سيسكو

SISCO

الشركة السعودية للخدمات الصناعية

Saudi Industrial Services Company



# Annual Report

# 2019

**Your Partner in**

Ports & Terminals | Logistics Parks & Services | Water Solutions



In the Name of Allah, the Most Beneficent, the Most Merciful

This report has been prepared in line with the requirements of the Capital Markets Authority (CMA) particularly with regards to Corporate Governance guidelines and Listing rules. In addition, special consideration has been given to the applicable laws of the Ministry of Commerce and Investment (MoCI) and international best practices of good governance and transparency.

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# Corporate Information

### Board Of Directors

Mohamed Ahmed Alireza
(Chairman)

Aamer Abdullah Alireza
(Vice Chairman)

Adnan Abdullah Maimani

Alawi M. Saeed Kamil

Saleh Ahmed Hefni

Abdulaziz Abdullateef Jazzar

Abdulaziz Hamad Al-Meshal

### Management

Mohammed M. Kamal Al-Mudarres
(Chief Executive Officer)

Mahmood Hussain
(Chief Finance Officer)

Saleem Raza Sheikh
(Chief Legal Officer)

Hesham El Gindy
(Chief Audit Executive)

Richard Fourie
(Chief Corporate Affairs Officer)

Maqbool O. Aswni
(Admin & Shareholder Affairs Manager)

Youssef M. Abu Olyyan
(Board Secretary)

Abdullah M. Habadi
(Group Head of IT)

### Banks

Al-Jazira Bank
National Commercial Bank
Saudi British Bank
Riyadh Bank

### Registered Office

SISCO
Saudi Business Centre, Suite #501
Al-Madina Road, Al-Sharafiyyah District
P. O. Box 14221
Jeddah 21424
Kingdom of Saudi Arabia
Phone: +966 12 661 9500
Fax: +966 12 657 4270

### Auditors

Ernst & Young
King's Road Tower
13th Floor
King Abdul Aziz Road (Malik Road)
P.O. Box Jeddah 1994
Al Shatea District, Jeddah 21441
Kingdom of Saudi Arabia
Phone: +966 12 221 8400
Fax: +966 12 221 8575

### Share Registrar

Securities Depository Center Co.
6897 King Fahad Road
Al Olaya Unit No. 15
Riyadh 12211-3388
Kingdom of Saudi Arabia
Phone: +966 11 920001919
Fax: +966 11 2189326
sdc.is@edaa.com.sa

# Chairman's Letter to Shareholders



Chairman of the Board
Mohamed Ahmed Alireza

*In the Name of Allah, the Most Compassionate, the Most Merciful.*
*Praise be to Allah, prayer and peace be upon the Messenger of Allah.*

On behalf of my fellow members of the Board of Directors of Saudi Industrial Services Company (SISCO), I am pleased to present to you the annual report for 2019. The report contains detailed information on the company's financial performance and accomplishments during 2019, as well as providing a glimpse of the company's future strategic direction.

The company continues to work towards the long-term strategy agreed in 2015. The executive management, under the direction of the Board of Directors, have implement structured reporting system, effective corporate governance, internal audit and disclosure systems to ensure that the strategy is followed through and value delivered to our shareholders. We continue to ensure that companies in the group continue to implement best practices and correct academic and technical skills are available to the companies to help ensure the quality of work is appropriate and adequate in delivering the strategic objective of the group. We continue to develop our market sectors to leverage the skill and expertise the management in the group possess. SISCO continues to support the operation entities of the group by providing strategic high-level advisory services, i.e., financial, legal, human capital development and IT. The Board of Directors along with the executive management are actively seeking new opportunities to grow and increase our presence in our defined sectors.

SISCO's revenue has increased by 19.6% to reach 675,9 million Saudi Riyals, however the net income was 50.9 million Saudi Riyals with an increase of 8.9% compared to last year 2018. A detailed variance analysis is presented later in the report, shedding the light on some factors, which had an impact on business results.

The Ports sector posted an increase in the volume of containers handled during the year, and Saudi Ports Authority also made a positive change in inspection tariffs during the first quarter of 2019, which had a positive impact on the financials results. The company interacted and raised its market share in Jeddah Islamic Port from 37% in 2018 to 43% in 2019, which led to a 24% growth in the port sector compared to the previous year.

During the fourth quarter 2019 Red Sea Gateway Terminal Co." RSGT" and the Saudi Ports Authority signed a new 30-year concession which is expected to commence during the 2nd quarter of 2020 (replacing the current concession) on BOT basis. Under the new concession, RSGT will consolidate and redevelop the northern part of JIP which will include the adjacent container terminal and RSGT's existing terminal (which is under the scope of the current concession), to become the largest container terminal in Saudi Arabia and on the Red Sea, This contract represents a significant milestone for SISCO and RSGT and is expected to have a positive impact on SISCO's results in coming years.

In addition to the expansion of its local operations, RSGT is also pursuing opportunities to expand internationally to achieve further growth and diversification.

The logistics sector through its main operating subsidiary LogiPoint, signed contracts with companies in the e-commerce and petrochemical sector. LogiPoint also developed and provided new services to operate bonded cargo corridors across the land border shipping and air cargo networks with the re-export zone in Jeddah Islamic Port and has successfully expanded its business to include new customers in the region. The company also provided integrated logistics facilities by increasing storage capacity and offering value-added services to customers.

Our associate Saudi Al-Jabr Talke Co. (S.A. Talke) has managed to maintain its business growth as well by renewing several of the existing contracts and signing new contracts with the petrochemical industry, expanding its footprint in both Eastern & Western regions of Saudi Arabia.

With regards to the water sector, Kindasa completed the construction of the Rabigh City Station with a capacity of 6,000 cubic meters per day (which can be increased to 12,000 cubic meters per day) and started operations during the third quarter of 2019, achieving a utilization of 50% of the plant's production capacity.

SISCO's associate Tawzea, signed a contract with the Saudi Water Partnerships Company to establish an independent wastewater treatment plant in Taif city, through consortium with the Spanish company "Cobra", The project includes design, build, operate and maintain the plant and transfer the ownership of the project on BOT basis, along with the development of infrastructure and related facilities. The construction of the project is expected to begin in the second quarter of 2020. Tawzea is keen to expand and enhance its business and increase the level of services provided in all industrial cities in the Kingdom concerned with concession contracts with Saudi Authority for Industrial Cities and Technology Zones "MODON".

SISCO is seeking through its companies (Kindasa) and (Tawzea) and to use its experience within the Group to acquire some of future projects offered which proposed within the water sector privatization plan, in partnership between public and private sectors that was launched in line with the Kingdom's vision 2030.

The Board of Directors, the Executive Management and All employees are actively engaged in increasing our market share of the business sectors targeted in our strategy both in Saudi Arabia and internationally, employing state-of-the-art technological and industrial expertise. We will continue to meet the challenges and maintain strong leadership of the Group by ensuring the appropriate corporate governance and strategic objectives are set and achieved. We are committed to helping realize the vision 2030 for Saudi Arabia and at the same time returning value to our shareholders and to maintain SISCO`s achievements and successes.

Finally, we would like to extend our sincere thanks and gratitude to our shareholders and all those who contributed to ensuring 2019 overall was a successful year. I wish to thank my colleagues on the Board of Directors, members of the committees and the executive management for their dedication, hard work and commitment in ensuring the continued stability and growth of the group.

SISCO's revenue has increased by 19.6% to reach 675.9 million Saudi Riyals, however the net income was 50.9 million Saudi Riyals with an increase of 8.9% compared to last year 2018.



# 2019 Performance Highlights

**Revenue**
676
SAR Million
2018 565
2019 676
+20%

**Operating Profit**
93
SAR Million
2018 88
2019 93
+6%

**Net Profit**
51
SAR Million
2018 47
2019 51
+9%

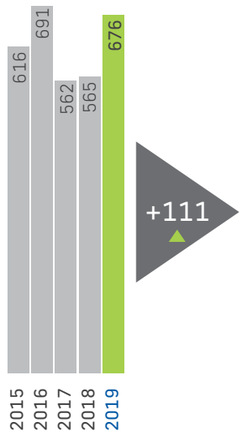
**Earnings Per Share**
0.62
Per Share
2018 0.57
2019 0.62
+9%

**Dividend Per Share**
0.6
Per Share
2018 0.4
2019 0.6 (Proposed)
+50%

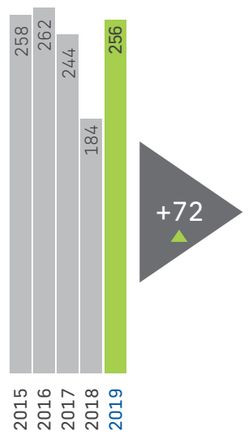
# Performance at A Glance

(in SAR million)

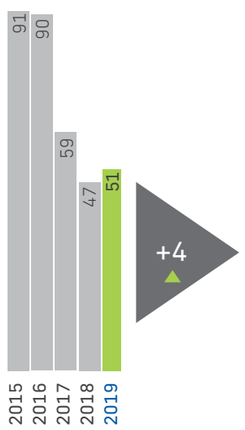
Revenue



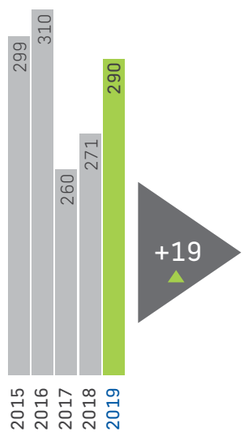

Cash Flow From Operations



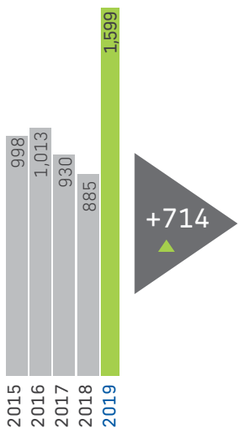

Net Income



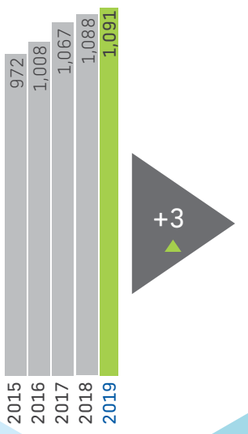

EBITDA




Market Capitalization




Equity Attributable To The Shareholders of The Parent




# Analysis of Financial Results

SISCO's reported positive growth during 2019 reporting an increase in revenue and net income of SAR 111.2 million (20%) and SAR 4.2 million (9%) respectively. The Company achieved the second highest ever top line in its history of SAR 676 million which is only 2% lower than the top line of SAR 691 million in 2016. The key driver for growth was Ports & Terminals segment where revenue increased by 30% driven by an improvement in volumes and positive change in inspection tariffs on 1 March 2019.

