the Company) entered into an agreement for a long-term facility with a commercial bank for SR 24 million to finance the construction of a new water desalination facility. The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in quarterly instalments commencing one year after the first drawdown. The loan is secured by secondary mortgage over Kindasa's property and equipment. As at 31 December 2021, Kindasa has drawn down SR 8.5 million (2020: SR 8.5 million) out of total facility of SR 24 million.

	31 December 2021 SR	31 December 2020 SR
Long-term loan	**3,099,898**	4,871,269
Less: current portion	**(1,771,371)**	(1,771,371)
Long-term portion	**1,328,527**	3,099,898

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

19. EMPLOYEES' END-OF-SERVICE BENEFITS

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

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**48,126,455**	39,470,059
Included in statement of profit or loss		
Current service cost	**8,217,963**	6,045,092
Interest cost	**1,254,821**	1,191,914
	9,472,784	7,237,006
Included in statement of other comprehensive income		
Actuarial loss	**148,636**	5,864,921
Benefits paid	**(4,993,152)**	(4,445,531)
At the end of the year	**52,754,723**	48,126,455

19. EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

Actuarial assumptions

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

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

	31 December 2021	31 December 2020
Discount rate	**2.96%**	2.75%
Future salary growth / expected rate of salary increase	**3%**	3%
Price inflation rate	**2%**	2%
Retirement age	**60 years**	60 years

The weighted average duration of the defined benefit obligation is 13.525 years (2020: 12.53 years).

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

	31 December 2021 SR	31 December 2020 SR
Increase in discount rate	**(7,135,077)**	(8,001,986)
Decrease in discount rate	**7,135,077**	8,001,986
Increase in salary growth	**9,150,196**	11,374,857
Decrease in salary growth	**(7,552,486)**	(8,988,688)

20. LONG-TERM PROVISIONS

	31 December 2021 SR	31 December 2020 SR
Provision for dismantling cost (note a)	**1,900,442**	1,821,257
Others	**133,585**	162,967
	2,034,027	1,984,224

a) Provision for dismantling cost

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

21. DERIVATIVE FINANCIAL INSTRUMENT

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

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

	31 December 2021 SR	31 December 2020 SR
Notional amount	**228,966,472**	332,898,300
Negative fair value	**5,662,361**	14,060,566

The hedge has been assessed to be effective and as at 31 December 2021, net un-realised gain of SR 5.96 million (un-realized loss in 2020: SR 0.96 million) has been included in the consolidated statement of other comprehensive income.

The amount shown as cash flow hedging reserve in the consolidated statement of other comprehensive income as at 31 December 2021 is expected to affect the consolidated statement of profit or loss in forthcoming years.

22. TRADE PAYABLES, ACCRUED AND OTHER CURRENT LIABILITIES

	31 December 2021 SR	31 December 2020 SR
Accrued liabilities	**145,836,294**	126,194,877
Unearned revenue	**4,373,920**	6,053,021
Trade payables	**54,060,993**	80,479,977
Advances from customers	**12,550**	406,501
Retention money payable	**2,430,282**	857,289
Payable to Jeddah Islamic Port Authority	**26,609,453**	7,463,033
Other payables	**27,444,561**	25,662,483
	260,768,053	247,117,181

Unearned revenue mainly relates to rent received in advance for which revenue is recognized over time. All of the unearned rent as at 31 December 2020 was recognized as revenue during the year ended 31 December 2021.

23. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	31 December 2021 SR	31 December 2020 SR
Cost:		
At the beginning of the year	**101,081,068**	256,622,317
Lease contracts modification (note below)	**256,568**	(147,340,195)
Additions during the year	**9,344,864**	4,552,274
Lease contract terminated during the year	**--**	(12,753,328)
	110,682,500	101,081,068
Depreciation:		
Accumulated depreciation	**(14,162,815)**	(14,797,077)
Depreciation for the year	**(6,038,415)**	(6,866,680)
Depreciation for the year (capitalized in Work in progress assets)	**(349,033)**	(351,917)
Relating to modified and terminated contract	**--**	7,852,859
Accumulated depreciation	**(20,550,263)**	(14,162,815)
Net value at end of the year	**90,132,237**	86,918,253

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

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year:	**91,631,727**	247,016,438
Addition during the year	**9,509,292**	-
Lease contracts modification (note below)	**256,568**	(147,340,195)
Interest charge for the year	**2,597,779**	2,342,544
Unwinding of lease liability (capitalized in work in progress assets)	**2,462,357**	3,923,274
Payment of lease liabilities during the year	**(8,922,034)**	(9,402,420)
Relating to modified and terminated contract	**--**	(4,907,914)
At the end of the year	**97,535,689**	91,631,727
Current lease liability	**8,739,576**	7,033,955
Non-current lease liability	**88,796,113**	84,597,772
	97,535,689	91,631,727

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

During the year ended 31 December 2020, 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.

The following are the amounts recognized in profit or loss:

	31 December 2021 SR	31 December 2020 SR
Depreciation expense of right-of-use assets	**6,387,448**	7,218,597
Interest charge on lease liabilities	**5,060,136**	2,342,544
Total amount recognized in profit or loss	**11,447,584**	9,561,141

24. REVENUE FROM SALE OF GOODS AND SERVICES

	31 December 2021 SR	31 December 2020 SR
Shipping and unloading services	**723,881,654**	684,290,565
Sale of potable water	**96,340,475**	92,247,906
Rentals and support services	**100,978,211**	85,092,835
	921,200,340	861,631,306

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

25. DIRECT COSTS

	31 December 2021 SR	31 December 2020 SR
Cost of shipping and unloading services	**341,516,247**	321,744,904
Cost of sale of potable water	**70,138,838**	65,892,074
Cost of rentals and support services	**63,073,381**	50,254,753
	474,728,466	437,891,731

26. SELLING AND DISTRIBUTION EXPENSES

	31 December 2021 SR	31 December 2020 SR
Depreciation (note 6.4)	**7,355,027**	7,431,279
Salaries, wages and benefits	**5,456,960**	5,047,552
Utilities and telecommunication	**632,821**	452,914
Advertising and marketing	**664,519**	4,448,285
Expected credit losses on trade receivables (note 34)	**1,493,530**	1,047,551
Amortization (note 8.3)	**68,542**	125,025
Right-of-use assets depreciation	**412,113**	412,113
Others	**499,549**	1,860,599
	16,583,061	20,825,318

27. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2021 SR	31 December 2020 SR
Salaries, wages and benefits	**98,701,652**	97,050,337
Legal and professional fees	**13,342,376**	12,910,651
Utilities, telecommunication and office supplies	**2,234,629**	3,071,385
Depreciation (note 6.4)	**4,000,532**	4,205,795
Travelling	**3,693,540**	1,924,933
Amortization of intangibles (note 8.3)	**1,629,511**	1,763,452
Right-of-use assets depreciation	**--**	-
Others	**27,941,979**	25,745,206
	151,544,219	146,671,759

28. OTHER INCOME

	31 December 2021 SR	31 December 2020 SR
Reversal of provision for asset replacement cost (note 8(c))	**-**	75,165,206
Reversal of provisions no longer required	**9,466,000**	11,612,137
(Loss) / gain on disposal of property and equipment	**(60,261)**	(3,498,773)
Management services fees and others	**5,662,661**	5,449,318
	15,068,400	88,727,888

29. ZAKAT AND INCOME TAX CHARGE , NET

Zakat and income tax charge for the year comprise of:

	31 December 2021 SR	31 December 2020 SR
Zakat charge for the year related to Saudi partners (note 29.1)	**12,636,098**	8,603,634
Income tax charge / (reversal) for the year related to non-Saudi shareholders (note 29.3)	**5,801,332**	7,903,635
Adjustments related to prior years (notes 29.1 and 29.2)	**--**	(77,438)
	18,437,430	16,429,831

29.1 Movement in provision for Zakat is as follows:

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**8,809,495**	6,716,894
Charge for the year	**12,636,098**	8,603,634
Adjustments relating to prior year		(91,593)
Amounts paid during the year	**(7,656,960)**	(6,419,440)
At the end of the year	**13,788,633**	8,809,495

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

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**3,522,118**	1,726,164
Charge relating to current year	**7,927,311**	5,897,489
Adjustment related to prior years	**--**	14,155
Paid during the year	**(6,615,887)**	(4,115,690)
At the end of the year	**4,833,542**	3,522,118