A summarized analysis of the 2019 results and its comparison with 2018 is presented in the table below:

| (SAR million) | 2019 | 2018 | Variance | % | Notes |
|---|---|---|---|---|---|
| Revenue | 676 | 565 | 111 | 20% | Revenue of the port segment increased by SAR 116 million driven by an increase in volumes and positive change in inspection tariffs. Revenue from Logistics declined by SAR 3.7 million due to a decrease in open yard occupancy. Water segment revenue declined marginally by SAR 1.2 million. |
| Cost of Revenue | (416) | (343) | (73) | 21% | Cost of revenue increased mainly due to an increase in asset replacement provision and an increase in JIP share (driven by an increase in volumes). |
| **Gross Profit** | **260** | **222** | **38** | **17%** | |
| Selling / G&A Expenses | (167) | (134) | (33) | 25% | Increase in operating expenses due to an increase in one off provision for bad debts, employee related expenses, business development expenses and professional charges. |
| **Operating Profit** | **93** | **88** | **5** | **6%** | |
| Net Finance Cost | (47) | (50) | 3 | -6% | Decrease in finance charges is due to a decrease total debt compared to prior year and a decrease in SAIBOR rates. |
| Share of Result of Associates | 27 | 24 | 3 | 13% | Better operating results of SISCO's associates Tawzea and S.A. Talke |
| Other Income | 11 | 9 | 2 | 22% | Other income increased due to reversals of some old liabilities, gain on Murabaha placements, and some refund fees from MOL. |
| Zakat & Income Tax | (6) | (5) | (1) | 20% | |
| **Group Net Profit** | **78** | **66** | **12** | **18%** | |
| Non-Controlling Interest | (27) | (19) | (8) | 42% | Changes in NCI are in accordance with results of individual subsidiaries. |
| **Net Profit** | **51** | **47** | **4** | **9%** | |

# Business Review

01

## Business Sectors

Over the past few years, SISCO has adopted the strategy of becoming a strategic investment parent company. This has been achieved through implementing and applying strategy and growth management policies, as well as being responsible for the operating companies' results in performance, decision making and corporate governance framework that govern the relationship between the Group and its operating companies.

SISCO subsidiaries and associated companies are grouped under three main business sectors.

### Ports & Terminals

Development, Construction and Operation.









### Logistics Parks & Services

Development and Management of Logistics hubs and Services.





### Water Solutions

Desalination, Distribution, Water Treatment, System Management and Integration.





SISCO Group of Companies

# Subsidiary Companies

Consolidated companies are those where in which SISCO either owns directly or through other subsidiaries, more than half of the capital of the company or control the composition of the board.

Details of the subsidiary companies are as follows:

| COMPANY & ITS BUSINESS | SHARE CAPITAL | DIRECT OWNERSHIP | HEAD OFFICE | COUNTRY OF INCORPORATION |
|---|---|---|---|---|
| **Red Sea Ports Development Company**<br>Development, construction, operation and maintenance of container terminals, handling and unloading services and shipping, navigation and marine support services necessary to provide ships with water, energy, sewage treatment and the excavation and backfill and investment in these activities. | SAR 333 million | 53 % | Jeddah | Saudi Arabia |
| **Red Sea Gateway Terminal Company**<br>Development, construction, operation and maintenance of container terminals, handling and unloading services and shipping, navigation and marine support services necessary to provide ships with water, energy, sewage treatment and the excavation and backfill and investment in these activities. | SAR 555 million | 21.2 % | Jeddah | Saudi Arabia |
| **Saudi Trade and Export Development Companyy**<br>Storage and Re-export of cars / containers provide container storage yards and perform container handling operation, examination of customs for export and re-export, provide warehouses for different types of goods, and provide packaging and re-handling services for goods in warehouses and open yards. | SAR 140 million | 76 % | Jeddah | Saudi Arabia |
| **Kindasa Water Services Company**<br>Construction and operation of sea-water desalination plants. | SAR 77 million | 65 % | Jeddah | Saudi Arabia |
| **Support Services Operations Co. Ltd.**<br>Services to projects in the industrial cities; operate gas stations and vehicle maintenance shops; logistics support services for ports; water transport services; trade in industrial machinery and spare parts. | SAR 15 million | 97 % | Jeddah | Saudi Arabia |



# Associated Companies

Associated companies are those where SISCO has substantial long-term interest and where SISCO is in a position to exercise a significant influence over the associated company by participating in their financial and operating policy decisions.

Details of the associated companies are as follows:

| COMPANY & ITS BUSINESS | SHARE CAPITAL | DIRECT OWNERSHIP | HEAD OFFICE | COUNTRY OF INCORPORATION |
|---|---|---|---|---|
| **International Water Distribution Co.**<br>Construction of public works of water, sewage, irrigation and sanitation (water and storm water drainage); and mechanical works, waterworks, sewage technology and pumping stations; maintenance and operation of water facilities, sewage and running channeling water to various networks. | SAR 146 million | 50 % | Jeddah | Saudi Arabia |
| **Saudi Al-Jabr Talke Company**<br>Implementation of contracting construction, operation and maintenance of warehouses and logistics for the petrochemical sector contracts. | SAR 21 million | 33.33 % | Jubail | Saudi Arabia |

OTHER DIRECT INVESTMENTS

SISCO has invested USD 2.5 million (SAR 9.4 million) in Growth Gate Corporation BSC (Bahrain). SISCO's investment represents 1.17% of Growth Gate's total share capital of USD 213.3 million.

OTHER INDIRECT INVESTMENTS

SISCO has indirect investment in Water and Environment Saudi Service Company Limited ("WESSCO") through its subsidiary Kindasa Water Services Company, which owns 49% of WESSCO.

SISCO has indirect investment in Xenmet SA, Vaduz ("Xenmet") through its subsidiary Saudi Trade and Export Development Company, which owns 25% of Xenmet SA.

# Consolidated & Associate Companies Review

**Established** : 2009

**Company Type :** Closed Joint Stock Company

**Principal Place of Operations :** Jeddah, Saudi Arabia

**Main Business :** Development, Management and Operation of Container Terminals.

**Share Capital :**SAR 333,125 million

**No. of Shares :** 33,312,500 of SAR 10 each

Total Shares 33,312,500

**SISCO** 53.0%

17,655,625 Shares

**CITY ISLAND HOLDING** 20.0%

6,662,500 Shares

**XENEL INDUSTRIES** 16.0%

5,330,000 Shares

**SAUDI TRADE AND EXPORT DEVELOPMENT CO.** 10.0%

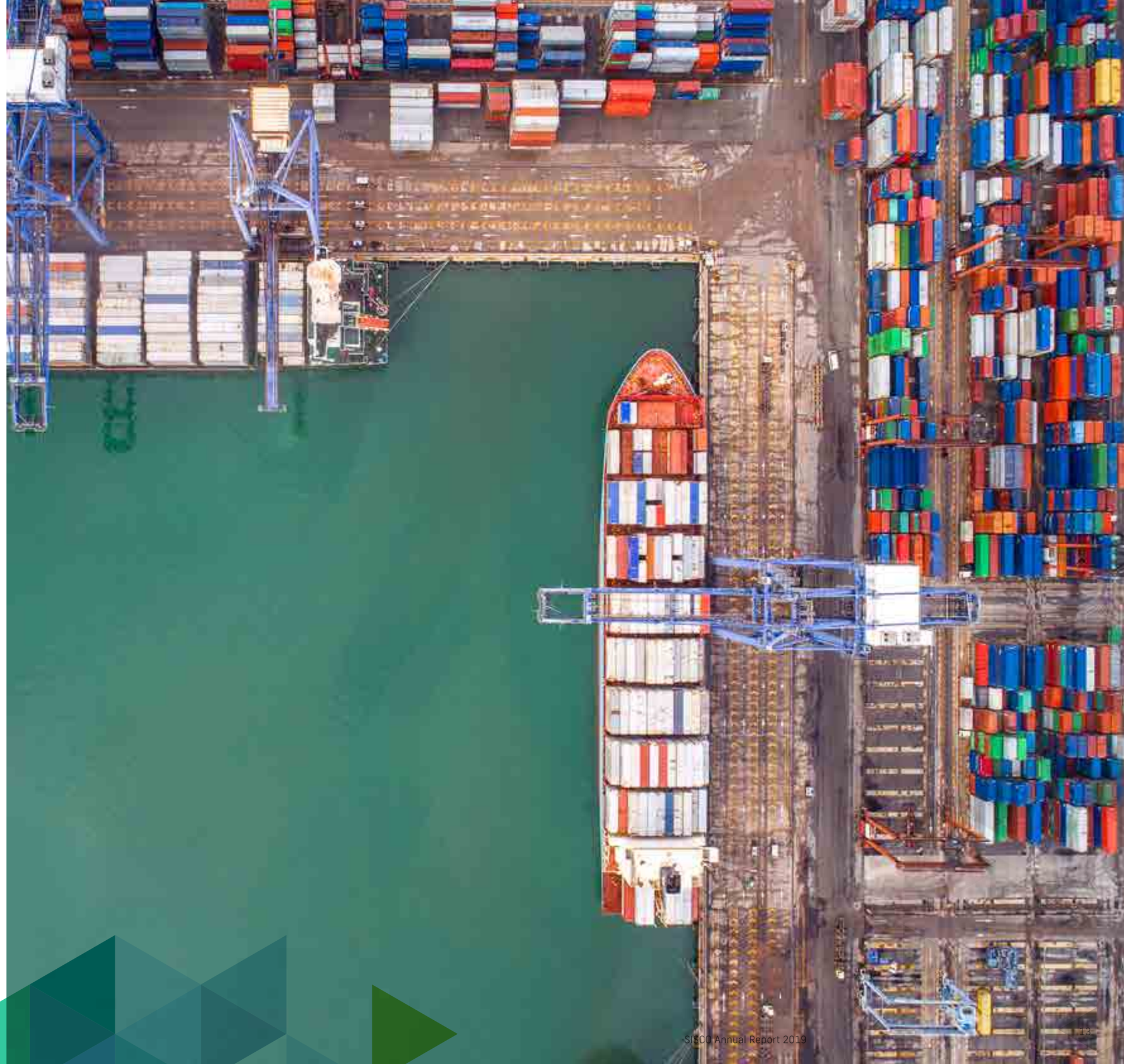
3,331,250 Shares

**XENEL MAINTENANCE** 1%

333,125 Shares

### Impact on SISCO Financials

RSPD owns 60% of RSGT, which is eliminated in group consolidation. Therefore, there is no impact on SISCO financials.



**Established :** 2007

**Company Type :** Limited Liability Co.

**Principal Place of Operations :** Jeddah, Saudi Arabia

**Main Business :** Development, Management and Operation of Container Terminals

**Share Capital :** SAR 555,207 million

**No. of Shares :** 555,207 of SAR 1,000 each

Total Shares 555,207

**RED SEA PORTS DEVELOPMENT** 60.0%

333,125 Shares

**SISCO** 21.2%

117,704 Shares

**CITY ISLAND HOLDING** 8.0%

44,416 Shares

**XENEL INDUSTRIES** 6.8%

37,754 Shares

**SAUDI TRADE AND EXPORT DEVELOPMENT CO.** 4.0%

22,208 Shares

Impact on SISCO Financials

Revenue

74.6%

Assets

65.6%

Net Income

82.8%

## Business Analysis:

The Kingdom GDP growth during 2019 showed dipping trend from Q3 onwards after the demonstration of a substantial increase in the first two quarters. The decline during Q4 was a reflection of renewed oil production cuts by OPEC, which the Kingdom spearheaded in order to stabilize international oil prices.

Total container volumes handled in 2019 by major container terminals in the country were approximately 8.9 million TEUs, registering 3% growth over the previous year. This growth was driven primarily by an 11 % increase in gateway volume, with import and export containers increasing 11% each. Transshipment accounted for about 43% of the total volume, declined by about 6%.

The total number of import containers coming through the Jeddah Wider Area (Jeddah Islamic Port and King Abdullah Port) increased by 12% to 1.4 million TEUs in 2019 from 1.2 million TEUs in 2018. Export containers (empty and full) witnessed an increase of 11% to 1.4 million TEUs in 2019 from 1.2 million TEUs in 2018. However, the growth in gateway cargo (import/export) subsided the decline in transshipment volume, which decreased by 7% to 3.7 million TEUs in 2019 from 3.9 million TEUs in 2018.

In 2019, volume handled in Jeddah Islamic Port increased by 8% compared to 2018, with a total of 4.5 million TEUs. Gateway volume grew by 14%, and the Transshipment volumes grew by 3%.

RSGT continued to increase its market share and posted a growth of 24%, handling 1.9 million TEUs in 2019. RSGT market share in JIP increased to 43% in 2019 from 37% in 2018. Gateway volume grew by 23% to 1 million TEUs, with import and export volumes increasing by 20% and 26% respectively. Transshipment volumes grew by 30% in 2019 to 0.9 million TEUs.

2019 total volume of 1.9 million TEUs also marks the highest annual volume handled by RSGT. RSGT did record 196,000+ TEUs in May 2019, registering the highest monthly volume since the start of its operations in 2009. RSGT did as well handle three mega vessels at the same time, proving the operational capability enhancement. RSGT along with annual throughput growth of 24%, has managed to keep its customer base intact.

In 2019, RSGT handled 747 vessel calls, which marks the highest number of ships handled in a year, since the start of the operations.

In 2019, the number of mega vessel calls increased by 33% to a total of 226 calls from 170 calls in 2018. In fact, the number of mega vessel calls are expected to further increase in the coming years, as shipping lines are proceeding with the upgrade to bigger vessels, which will cascade into the routes calling Jeddah.

In 2019, RSGT designed a framework with several initiatives focusing on the local importers and traders. These initiatives are the foundation towards building a better value proposition that will improve our customer experience and loyalty, while also paving the way to increase RSGT market share. These initiatives include the implementation of a customer relations management system, increased face-to-face customer meetings, door-to- door solutions and digitalization of our services.



**Established :** 1999

**Company Type :** Limited Liability Co.

**Principal Place of Operations :** Jeddah, Saudi Arabia

**Main Business :** Development, Management, and Operation of Logistics Parks and Zones

**Share Capital :** SAR 140 million

**No. of Shares :** 140,000 of SAR 10,000 each

Total Shares 140,000

**SISCO** 76.0%

106,400 Shares

**XENEL INDUSTRIES** 24.0%

33,600 Shares

Impact on SISCO Financials

Revenue

7.2%

Assets

16%

Net Income

9%

## Business Analysis:

Jeddah Islamic Port posted a marginal increase in total tonnage in 2019 despite a slowdown in GDP growth. This increase is attributed to high growth in General cargo, RORO/Vehicles and Livestock. RORO volumes increased by 21.0% from 361,645 to 437,584. Container volumes (TEUs) also grew by 7.7% to 4.4m from 4.1m the previous year.

2019 proved to be a year of many firsts for LogiPoint with forays made into important sectors like Petrochemical and e-commerce, while with new multimodal solutions like Sea/Air corridors and cross-border bonded trucking, the wider GCC market was also brought into the ambit of LogiPoint clientele.

**Warehousing**: Warehousing occupancy at the Bonded and Re-Export Zone remained constant at 98% as compared to 2018, however, there was a qualitative improvement with the induction of regional and international e- commerce giants into the client-mix. Demand for bonded and non-bonded warehousing space remains strong, which is why LogiPoint is focusing on increasing warehousing capacity, especially so because warehousing clients create greater revenue generation opportunities through the use of value-added services and position LogiPoint as providers of integrated logistics solutions.

**Open Yards**: On the other hand, demand for Open Yard leasing continued its downward trend of three years, and occupancy of BRZ open yard for vehicle leasing remained under pressure. The challenge was compounded by a lackluster construction sector during the year, since the sector comprises an important client segment for open yard storage space. This translated to a downward pressure on the lease rates for the yards.

2019 witnessed the signing of new long-term lease deals with marquee customers for warehouses and yard, which bodes well for the BRZ, not only in terms of business gained but also in terms of what it means for business development in strategic segments like e-commerce and petrochemicals.

## Awards and Recognition

**LogiPoint was recognized in the industry for the contributions made to the industry in general and to the KSA logistics market in particular. This recognition came in the form of prestigious awards:**

1. Seatrade Maritime Supply Chain & Logistics 2019 for the Middle East, Indian subcontinent and Africa (Seatrade Award). LogiPoint won this award for developing integrated logistics facilities across Saudi Arabia, achieving internationally competitive service levels and improving efficiency in the Kingdom's maritime trade and supply chain. It was recognized that this has contributed in making Saudi Arabia a key hub in the global logistics value chain.

2. Integrated Logistics Zones Company of 2019 for the Middle East (Logistics News Award). LogiPoint won this award for its ability to provide high quality and advanced integrated solutions at Jeddah Islamic Port and beyond. It reflects LogiPoint's strength to provide seamless integrated logistics solutions for clients.



**Established :** 2004

**Company Type :** Limited Liability Co.

**Principal Place of Operations :** Jeddah, Saudi Arabia

**Main Business :** Logistics Operation Management and services including investing and developing logistics services hubs, logistics operations and, value added services

**Share Capital :** SAR 15 million

**No. of Shares :** 15,000 of SAR 1,000 each

Total Shares 15,000

**SISCO** 97.0%

14,550 Shares

**LOGIPOINT** 3.0%

450 Shares

Impact on SISCO Financials

Revenue

4.6%

Assets

2%

Net Income

0.1%

## Business Analysis:

Support Services Operations Company Limited registered a year on year growth in 2019 across all its segments including vehicles, containers and general services. The focus remained on improving the capacity, capability and efficiency of all the operations which are rendered as part of the Value-Added Services (VAS) offered by LogiPoint, and with this end in view investments were made into manpower, vehicles and machinery.

The enhanced and improved set up proved instrumental in delivering and maintaining satisfactory levels of operational service to the petrochemical export business, while it also enabled expanding the port-to-door business line, a growing segment for the LogiPoint offering. Regular VAS services like labeling, packaging, repackaging and cold storage continue to be in demand from the multinational food and retail companies and therefore remain a focus area for constant improvement.

2019 was the second year of operations for the Logistics Hub in Modon 1, Jeddah, and the utilization of the truck yard stood at 45%. Issues with infrastructure in the area prevented the Logistics Hub achieving a higher utilization. However, with these issues having been resolved during the year, it is expected that the potential of not only the truck yard, but also the Logistics Hub will be fully utilized in the coming years.

Support Services Operations Company has made investments into ensuring that the company is in good shape to handle and deliver the additional business generated in LogiPoint and in the JLH. This will need to be an ongoing process so that hard fought wins on the commercial front are converted into long-term business strengths.



**Established :** 2004

**Company Type :** Limited Liability Co.

**Principal Place of Operations :** Jubail, Saudi Arabia

**Main Business :** Packaging, Material Handling, Distribution of Petro-chemical and / or Hazardous materials

**Share Capital :** SAR 21,099 million

**No. of Shares :** 21,099 of SAR 1,000 each

Total Shares 21,099

**SISCO** 33.3%

7,033 Shares

**TALKE GmbH** 33.3%

7,033 Shares

**AZMEEL International** 26.7%

5,627 Shares

**Abdullatif Mogahed** 6.7%

1,406 Shares

### Impact on SISCO Financials

S.A. TALKE is not a consolidated subsidiary of SISCO group; therefore, there is no direct contribution towards SISCO's Consolidated Assets or Revenues.

**Revenue**

258.9
SAR million

**Assets**

189
SAR million

**Net Income**

38.4
SAR million

## Business Analysis:

Despite the challenging environment and tough competition, 2019 was again a favourable year for SAT growth as it continued its ascending trend by securing five projects (Four renewals: Sabic PLF, Ibn Zahr, Tasnee, Ibn Sina and one new project: Sadara Container Yard). As with everything SAT gain to these achievements would not have been possible without the spirit of teamwork and strong sense of vision that we stride towards achieving our goals.

Organic growth has been also put on top of our priorities, as we strive to establish good relationships with our existing customers based on a win-win situation and try to always deliver value added solutions enabling us to widen the current scope and get additional business.

The company received its IMS certification from Intertek (9001,45001,14001 Standards). As part of our commitment to Corporate Social Responsibility, the company held Waste Free Environment and Sustainability campaigns at Jubail, Rabigh and Jeddah by collaborating with our clients and local schools.