29. ZAKAT AND INCOME TAX (continued)

29.3 Major components of income tax are as follows:

	31 December 2021 SR	31 December 2020 SR
Current income tax (see note 29.2)	**7,927,311**	5,897,489
Deferred income tax (see note 29.4)	**(2,125,979)**	2,006,146
	5,801,332	7,903,635

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

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

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**2,401,519**	4,407,665
Deferred tax credit / (expense) during the year charged to income statement	**2,125,979**	(2,006,146)
At the end of the year	**4,527,498**	2,401,519

29.5 Zakat assessments status

Parent Company

During the year, the Parent Company received an offer by the Zakat Tax and Customs Authority ("ZATCA") Settlement Committee to pay SR 8 million as a full and final settlement against zakat and tax for years from 2002 to 2013. Management of the Parent Company confirmed their acceptance to the ZATCA Settlement Committee and, simultaneously, requested to adjust SR 3.9 million already paid by the Parent Company for those years. The ZATCA adjusted the settlement SADAD invoice of SR 8 million by reflecting SR 3.9 million already paid. During the year ended 31 December 2021 the Company paid the net due amount of SR 4.1 million and finalised the zakat assessment up to year 2013. Furthermore, the ZATCA has also raised assessments for the years 2014 to 2015 and year 2016 to 2018 with an additional liability of SR 0.47 million and SR 1.4 million respectively. The Company accepted and paid the imposition of Zakat amounting to SR 0.47 million and SR 1.4 million during the year and finalized the assessment up to the year 2018. During the current year, ZATCA has raised the assessments for years 2019 and 2020 with an additional liability of SR 2.65 million. The Parent Company has filed an appeal with ZATCA in respect of these assessments and settled SR 0.66 million representing 25% of the assessed amount pursuant to the requirement under the New Zakat Regulation. Subsequent to filing of appeal, the ZATCA has issued its revised assessments with a reduced Zakat liability SR 0.019 million which SISCO has accepted under protest. The Company is in the process of requesting a refund from ZATCA for the overpaid Zakat of SR 0.64 million which pertains to the 25% Zakat settled upon filing the appeal.

29. ZAKAT AND INCOME TAX (continued)

29.5 Zakat assessments status (continued)

Subsidiaries

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

RSGT has finalized its Zakat and income tax assessments with ZATCA up to 2013 and has filed its Zakat and income tax returns up to the year 2020. Tax / zakat assessment for the year 2014 is considered as finalized under statute of limitation. RSGT has received an assessment SR 0.115 million for year 2015 which was accepted and paid. Up to, the date of these consolidated financial statements, ZATCA is yet to raise the assessment for the years from 2016 through 2020.

RSPD has filed its Zakat and income tax returns with ZATCA up to the year 2020. RSPD has received an assessment for year 2018 which was accepted and paid under protest. Assessment for the years upto 2015 and prior years are considered as finalized under statute of limitation. Up to the date of this report, ZATCA is yet to raise assessments for the years from 2016 through 2017 and 2019 to 2020.

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

The Subsidiary has finalized its Zakat assessments with ZATCA up to 2016 and has filed its Zakat returns up to 2020. Up to the date of these consolidated financial statements, ZATCA is yet to raise the assessment for the years from 2017 to 2020.

Support Services Operation Company Limited ("the Subsidiary")

The Subsidiary has finalized its Zakat assessments with GAZT for the years 2007 to 2008 and 2016 to 2018. Isnad has filed its Zakat returns up to 2020. ZATCA has not raised the assessment for the years from 31 December 2009 to 31 December 2015 and 31 December 2019 to 31 December 2020 .

Kindasa Water Service Company ("the Subsidiary")

The Subsidiary has finalized its Zakat assessments with ZATCA up to 2015 and has filed its Zakat returns up to 2020. Up to the date of these consolidated financial statements, ZATCA is yet to raise the assessment for the years from 2016 to 2020.

30. EARNINGS PER SHARE

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

	31 December 2021 SR	31 December 2020 SR
Profit for the year attributable to ordinary shareholders of the Parent Company	**57,878,318**	139,412,924
Weighted average number of ordinary shares in issue	**81,600,000**	81,600,000
Basic and diluted earnings per share	**0.71**	1.71

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

31. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, associates of the Group, and other entities (Affiliates) controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

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

Due from related parties

Related party	***Relationship***	***Description***	***Amount of transaction***		***Balance as at***	
			31 December 2021 SR	31 December 2020 SR	**31 December 2021 SR**	31 December 2020 SR
International Water Distribution Company	Associate	Sales of goods and services	**66,565,273**	65,195,702	**9,532,543**	11,206,981
		Services rendered to associate	**759,000**	726,000		73,430
		Expenses incurred by associate on behalf of the Group	**(11,867)**	(10,088)		-
		Expenses incurred by Group on behalf of the associate	**78,200**	117,704		-
		Dividend received from associate	**4,000,000**	4,000,000		-
Arabian Bulk Trade Limited	Affiliate	Sales of goods and services	**348,900**	69,510	**356,373**	74,293
		Expenses incurred by Group on behalf of the Associate	**3,393**	6,193		-
Al Jabr Talke Company Limited	Associate	Services rendered to associate	**138,000**	342,000	**-**	23,000
		Dividend received from associate	**10,105,988**	11,025,967		
		Expenses cross charged by Group to associate	**427,230**	127,100		
Saudi Water and Environmental Services Company Limited	Associate	Sales of goods and services	**2,087,380**	5,019,904	**14,675**	249,996

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due from related parties (continued)

Related party	Relationship	Description	Amount of transaction		Balance as at	
			31 December 2021 SR	31 December 2020 SR	**31 December 2021 SR**	31 December 2020 SR
Xenel Industries Limited	Shareholder	Expenses incurred by the Group on behalf of the Shareholder	**337,862**	315,628		
		Expenses incurred by the shareholder on behalf of the Group	**(40,095)**	(160,845)	718,731	420,964
Total					**10,622,322**	12,048,664

Due to related parties

Related party	Relationship	Description	Amount of transaction		Balance as at	
			31 December 2021 SR	31 December 2020 SR	**31 December 2021 SR**	31 December 2020 SR
Al Karam Alarabi Catering	Affiliate	Purchase of goods and services	**(19,298,438)**	(18,557,097)	**1,602,928**	-
Haji Abdullah Ali Reza & Co. Limited - General Technical Division	Affiliate	Purchase of goods and services	**-**	(657,736)	**-**	36,605
Total					**1,602,928**	36,605

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	31 December 2021 SR	31 December 2020 SR
Short term employee benefits	**12,529,606**	13,608,875
Post-employment benefits	**451,471**	434,626
	12,981,077	14,043,501

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

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

	31 December 2021 SR	31 December 2020 SR
Meeting attendance fees	**872,000**	744,000
Other short term remuneration	**7,370,000**	6,842,500
	8,242,000	7,586,500

32. COMMITMENTS AND CONTINGENCIES

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

At 31 December 2021, the Group's bankers have issued letters of guarantee amounting to SR 149.5 million (31 December 2020: SR 156.3 million) against which cash margin of SR 5.9 million (31 December 2020: SR 2.77 million) was deposited.

As at 31 December 2021, the Group has commitments for work in progress assets amounting to SR 262.8 million (31 December 2020: SR 4.8 million) mainly relating to new logistic hub and park construction project and new desalination plant construction and development project.

33. BUSINESS SEGMENTS

The Group has the following main business segments:

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

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

33. BUSINESS SEGMENTS (continued)

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

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

	Reportable segments					
31 December 2021	*Port development and operations (SR'000)*	*Logistic parks and support services (SR'000)*	*Water desalination and distribution (SR'000)*	*Total (SR'000)*	*Unallocated (SR'000)*	*Total (SR'000)*
External revenue						
Point in time	723,882	38,989	97,369	860,240	-	**860,240**
Over period of time	64,208	61,989	-	126,197	-	**126,197**
Total External revenue	788,090	100,978	97,369	986,437	-	**986,437**
Inter-segment revenue	-	-	(1,029)	(1,029)	-	**(1,029)**
Segment revenue	788,090	100,978	96,340	985,408	-	**985,408**
Cost of revenue	406,753	63,073	70,139	539,965	-	**539,965**
Inter-segment cost of revenue	(1,029)	-	-	(1,029)	-	**(1,029)**
Segment cost	405,724	63,073	70,139	538,936	-	**538,936**
Segment gross profit	382,366	37,905	26,201	446,472	-	**446,472**
Finance cost	200,536	2,084	445	203,065	476	**203,541**
Depreciation and amortization	133,497	17,402	22,634	173,533	213	**173,746**
Profit / (loss) attributable to shareholders of the Parent Company	53,358	5,480	3,313	62,151	(4,273)	**57,878**
Segment assets	3,576,168	471,585	167,799	4,215,552	779,499	**4,995,051**
Segment liabilities	2,534,164	114,411	28,430	2,677,005	21,660	**2,698,665**