Keeping Safety as one of the top priorities, the company rolled out several new topics on the "ASP – Act Safety Program" throughout all our project sites within KSA. SABIC awarded SAT with the certificate of appreciation on their 6th Annual Contractor Safety day.

As the company acquired new projects, the demand of manpower has increased. Presently, we saw our headcount increasing by 3.2% from 1774 persons to 1830 persons.



**Established :** 2000

**Company Type :** Closed Joint Stock Co.

**Principal Place of Operations :** Jeddah, Saudi Arabia

**Main Business :** Construction and Operation of Water Desalination Plants and Water Distribution

**Share Capital :** SAR 77.3 million

**No. of Shares :** 7,730,000 of SAR 10 each

Total Shares 7,730,000

**SISCO** 65.0%

5,024,500 Shares

**M. ABDUL LATIF JAMEEL CO.** 35.0%

2,705,500 Shares

Impact on SISCO Financials

Revenue

13.6%

Assets

8.1%

Net Income

5.4%

## Business Analysis:

Kindasa is the first private desalination plant producing & distributing potable water in the Kingdom of Saudi Arabia established in 2000 at Jeddah city. Kindasa continues to hold a leadership position in Jeddah private sector water industry for potable water production and distribution to Jeddah Industrial Cities and other industries & commercial facilities in the city.

Total quantity sold during 2019 was 16.6 million cubic meters compared to 17.24 million cubic meters sold in 2018 due to a decline in demand from the industrial cities.

Kindasa's design capacity is 24.6 million cubic meters per year, and during 2019 the plant operated at 67.5% utilization.

In 2019, Rabigh desalination plant was completed with its operations kicking off in July of the same year. The plant has a design capacity of 6,000 cubic meters per day expandable to 12,000 cubic meters per day. By the end of the year sales averaged around 3,000 cubic meters per day which is roughly half of its production capacity.

Kindasa uses cost-effective Reverse Osmosis (RO) desalination technology, which has minimal environmental impact. Further, Kindasa has commissioned hybrid pre-treatment system consisting of conventional Dual Media Filtration in conjunction with state-of-the-art Ultra Filtration (UF) process to produce stable RO feed-water quality that remains unaffected by seasonal changes in sea water quality. In fact, Kindasa's water quality is complying with World Health Organization (WHO) and Saudi Arabian Standards Organization (SASO).

WATER SALES






**Established :** 2006

**Company Type :** Limited Liability Co.

**Principal Place of Operations :** Jeddah,Riyadh,Qassim-Saudi Arabia

**Main Business :** Potable Water Distribution and Wastewater Treatment and use of re-cycled water for irrigation.

**Share Capital :** SAR 146 million

**No. of Shares :** 146,000 of SAR 1,000 each

Total Shares 146,000

**SISCO** 50%

73,000 Shares

**AMIWATER (AMIANTIT) 50%**

73,000 Shares

### Impact on SISCO Financials

TAWZEA is not a consolidated subsidiary of SISCO group; therefore, there is no direct contribution towards SISCO's Consolidated Assets or Revenues.

**Revenue**

263.3
SAR million

**Assets**

270.8
SAR million

**Net Income**

26.6
SAR million

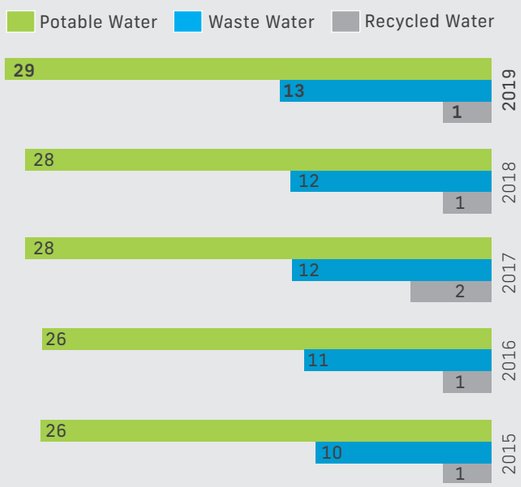
### Business Analysis:

TAWZEA is engaged in providing potable and wastewater services to industrial cities under a concession agreement from Saudi Industrial Property Authority (MODON). TAWZEA specializes in management of industrial cities, operation and maintenance of Potable Water and Wastewater facilities in cities like Jeddah, Riyadh and Qassim. It is also one of the first companies that has been successful in the privatization of the water sector in the Kingdom of Saudi Arabia and PPP projects.

TAWZEA's joint venture with Aquapor Company to secure supply and maintenance concession for Jeddah Industrial City 2 and 3 at the end of 2016 has contributed in increasing the revenue of 2019.

Tawzea's joint venture with Cobra Company resulted in the consortium being selected as the preferred bidder on the development of Taif ISTP at the end of 2019.

WATER SALES





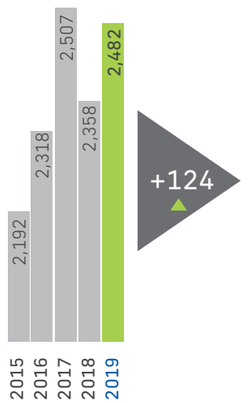

# Financial Review

02

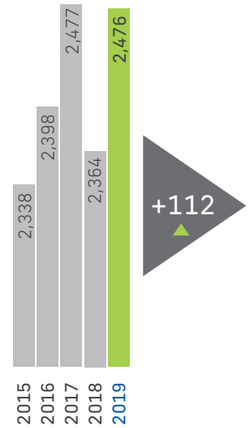
## Key Financial Indicators

(in SAR million)

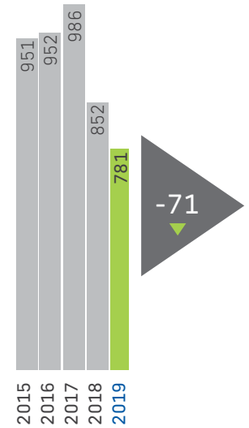
### Long Term Assets



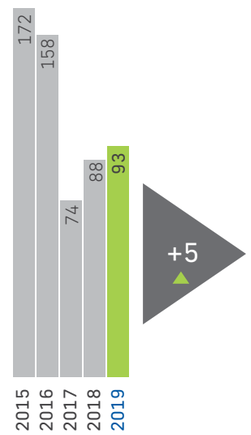

### Capital Employed



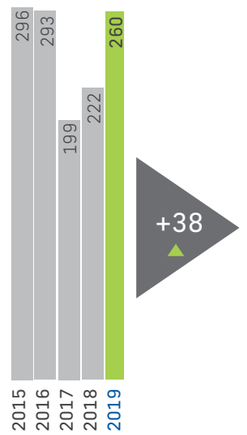

### Long Term Borrowings



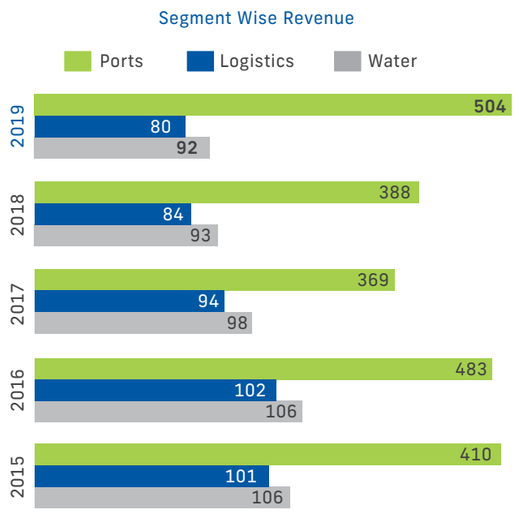

### Operating Profit




### Gross Profit




### Segment Wise Revenue



# Balance Sheet

| (SAR '000) | 2019 | 19 VS. 18 % CHANGE | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Bank Balances and Cash | 295,101 | 63.4% | 180,584 | 150,708 | 195,404 | 252,669 |
| Receivables | 111,274 | -5.7% | 117,953 | 101,588 | 113,962 | 118,565 |
| Inventories | 18,172 | -14.7% | 21,303 | 25,503 | 31,120 | 37,172 |
| | **424,546** | **32.7%** | **319,840** | **277,799** | **340,486** | **408,406** |
| NON-CURRENT ASSETS | | | | | | |
| Investments | 156,737 | 6.1% | 147,792 | 180,297 | 117,473 | 114,542 |
| Property, Plant and Equipment | 1,008,201 | -3.1% | 1,039,960 | 1,079,520 | 892,863 | 707,654 |
| Right of Use Assets | 241,825 | 100.0% | - | - | - | - |
| Other Non-Current Assets | 1,074,792 | -8.1% | 1,170,143 | 1,247,218 | 1,307,795 | 1,369,898 |
| | **2,481,556** | **5.2%** | **2,357,895** | **2,507,036** | **2,318,131** | **2,192,093** |
| TOTAL ASSETS | **2,906,102** | **8.5%** | **2,677,735** | **2,784,835** | **2,658,617** | **2,600,499** |
| LIABILITIES AND EQUITY | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Payables | **189,769** | **18.2%** | **160,605** | **161,938** | **144,520** | **149,612** |
| Short-term Loans | 240,712 | 56.9% | 153,414 | 146,391 | 116,018 | 112,483 |
| | **430,480** | **37.1%** | **314,019** | **308,329** | **260,538** | **262,094** |
| NON-CURRENT LIABILITIES | | | | | | |
| Long Term Bank Loans | 540,390 | -22.7% | 699,027 | 839,710 | 836,402 | 838,185 |
| Other Non-Current Liabilities | 87,641 | 32.7% | 66,042 | 66,041 | 54,602 | 44,674 |
| Lease Liabilities | 217,086 | 100.0% | - | - | - | - |
| Employees' End of Service Benefits | 39,470 | 45.0% | 27,216 | 26,693 | 21,884 | 21,639 |
| | **884,587** | **11.7%** | **792,285** | **932,444** | **912,888** | **904,498** |
| SHAREHOLDERS' EQUITY | | | | | | |
| Share Capital | 816,000 | - | 816,000 | 816,000 | 680,000 | 680,000 |
| Share Premium | 36,409 | - | 36,409 | 36,409 | 36,409 | 36,409 |
| Reserves | 76,383 | 7.1% | 71,290 | 66,616 | 59,629 | 45,815 |
| Other Non-Distributable Reserves | (9,517) | -261.1% | 5,907 | 10,697 | 8,061 | 13,152 |
| Retained Earnings / (Loss) | 171,818 | 8.3% | 158,627 | 137,569 | 224,218 | 196,638 |
| **Equity Attributable to Parent Company** | **1,091,093** | **0.3%** | **1,088,233** | **1,067,292** | **1,008,317** | **972,014** |
| Non-Controlling Interest | 499,942 | **3.5%** | 483,198 | 476,769 | 476,875 | 461,893 |
| **Total Equity** | **1,591,035** | **1.2%** | **1,571,431** | **1,544,061** | **1,485,192** | **1,433,907** |
| TOTAL LIABILITIES AND EQUITY | **2,906,102** | **8.5%** | **2,677,735** | **2,784,835** | **2,658,617** | **2,600,499** |