33. BUSINESS SEGMENTS (continued)

	Reportable segments					
31 December 2020	*Port development and operations (SR'000)*	*Logistic parks and support services (SR'000)*	*Water desalination and distribution (SR'000)*	*Total (SR'000)*	*Unallocated (SR'000)*	*Total (SR'000)*
External revenue Point in time	684,291	36,469	93,210	813,970	-	813,970
Over period of time	159,233	48,624	-	207,857	-	207,857
External total revenues	843,524	85,093	93,210	1,021,827	-	1,021,827
Inter-segment revenue	-	-	(963)	(963)	-	(963)
Segment revenue	843,524	85,093	92,247	1,020,864	-	1,020,864
Cost of revenue	481,941	50,255	65,892	598,088	-	598,088
Inter-segment direct costs	(963)	-	-	(963)	-	(963)
Segment cost	480,978	50,255	65,892	597,125	-	597,125
Segment gross profit	362,546	34,838	26,355	423,740	-	423,740
Finance cost	130,931	2,239	311	133,481	-	133,481
Depreciation and amortization	123,669	17,702	22,175	163,546	299	163,845
Profit / (loss) attributable to shareholders of the Parent Company	120,868	10,873	2,360	134,101	5,312	139,413
Segment assets	3,536,229	416,201	188,050	4,140,480	266,674	4,407,154
Segment liabilities	2,530,370	112,289	30,998	2,673,657	23,920	2,697,577

34. FINANCIAL RISK MANAGEMENT

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

34. FINANCIAL RISK MANAGEMENT (continued)

Market risk

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

Interest rate risk

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

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

Increase / decrease in variable rate by 1% with all other variables held constant, the impact on the equity and profit before zakat and income tax for the year would have been SR 4.1 million (31 December 2020: SR 4.6 million).

Foreign currency risk

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

Other price risk

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

Credit risk

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

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

34. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

	31 December 2021 SR	31 December 2020 SR
Financial assets		
Trade receivables, net	**96,211,788**	102,696,717
Due from related parties	**10,622,322**	12,048,664
Balances with banks	**892,115,844**	336,299,837
	998,949,954	451,045,218

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. As at 31 December 2021, 6 largest customers (31 December 2020: 6 largest customers) account for approximately 92% (31 December 2020: 74%) of outstanding trade receivables.

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

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

	31 December 2021					
	Current SR	**<90 days SR**	**90–180 days SR**	**271–365 days SR**	**>1 year SR**	**Total SR**
Exposure at default	41,447,044	43,621,822	7,592,882	4,215,447	15,828,640	**112,705,835**
Expected credit loss	131,884	195,907	935,003	239,858	14,991,395	**16,494,047**
	41,315,160	**43,425,915**	**6,657,879**	**3,975,589**	**837,245**	**96,211,788**

	31 December 2020					
	Current SR	<90 days SR	90–180 days SR	271–365 days SR	>1 year SR	Total SR
Exposure at default	54,063,225	40,875,286	7,240,466	1,596,796	17,196,262	120,972,035
Expected credit loss	598,377	772,574	230,471	698,761	15,975,135	18,275,318
	53,464,848	40,102,712	7,009,995	898,035	1,221,127	102,696,717

34. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Movement of impairment allowance against trade receivables is as follows:

	31 December 2021 SR	31 December 2020 SR
At the beginning of the year	**18,275,318**	17,227,767
Charge during the year	**1,493,530**	1,047,551
Written off during the year	**(3,274,801)**	-
At the end of the year	**16,494,047**	18,275,318