# Balance Sheet
(Horizontal Analysis)

Horizontal analysis is done using 2015 as the base year, and shows the development in key elements of the balance sheet over last 5 years.

| (2015 as base year) | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Bank Balances and Cash | 117 | 71 | 60 | 77 | 100 |
| Receivables | 94 | 99 | 86 | 96 | 100 |
| Inventories | 49 | 57 | 69 | 84 | 100 |
| | **104** | **78** | **68** | **83** | **100** |
| NON-CURRENT ASSETS | | | | | |
| Investments | 137 | 129 | 157 | 103 | 100 |
| Property, Plant and Equipment | 142 | 147 | 153 | 126 | 100 |
| Right of Use Assets | - | - | - | - | - |
| Other Non-Current Assets | 78 | 85 | 91 | 95 | 100 |
| | **113** | **108** | **114** | **106** | **100** |
| TOTAL ASSETS | **112** | **103** | **107** | **102** | **100** |
| LIABILITIES AND EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Payables | 127 | 107 | 108 | 97 | 100 |
| Short-term Loans | 214 | 136 | 130 | 103 | 100 |
| | **164** | **120** | **118** | **99** | **100** |
| NON-CURRENT LIABILITIES | | | | | |
| Long Term Bank Loans | 64 | 83 | 100 | 100 | 100 |
| Other Non-Current Liabilities | 196 | 148 | 148 | 122 | 100 |
| Lease Liabilities | - | - | - | - | - |
| Employees' End of Service Benefits | 182 | 126 | 123 | 101 | 100 |
| | **98** | **88** | **103** | **101** | **100** |
| SHAREHOLDERS' EQUITY | | | | | |
| Share Capital | 120 | 120 | 120 | 100 | 100 |
| Share Premium | 100 | 100 | 100 | 100 | 100 |
| Reserves | 167 | 156 | 145 | 130 | 100 |
| Other Non-Distributable Reserves | (72) | 45 | 81 | 61 | 100 |
| Retained Earnings / (Loss) | 87 | 81 | 70 | 114 | 100 |
| **Equity Attributable to Parent Company** | **112** | **112** | **110** | **104** | **100** |
| Non-Controlling Interest | 108 | 105 | 103 | 103 | 100 |
| **Total Equity** | **111** | **110** | **108** | **104** | **100** |
| TOTAL LIABILITIES AND EQUITY | **112** | **103** | **107** | **102** | **100** |

# Balance Sheet
(Vertical Analysis)

Vertical analysis is done using Total Assets of the year as base and reflects the proportion of key balance sheet elements as compared to Total Assets of that year.

| (Total Assets as the base) | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Bank Balances and Cash | 10.2 | 6.7 | 5.4 | 7.3 | 9.7 |
| Receivables | 3.8 | 4.4 | 3.6 | 4.3 | 4.6 |
| Inventories | 0.6 | 0.8 | 1.0 | 1.2 | 1.4 |
| | **14.6** | **11.9** | **10.0** | **12.8** | **15.7** |
| NON-CURRENT ASSETS | | | | | |
| Investments | 5.4 | 5.5 | 6.5 | 4.4 | 4.4 |
| Property, Plant and Equipment | 34.7 | 38.8 | 38.8 | 33.6 | 27.2 |
| Right of Use Assets | 8.3 | - | - | - | - |
| Other Non-Current Assets | 37.0 | 43.8 | 44.7 | 49.2 | 52.7 |
| | **85.4** | **88.1** | **90.0** | **87.2** | **84.3** |
| | | | | | |
| TOTAL ASSETS | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| LIABILITIES AND EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Payables | 6.5 | 6.0 | 5.7 | 5.4 | 5.8 |
| Short-term Loans | 8.3 | 5.7 | 5.3 | 4.4 | 4.3 |
| | **14.8** | **11.7** | **11.0** | **9.8** | **10.1** |
| NON-CURRENT LIABILITIES | | | | | |
| Long Term Bank Loans | 18.6 | 26.1 | 30.2 | 31.5 | 32.1 |
| Other Non-Current Liabilities | 3.0 | 2.5 | 2.4 | 2.1 | 1.7 |
| Lease Liabilities | 7.5 | - | - | - | - |
| Employees' End of Service Benefits | 1.4 | 1.0 | 1.0 | 0.8 | 0.8 |
| | **30.4** | **29.6** | **33.6** | **34.4** | **34.6** |
| SHAREHOLDERS' EQUITY | | | | | |
| Share Capital | 28.1 | 30.5 | 29.3 | 25.6 | 26.1 |
| Share Premium | 1.3 | 1.4 | 1.3 | 1.4 | 1.4 |
| Reserves | 2.6 | 2.7 | 2.4 | 2.2 | 1.8 |
| Other Non-Distributable Reserves | (0.3) | 0.2 | 0.4 | 0.3 | 0.5 |
| Retained Earnings / (Loss) | 5.9 | 5.9 | 4.9 | 8.4 | 7.6 |
| **Equity Attributable to Parent Company** | **37.5** | **40.7** | **38.3** | **37.9** | **37.4** |
| Non-Controlling Interest | 17.2 | 18.0 | 17.1 | 17.9 | 17.9 |
| **Total Equity** | **54.7** | **58.7** | **55.4** | **55.8** | **55.3** |
| | | | | | |
| TOTAL LIABILITIES AND EQUITY | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

# Statement of Income

| (SAR '000) | 2019 | 19 VS. 18 % CHANGE | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Revenue | 675,884 | 19.7% | 564,705 | 562,407 | 690,772 | 616,084 |
| Direct Costs | (415,577) | 21.3% | (342,639) | (363,720) | (398,063) | (320,276) |
| **GROSS PROFIT** | **260,307** | **17.2%** | **222,066** | **198,687** | **292,709** | **295,808** |
| | | | | | | |
| Selling & Distribution Expenses | (32,863) | 100.4% | (16,395) | (19,467) | (13,287) | (14,220) |
| General & Administrative Expenses | (134,036) | 14.0% | (117,592) | (105,300) | (121,439) | (109,444) |
| **OPERATING PROFIT** | **93,408** | **6.1%** | **88,078** | **73,920** | **157,983** | **172,145** |
| | | | | | | |
| Finance Costs | (47,727) | -6.0% | (50,780) | (34,994) | (36,279) | (34,353) |
| Share of Results from Associates | 27,372 | 15.3% | 23,745 | 20,736 | 11,650 | 9,066 |
| Other Income / (Loss) | 10,818 | 16.5% | 9,283 | 28,162 | 12,013 | 2,124 |
| **Income from Continuing Operations** | **83,872** | **19.3%** | **70,327** | **87,824** | **145,367** | **148,981** |
| | | | | | | |
| Net result of discontinued operations | - | | - | - | - | 1,074 |
| **Net Income before Zakat** | **83,872** | **19.3%** | **70,327** | **87,824** | **145,367** | **150,055** |
| Zakat & Income Tax | (5,993) | 24.7% | (4,806) | (6,702) | (9,330) | (8,120) |
| **Group Net Income** | **77,879** | **18.9%** | **65,520** | **81,122** | **136,037** | **141,936** |
| | | | | | | |
| **Group Net Income Attributable to:** | | | | | | |
| Non-Controlling Interest | 26,956 | 43.6% | 18,775 | 22,311 | 45,781 | 51,427 |
| **Parent Company** | **50,923** | **8.9%** | **46,745** | **58,811** | **90,256** | **90,509** |

*Notes:*
1. *Certain comparative figures in the financial statements have been reclassified to conform to this year's presentation.*
2. *Main variances in profitability and operating results are explained in the sections of 'Analysis of Financial Results' and for each business under each company's profile.*

# Statement of Income
(Horizontal Analysis)

Horizontal analysis is done using 2015 as the base year, and shows the development in key elements of the income statement over the last 5 years.

| (2015 as base year) | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Revenue | 110 | 92 | 91 | 112 | 100 |
| Direct Costs | 130 | 107 | 114 | 124 | 100 |
| **GROSS PROFIT** | **88** | **75** | **67** | **99** | **100** |
| | | | | | |
| Selling & Distribution expenses | 231 | 115 | 137 | 93 | 100 |
| General & Administrative expenses | 122 | 107 | 96 | 111 | 100 |
| **OPERATING PROFIT** | **54** | **51** | **43** | **92** | **100** |
| | | | | | |
| Finance Costs | 139 | 148 | 102 | 106 | 100 |
| Share of results from associates | 302 | 262 | 229 | 129 | - |
| Other Income / (Loss) | 509 | 437 | 1,326 | 566 | 100 |
| **Income from Continuing Operations** | **56** | **47** | **59** | **98** | **100** |
| | | | | | |
| Net Result of discontinued operations | - | - | - | - | 100 |
| **Net Income before Zakat** | **56** | **47** | **59** | **98** | **100** |
| Zakat & Income Tax | 74 | 59 | 83 | 115 | 100 |
| **Group Net Income** | **55** | **46** | **57** | **96** | **100** |
| | | | | | |
| **Group Net Income Attributable to:** | | | | | |
| Non-Controlling Interest | 52 | 37 | 43 | 89 | 100 |
| Parent Company | 56 | 52 | 65 | 100 | 100 |

# Statement of Income
(Vertical Analysis)

Vertical analysis is done using Revenue of the year as base and reflects the proportion of key income statement elements as compared to Total Revenue of that year.

| (Revenue as the base) | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Revenue | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Direct Costs | (61.5) | (60.7) | (64.7) | (57.6) | (52.0) |
| **GROSS PROFIT** | **38.5** | **39.3** | **35.3** | **42.4** | **48.0** |
| | | | | | |
| Selling & Distribution Expenses | (4.9) | (2.9) | (3.5) | (1.9) | (2.3) |
| General & Administrative Expenses | (19.8) | (20.8) | (18.7) | (17.6) | (17.8) |
| **OPERATING PROFIT** | **13.8** | **15.6** | **13.1** | **22.9** | **27.9** |
| | | | | | |
| Finance Costs | (7.1) | (9.0) | (6.2) | (5.3) | (5.6) |
| Share of Results from Associates | 4.0 | 4.2 | 3.7 | 1.7 | 1.5 |
| Other Income / (Loss) | 1.6 | 1.6 | 5.0 | 1.7 | 0.3 |
| **Income from Continuing Operations** | **12.4** | **12.5** | **15.6** | **21.0** | **24.2** |
| | | | | | |
| Net Result of Discontinued Operations | - | - | - | - | 0.2 |
| **Net Income before Zakat** | **12.4** | **12.5** | **15.6** | **21.0** | **24.4** |
| Zakat & Income Tax | (0.9) | (0.9) | (1.2) | (1.4) | (1.4) |
| **Group Net Income** | **11.5** | **11.6** | **14.4** | **19.6** | **23.0** |
| | | | | | |
| **Group Net Income Attributable to:** | | | | | |
| Non-Controlling Interest | 4.0 | 3.3 | 4.0 | 6.6 | 8.3 |
| Parent Company | 7.5 | 8.3 | 10.4 | 13.0 | 14.7 |

# Key Ratios

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Liquidity Ratios** | | | | | |
| Current Ratio | **1.0** | 1.0 | 0.9 | 1.3 | 1.6 |
| Quick Ratio | **0.9** | 1.0 | 0.8 | 1.2 | 1.4 |
| Cash to Current Liabilities | **0.7** | 0.6 | 0.5 | 0.8 | 1.0 |
| Cash Flow from Operations to Sales | **0.4** | 0.3 | 0.4 | 0.4 | 0.4 |
| | | | | | |
| **Capital Structure Ratios** | | | | | |
| Debt-Equity Ratio | **0.5** | 0.5 | 0.6 | 0.6 | 0.7 |
| Financial Leverage Ratio | **1.2** | 1.4 | 1.2 | 1.3 | 1.2 |
| Interest Cover Ratio | **2.8** | 2.4 | 3.5 | 5.0 | 5.3 |
| | | | | | |
| **Activity Ratios** | | | | | |
| Average Collection Period | **48.0** | 55.6 | 48.3 | 47.3 | 55.1 |
| Fixed Assets Turnover | **0.3** | 0.3 | 0.2 | 0.3 | 0.3 |
| Total Assets Turnover | **0.2** | 0.2 | 0.2 | 0.3 | 0.2 |
| Accounts Receivables Turnover | **6.1** | 4.8 | 5.5 | 6.1 | 5.2 |
| | | | | | |
| **Profitability Ratios** | | | | | |
| Gross Profit Margin (%) | **38.5** | 39.3 | 35.3 | 42.4 | 48.0 |
| Operating Profit Margin (%) | **13.8** | 17.2 | 18.0 | 24.4 | 27.9 |
| Net Profit Margin (%) | **12.4** | 12.5 | 15.6 | 21.0 | 24.4 |
| Return on Assets (%) | **2.7** | 2.4 | 2.9 | 5.1 | 5.5 |
| Return on Equity (%) | **4.9** | 4.2 | 5.3 | 9.2 | 9.9 |
| EBITDA Margin to Sales (%) | **42.8** | 48.0 | 46.3 | 44.9 | 48.5 |
| | | | | | |
| **Investment / Market Ratio** | | | | | |
| Price Earnings Ratio | **31.6** | 19.0 | 15.8 | 13.4 | 11.0 |
| **Market Price per Share (SAR)** | | | | | |
| *At the end of the year* | **19.6** | 10.8 | 11.4 | 14.9 | 14.7 |
| *Highest during the year* | **19.9** | 16.2 | 13.5 | 16.9 | 20.4 |
| *Lowest during the year* | **10.7** | 10.8 | 9.9 | 9.5 | 13.0 |
| Book Value per Share (SAR) | **13.4** | 13.3 | 13.1 | 14.8 | 14.1 |
| EBITDA Multiple | **5.5** | 3.3 | 3.6 | 3.3 | 3.3 |
| EV / EBITDA | **8.9** | 7.5 | 8.6 | 7.2 | 7.2 |

# Key Financial Data

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Balance Sheet (SAR '000)** | | | | | |
| Share Capital | **816,000** | 816,000 | 816,000 | 680,000 | 680,000 |
| Reserves | **76,383** | 71,290 | 66,616 | 59,629 | 45,815 |
| Equity Attributable to The Shareholders of The Parent | **1,091,093** | 1,088,234 | 1,067,292 | 1,008,317 | 972,014 |
| Long-term Borrowing | **540,390** | 699,027 | 839,710 | 836,402 | 838,185 |
| Capital Employed | **2,475,622** | 2,363,717 | 2,476,506 | 2,398,080 | 2,338,405 |
| Property, Plant, & Equipment | **1,008,201** | 1,039,960 | 1,079,520 | 892,863 | 707,654 |
| Right of Use Assets | **241,825** | - | - | - | - |
| Other Non-Current Assets | **1,070,385** | 1,162,103 | 1,238,841 | 1,307,795 | 1,369,898 |
| | | | | | |
| **Profit & Loss (SAR '000)** | | | | | |
| Sales | **675,884** | 564,705 | 562,407 | 690,772 | 616,084 |
| Gross Profit | **260,307** | 222,066 | 198,687 | 292,709 | 295,808 |
| Operating Profit | **93,408** | 88,078 | 73,920 | 157,983 | 172,145 |
| Profit before Zakat and NCI | **83,872** | 70,327 | 87,824 | 145,367 | 150,055 |
| Net Profit | **50,923** | 46,745 | 58,811 | 90,256 | 90,509 |
| EBITDA | **289,543** | 270,972 | 260,410 | 309,964 | 299,040 |
| Earnings per Share | **0.62** | 0.57 | 0.72 | 1.11 | 1.33 |
| | | | | | |
| **Cash-flow (SAR '000)** | | | | | |
| Cash Flows from Operating Activities | **256,064** | 183,951 | 243,550 | 262,440 | 257,984 |
| Cash Flows from Investing Activities | **(23,726)** | 20,742 | (296,071) | (268,930) | (125,023) |
| Cash Flows from Financing Activities | **(117,821)** | (174,817) | 7,824 | (50,775) | (153,731) |
| Change in Cash and Cash Equivalents | **114,517** | 29,876 | (44,696) | (57,265) | (20,769) |
| Closing Cash and Cash Equivalents | **295,101** | 180,584 | 150,708 | 195,404 | 252,669 |
| | | | | | |
| **Capitalization** | | | | | |
| Closing Price (SAR per Share) | **19.60** | 10.84 | 11.40 | 14.89 | 14.67 |
| Market Capitalization (SAR million) | **1,599** | 885 | 930 | 1,013 | 998 |
| Enterprise Value (SAR million) | **2,585** | 2,040 | 2,242 | 2,246 | 2,157 |
| *Numbers of Shares Issued (SAR million)* | **81,600** | 81,600 | 81,600 | 68,000 | 68,000 |
| | | | | | |
| **Operational Statistics** | | | | | |
| Containers ('000 TEUs) | **1,959** | 1,581 | 1,363 | 1,614 | 1,554 |
| No. of Vehicles | **4,688** | 7,348 | 8,304 | 14,160 | 39,855 |
| General Cargo (metric tons) | **73,881** | 63,720 | 38,280 | 44,739 | 110,907 |
| Water Production (million $m^3$) | **16.7** | 17.3 | 18.3 | 19.8 | 20.0 |

# Geographical Analysis of Revenue

The Group's consolidated subsidiaries principally operate in western region of the Kingdom.

| COMPANY (SAR '000) | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | WESTERN | CENTRAL | EASTERN | WESTERN | CENTRAL | EASTERN |
| RSGT | 504,359 | - | - | 388,351 | - | - |
| LOGIPOINT | 48,833 | - | - | 46,066 | - | - |
| KINDASA | 91,769 | - | - | 92,920 | - | - |
| ISNAD | 30,923 | - | - | 37,368 | - | - |
| **TOTAL** | **675,884** | **-** | **-** | **564,705** | **-** | **-** |
| | **675,884** | | | **564,705** | | |

SISCO's associated entities, whose revenues are not consolidated in SISCO's financial statements, operate across the Kingdom and their revenue break-down is as follows:

| COMPANY (SAR '000) | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | WESTERN | CENTRAL | EASTERN | WESTERN | CENTRAL | EASTERN |
| TAWZEA | 117,938 | 145,375 | - | 118,813 | 138,278 | - |
| SA TALKE | 76,196 | - | 182,671 | 74,952 | - | 174,811 |
| **TOTAL** | **194,134** | **145,375** | **182,671** | **193,765** | **138,278** | **174,811** |
| | **522,180** | | | **506,854** | | |

# Bank Loans and Debt Instruments

| COMPANY (SAR '000) | LENDER | START YEAR | ORIGINAL PRINCIPAL | BALANCE 1/1/2019 | DRAWDOWNS | REPAYMENTS | BALANCE 31/12/2019 |
|---|---|---|---|---|---|---|---|
| RSGT | Al Rajhi / BSF | 2016 | 260,000 | 222,560 | - | 19,422 | 203,138 |
| | | 2008 | 1,271,061 | 645,835 | - | 55,203 | 590,632 |
| KINDASA | SABB | 2016 | 24,000 | 7,528 | - | 1,771 | 5,757 |
| **TOTAL** | | | **1,555,061** | **875,923** | **-** | **76,396** | **799,527** |

# Repayment Profile

| COMPANY (SAR '000) | RSGT | | KINDASA | TOTAL |
|---|---|---|---|---|
| Lender | Al-Rajhi / BSF (1) | Al-Rajhi / BSF (2) | SABB | |
| Less than one year | 177,268 | 61,672 | 1,771 | 240,711 |
| From 1 to 2 years | 128,578 | 44,642 | 1,771 | 174,991 |
| From 2 to 5 years | 284,786 | 96,824 | 2,215 | 383,825 |
| More than 5 years | - | - | - | - |
| **Closing Balance of the Period** | **590,632** | **203,138** | **5,757** | **799,527** |

# Payments to Government Authorities

| INSTITUTION (SAR '000) | 2019 | | DESCRIPTION |
|---|---|---|---|
| | PAID DURING THE YEAR | DUE UP TO END OF 2019 AND HAS NOT BEEN PAID | |
| General Authority of Zakat and Tax | 8,932 | 11 | Received after the year end. |
| General Organization of Social Insurance | 9,269 | 230 | Received after the year end. |
| Ministry of Interior for Passport / Visa Services | 2,364 | - | |
| Department of Customs | 7,722 | - | |
| Saudi Ports Authority | 70,111 | 7,485 | Received after the year end. |
| **TOTAL** | **98,399** | **7,726** | |

# Dividend Policy

The Company's dividend policy is governed by Articles (45) and (46) of its Articles of Association.