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

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

Liquidity risk

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

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

34. FINANCIAL RISK MANAGEMENT (continued)

***Liquidity risk* (continued)**

31 December 2020	Within 1 year SR	1 to 5 years SR	More than 5 years SR	Total SR
Bank borrowings	70,670,666	316,097,397	406,628,205	793,396,268
Obligation under service concession arrangement	190,530,528	620,367,716	5,132,554,634	5,943,452,878
Trade payables, accrued and other liabilities	240,657,659	-	-	240,657,659
Lease liabilities	7,597,409	36,735,678	158,440,258	202,773,345
Derivative financial instrument	14,060,566	-	-	14,060,566
Due to related parties	36,605	-	-	36,605
	523,553,433	973,200,791	5,697,623,097	7,194,377,321

35. CAPITAL MANAGEMENT

For the purpose of the Group’s capital management, capital includes issued capital, share premium, statutory reserve and retained earnings attributable to the equity holders of the Parent Company. The primary objective of the Group’s capital management is to maximize the shareholders’ value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt.

	31 December 2021 SR	31 December 2020 SR
Total liabilities	**2,698,664,868**	2,697,576,634
Less: Cash and cash equivalents	**(892,374,091)**	(336,533,927)
Net debt	**1,806,290,777**	2,361,042,707
Equity	**2,296,386,500**	1,709,577,092
Total capital	**4,102,677,277**	4,070,619,799
Gearing ratio	**44%**	58%

36. OBLIGATION UNDER SERVICE CONCESSION AGREEMENT

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

	31 December 2021 SR	31 December 2020 SR
Balance at 31 December	**1,538,327,518**	1,545,955,021
Less: current portion	**(169,027,713)**	(190,530,528)
Non current portion	**1,369,299,805**	1,355,424,493

37. CONSTRUCTION REVENUE AND CONSTRUCTION COST

	31 December 2021 SR	31 December 2020 SR
Construction revenue	**64,207,878**	159,233,442
Cost of construction	**(64,207,878)**	(159,233,442)

In accordance with IFRIC 12 "Service Concession Agreements", the Group has recorded construction revenue of SR 64.2 million (2020:SR 159.23 million) on construction of a container terminal during the year ended 31 December 2021 (2020: during the period from 1 April 2020 (i.e. the effective date of the New Concession Agreement) to 31 December 2020). The construction revenue represents the fair value of the construction services provided in developing the container terminal. No margin has been recognized, as in management's opinion the fair value of the construction services provided approximates to the construction cost.

38. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

31 December 2020	Carrying value SR	Level 3 SR
FINANCIAL ASSETS		
Amortised cost		
Trade receivables and other receivables	102,696,717	
Due from related parties	12,048,664	
Cash and cash equivalents	336,533,927	
FVOCI		
Investment in equity securities	14,972,714	14,972,714
	466,252,022	14,972,714
FINANCIAL LIABILITIES		
Loans and bank facility	736,333,242	
Obligation under service concession arrangements	1,545,955,021	
Trade payables and other liabilities	240,657,659	
Due to related parties	36,605	
Derivative financial instrument	14,060,566	14,060,566
	2,537,043,093	14,060,566

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

39. FINANCE COST, NET

	31 December 2021 SR	31 December 2020 SR
Financial charges on loans and bank facilities including amortization of advance rentals	**32,649,430**	34,944,116
Finance charges on obligation under service concession arrangement	**168,125,480**	126,491,836
Modification gain on loan arrangements	**-**	(31,959,301)
Unwinding of provision for asset replacement cost	**-**	933,146
Financial charges on lease liabilities	**2,597,779**	2,342,544
Finance income-others	**-**	-
Other financial charges	**168,621**	728,484
	203,541,310	133,480,825

40. MATERIAL PARTLY-OWNED SUBSIDIARIES

	31 December 2021 SR	31 December 2020 SR
Non -controlling interest	**673,641,105**	395,634,489

Summarised financial information of material non-controlling interest in "Red Sea Gateway Terminal Company Limited" and "Red Sea Ports Development Company Limited", is disclosed in note 33 to the consolidated financial statements under "Port development and operations" segment.

41. COMPARATIVE FIGURES

During the year Zakat and tax payable have been reclassified out of trade payables, accrued and other current liabilities and presented separately in the statement of financial position for better presentation. Comparative amounts in the statement of financial position have been reclassified for consistency.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 8 March 2022, corresponding to 5 Shaaban 1443H.