**Article 45 mandates the following regarding distribution of the company's annual Net Profits:**

1. The Company sets aside ten (10) percent of Net Profits after Zakat as statutory reserve until the reserve reaches thirty (30) percent of the company's paid up share capital.
2. Based on the Board's suggestion, The Company can set aside a special reserve from its Net Profits to be used for specific purposes.
3. The Company has the right to set aside other reserves to the extent that benefits the company and stabilizes the dividends paid to shareholders. In addition, the company can cut off some of the Net Profits to be used in either establishing or contributing to social institutions for the company's employees.
4. The remaining amount, if any, would be used in distributing at least ten (10) percent of the Company's annual Net Profits to share-holders based on Board's suggestion and partner's approval.

The Company may choose to distribute dividends quarterly or semi-annually if it meets the following requirements:

- The Board's resolution/ decision should be renewed annually.
- The company should maintain good/stable profits.
- The company should have adequate liquidity, and it should be able to anticipate its future profits clearly.
- The company should have an adequate amount of Profits, based on the final audited financial statements, to cover the amount proposed to be distributed as dividends after deducting what has been distributed or used as capital beyond the date of the financials.

Article (46) states that the shareholders are authorized to receive their dividends based on the Company's/ Board's resolution, which should include the ex-dividend date and the distribution/payment date for the dividends. Shareholders are eligible for the dividends if they are registered in the company's record by end of the ex-dividend date.

**Historical Dividends Paid by the Company:**

| | 2015 | 2016 | 2017 | 2018 | 2019 (PROPOSED) |
|---|---|---|---|---|---|
| Dividend/Share | 0.5 | * | 0.3 | 0.4 | 0.6 |
| Distribution % | 5% of share capital which is SAR 680 Million | * | 3% of share capital which is SAR 816 Million | 4% of share capital which is SAR 816 Million | 6% of share capital which is SAR 816 Million |
| Total Amount | SAR 34 Million | * | SAR 24.4 Million | SAR 32.6 Million | SAR 48.9 Million |

** Bonus shares were granted to all shareholders by issuing one bonus share for each five shares as approved by the General Assembly of Shareholders on 16 April 2017.*

# Management Framework

03



## Management Structure and Philosophy

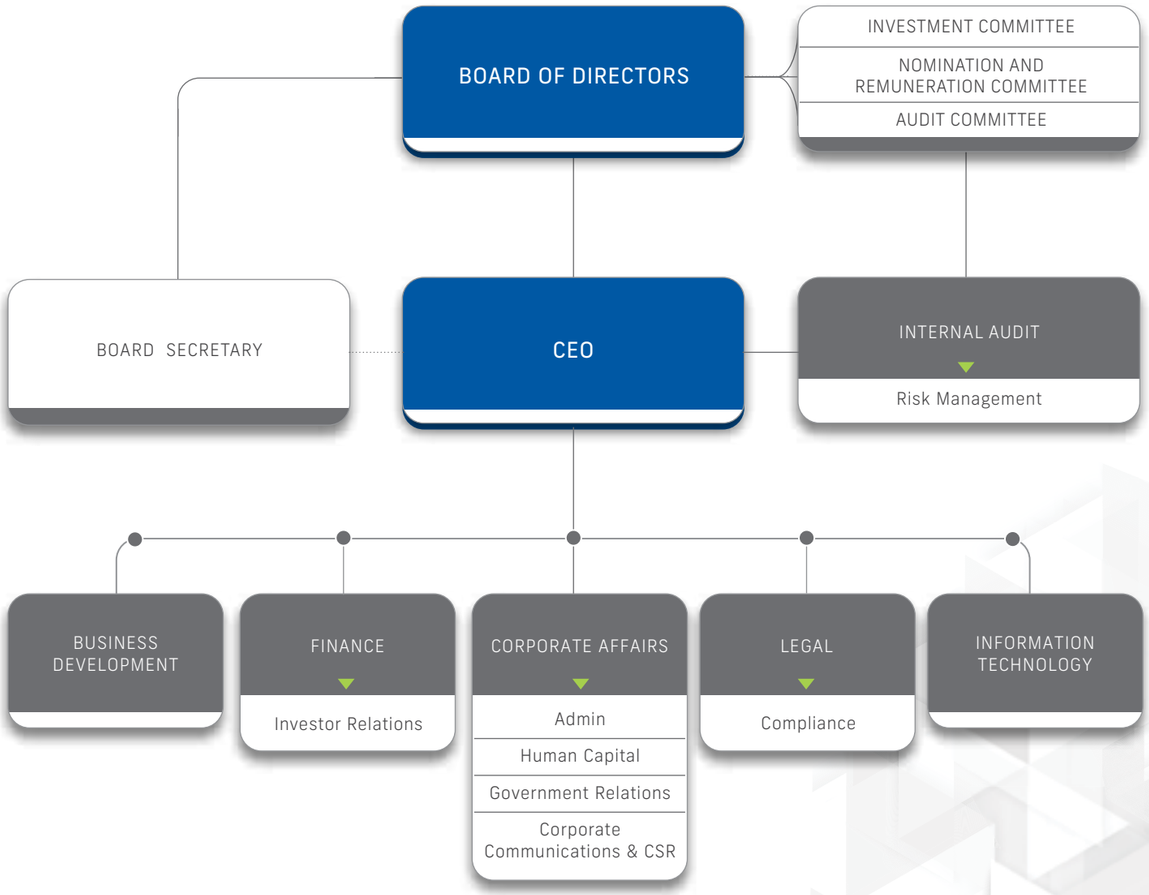
SISCO manages its group companies with the concept of strategic long-term investment, where the individual business companies focus on growth within their respective sector, and corporate center supports the unit through key advisory functions to bring in synergies.

SISCO's Board has a top down view as the custodian of shareholders' interests, and works with the CEO in deciding overall strategic vision and direction of the company and implementation of that vision. The Board is assisted by number of Board Committees in making decisions related to Audit, Investments, Remunerations and Nomination.

Each SISCO company (both subsidiaries and associated) is governed by an independent board, which appoints an independent CEO to the respective company, who is responsible for implementing the direction set by the Board into tangible results. SISCO is represented in each consolidated and associated company's board in-line with its shareholding position. This approach of managing its investments ensures accountability without impeding the flexibility and entrepreneurial spirit within each company, translating in to SISCO group's continued growth.

Corporate functions provide the Board and CEO with a set of functional strengths and enable a 'portfolio-oriented' management of SISCO's investments. The core responsibility of the Corporate Center is to advise and support in establishing a system and mechanism across the group which is in accordance with highest standards of integrity, and provides a uniform set of reporting, risk management, and compliance procedures.

## Organization Chart



# Board Members



**MOHAMED AHMED ALIREZA**
Chairman of the Board

On SISCO Board Since 2003
Member in Investment Committee

MEMBERSHIP IN COMPANIES BASED IN KSA

**Company Type : Closed Joint Stock**
- Kindasa Water Services Co.
- APSCO Co.
- Red Sea Port Development Co.
- Tamlik Co.

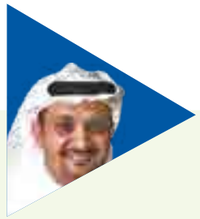
**Company Type : Limited Liability**
- Xenel Industries Co.
- AMI Saudi Arabia.
- Arab Services Group Limited
- Arabian Bulk Materials Trading Co.
- Saudi Bulk Transport Company
- Saudi Metal Scaffolding Company
- Gulf Pearl Co.
- Red Sea Gateway Terminal Co.
- Al Haj Abdullah Alireza & Partners Co.
- Sejel Technology Company
- Maghrabi Hospitals

**Current Position**
- Chairman of the Board of Directors in Xenel Industries.
- AMI and The Arabian Bulk Trade

**Previous Position**
He has previously held several positions in many companies and official positions such as Consultative Council (Shoura Council), Jeddah City Council, The Saudi Fund for Development (SFD), Emaar The Economic City (Emaar EC) and Bank Al Bilad.

**Qualifications**
- Bachelor's degree in Civil Engineering and,
- Master's degree in Civil Engineering from Cornell University

**Experience**
Long experience in many companies as a member of board of directors.



**AAMER A. ALIREZA**
Vice Chairman of the Board

On SISCO Board Since 2003
Member in Investment Committee and Nomination & Remuneration Committee

MEMBERSHIP IN COMPANIES BASED IN KSA

**Company Type : Closed Joint Stock**
- Red Sea Ports Development
- Tabadul (previously)

**Company Type : Listed /Joint Stock**
- BUPA Arabia for Co-operative Insurance (previously)

**Company Type : Limited Liability**
- Xenel Industries Co.
- Saudi S. A. Talke
- Red Sea Gateway Terminal Co.
- Saudi Trade & Export Development Co.
- Support Services Operation Co.
- Aecom Arabia Ltd.

**Current Position**
- Chairman of the board of directors (LogiPoint)
- Executive Vice Chairman of the Board of Directors RSGT
- Board Member of Xenel Industries Ltd. And Managing Director of its Services Division in Xenel Industries Co.
- Chairman of the Board of Aecom Arabia Ltd.

**Previous Position**
- CEO and Board Member of LogiPoint
- CEO and Board Member of RSGT

**Qualifications**
- BA in Economics and Political Science.
- He has also taken part in various management executive programs at the University of California, Singularity University and Harvard University.

**Experience**
A Board Member of the Xenel Group of Companies, the Managing Director of Services Division, and a Board Member of a number of its subsidiaries and affiliates. He is the Chairman of the Board of AECOM Arabia Ltd. Previously a Board Member of Tabadul and BUPA Arabia.
He also serves on the board of directors for Friends of Jeddah Parks, a non-profit organization. He has taken part in various management executive programs at the University of California, Stanford University, Singularity University. He also attended the Advanced Management Program at Harvard University.

# Board Members



## ADNAN A. MAIMANI

On SISCO Board Since 1999
Member in Audit Committee

MEMBERSHIP IN COMPANIES BASED IN KSA

**Company Type : Listed / Joint Stock**
- Saudi Cable Co. (and Audit Committee Member)

**Company Type : Closed Joint Stock**
- Kindasa Water Services Co.
- National Petrochemical Industrial Co.

**Company Type : Limited Liability**
- Sejel Technology Co.
- Raqim
- Saudi Services & Operation Co. Ltd.
- Arab Services Group Limited
- Hidada
- Advanced Design Company for Information Systems Ltd.

**Current Position**
- Senior Legal Counsel of Xenel Industries Limited

**Previous Position**
General Manager for legal affairs for Saudi Arabian Airlines

**Qualifications**
- Master's in aviation law
- Bachelor's in law

**Experience**
Extensive experience in the legal field more than 40 years.



## ALAWI M. KAMEL

On SISCO Board Since 1994
Member in Audit Committee

MEMBERSHIP IN COMPANIES

**Company Type : Limited Liability**
- Star International Waste Management Services (Al Ain) UAE
- Multi-Link Environmental Services (Abu Dhabi) UAE
- Al-Droa General Contracting, Maintenance & Operation Company

**Current Position**
Chairman of Al-Droa General Contracting, Maintenance & Operation Company

**Previous Position**
President of Dallah Group, Managing Director and Assistant vice president of the project sector.

**Qualifications**
- Masters in International Relations
-Bachelors in Economics & Political Science

**Experience**
Long standing association with Dallah group, where he has worked in various positions.

He is also a board member of International City Clean Company in Egypt, authorized board member of Traffic Signal Factory Company, Arab Petroleum Aviation Services Company. Chairman of Aviation Support Services Company (Lebanon) and Sunbulah Operations and Maintenance. He was also a member of National Operations and Industrial Services Co., contractors committee of Jeddah Chamber, and Dallah Transportation Company for pilgrims.

Extensive experience in the business of more than 38 years.



## SALEH A. HEFNI

On SISCO Board Since1998
Member in Nomination & Remuneration Committee

MEMBERSHIP IN COMPANIES

**Company Type : Listed / Joint Stock**
- Halwani Brothers Co. (previously)
- Al-Ahli Takaful (Executive Committee, Audit Committee and NRC member)
- Middle East Healthcare Company - MEAHCO (previously)
- Saudi Ground Services Co. (and NRC, Executive Committee Member)

**Company Type : Closed Joint Stock**
- Kindasa Water Services Co.
- Halwani Brothers Co. (Egypt) (previously)

**Company Type : LLC**
- Saudi Trade & Export Development Co.

**Current Position**
- CEO of Omar Kassem Alesayi Markteing Co.

**Previous Position**
Managing Director and CEO of Halwani Brothers Co.

**Qualifications**
- Bachelor of Science in Civil Engineering,
- Master's degree in Civil Engineering

**Experience**
Experience in management and aiding companies to structure and in business development.



## ABDULAZIZ A. JAZZAR

On SISCO Board Since 2014
Member in Nomination & Remuneration Committee and Investment Committee

MEMBERSHIP IN COMPANIES

**Company Type : Closed Joint Stock**
- Malaz Capital
- Initiatives Co. For IT & Telecom (previously)

**Company Type : Listed /Joint Stock**
- Salama Cooperative Insurance Co.

**Company Type : Limited Liability**
- Korom Ajyad Ltd.
- Malaz Group Co.

**Current Position**
- Executive and Managing Partner of Malaz Capital
- Chairman of the Board of Directors (Malaz Group)

**Previous Position**
- Managing Director of Saudi Research and Publishing Co (SRPC)

**Qualifications**
- Doctorate in Computer Science.
- Masters in System Engineering
- Bachelor Degree in Computer & Communications Engineering

**Experience**
The President/CEO of International Systems Engineering Ltd (ISE) a company formed in partnership with The Boeing Company.

Between 1976-1993 he was an officer in the Royal Saudi Airforce. He retired as the Director of computing, HQ. His Public assignments include Board Membership of the Riyadh Chamber of Commerce & Industry (2000 -2004) and the chairman of the organizing committee for Riyadh Economic Forum (2002 – 2006). He was also a member of the board of Trustees of the Centennial Fund and a Member of the board of directors of the Economic Cities Authority and of the National Industrial Cluster Development Program.



## ABDULAZIZ H. AL-MISHAL

On SISCO Board Since 2017

**Current Position**
Chairman of the Board of Directors of the Murbiha Holding Co.

**Previous Position**
University Professor

**Qualifications**
PhD in Islamic Sharia

**Experience**
He has been a member of several boards of directors of listed and non-listed companies such as Riyadh Development Company, Saudi Automobile and Equipment Services Company (SASCO) and National Glass Industries Company (Glass).

Wealth of experience in the field of investment.

# Committee Members



**WALEED A. KAYYAL**
**Audit Committee Chairman**

Investment Committee member

MEMBERSHIP IN COMPANIES IN KSA:

**Company Type : Closed Joint Stock**
- Kinan International Co.
  (Member of Remuneration Committee)
  (previously)
- Itqan Capital (previously)
- AMS BAESHEN & CO. (Audit Committee Member)

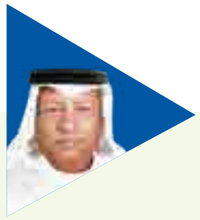
**Company Type : Listed / Joint Stock**
- Middle East Healthcare Company – MEAHCO
  (and Audit Committee member)
- SABB Takaful (previously)

**Current Position**
Businessman

**Previous Position**
Regional Director in Saudi British Bank

**Qualifications**
Bachelor`s degree in Commerce

**Experience**
Depth experience of banking business gained through his employment with Saudi British Bank, and other companies.



**ABUBAKER A. BAGABIR**
Audit Committee member

MEMBERSHIP IN COMPANIES:

**Company Type : Listed /Joint Stock**
- SABB Takaful
- Anfaal Capital (previously)

**Company Type : Limited liability**
- Al-Nahdi Medical Company
- Abdel Latif Jameel Finance Company
- AMS BAESHEN & CO. (previously)

**Current Position**
- Associable Professor in University of Business and Technology
- Financial and Management Consulting Office
  (Dr. Abu Bakr Bajabir Office)

**Previous Position**
Head of Finance & Accounting Division (Group Responsibilities) in The National Commercial Bank (NCB)

**Qualifications**
- Doctor of Philosophy (Ph.D.)
  Accountancy and Finance, University of Strathclyde, UK
- Master's degree (M. Soc. Sc.)
  Accounting, University of Birmingham UK.
- Bachelor of Science (B.Sc.)
  Accounting, University of Khartoum, Sudan
- (Fellow Chartered Certified Accountant, UK (FCCA)

**Experience**
Depth experience of banking business gained through his employment with The National Commercial Bank (NCB)



**THAMER AL-HARTHI**
Nomination and Remuneration Committee member

**Current Position**
- Independent Senior Consultant

**Previous Position**
- Executive Manager
- Human Capital Management in Fakeeh Care

**Qualifications**
- Bachelor's degree in Law

**Experience**
Long experience in Human Capital Management gained through his employment with several entities as Bupa Arabia, Fonterra, NCB, and Nicholson International.

# Executive Members



**MOHAMMED K. AL-MUDARRES**
Chief Executive Officer

**Previous Position**
- Stork Cooperheat, ME Regional Manager
- SIEMENS, GM Power General Division

**Qualifications**
- B.Sc. & M.Sc. Electrical Engineering, Colorado (USA)

**Experience**
- Extensive experience (25+ years) in Management of National and International Companies.
- Board Member in RSGT, LogiPoint, ISNAD, S A Talke, Kindasa and Tawzea.



**MAHMOOD HUSSAIN**
Chief Financial Officer

**Previous Position**
-Head of Investment Banking and Head of Proprietary Investments at Alkhabeer Capital.

**Qualifications**
- MA (Hons)in Accounting Management
- ACA
- CISI

**Experience**
Extensive experience (20+ years) in Financial and Investment Management with National and International Companies.

# Human Capital Development

We at SISCO and our group of companies have worked hard to develop a culture of respecting and valuing our people. We are constantly looking for ways to improve and develop our people and processes to ensure that we become the employer of choice for top Saudi talent, as well as needed expert expatriate talent. We pride ourselves on our high rate of retention but are always looking to improve.

Our ability to create and develop high performance teams in a culture of transparency, inclusiveness, professionalism and excellence is what drives our success more than any other factor. We place great emphasis on the pursuit of knowledge and training, a commitment that we have designed to motivate and inspire our people in delivering unbeatable quality, value and services to the company.

As a parent company, SISCO strives to create a 'one firm' culture to ensure that we leverage the most in terms of the synergies between our businesses. To this end, a unified talent management model has been developed to ensure that the firm is maximizing its ability to attract, retain and nurture highly skilled employees with diverse skills and abilities across the board.

Nationalization of operational and managerial positions has been the cornerstone of the group's HR philosophy. SISCO has driven forward the nationalization of numerous positions in all its companies by training and developing Saudi nationals, this will remain a priority for the coming years.

Today SISCO companies increased the number of Saudi Nationals employed has increased from 724 to 757 of our total workforce. We have focused on employing Saudi women, where appropriate, and have 50 women currently employed, not only in traditional roles but as engineers and planning functions. In addition, 85% of SISCO companies have a Platinum Nitaqat status, with the remaining 15% at high green.

SISCO entities pride themselves in maintaining the highest standards in health and safety at our facilities, monitoring carefully potential risks to our employees and our operations, so that we could provide a safe working environment for our team members, contractors, suppliers, and customers.

**757** Saudi Nationals employed has increased from 724 to 757.

**50** Women currently employed not only in traditional roles but as engineers and planning functions.

# HR Performance

Committed to our resolve to establish a sustainable institutional mechanism to hire and retain people, the group inculcates the culture of employee engagement at all levels of the work force.

**Our HR Philosophy**






**The first graduating class of 2019.** These 12 young Saudi graduates have the opportunity to gain a vast amount of experience through their exposure to the group companies as well as through their formal training undertaken over these two years.

A culture of continuous improvement is now part of the SISCO way and as such, SISCO, as a group of companies, engaged in 73,828-man hours of training during 2019. Included in this training is behavioral training, English, professional development and operational excellence training, and plan to increase this number even further in 2020 by implementing the SISCO management development program (LEAD), the start of our graduate program and continued English language training.

SISCO carries out a summer internship program, and this year we had 7 female interns in our IT department over the summer.

At SISCO we face an exciting and challenging time in the Kingdom, the 2030 vision positions SISCO in a very favorable place to be able to take advantage of a number of the government initiatives. As we prepare the group to be in the best position to benefit from the 2030 vision, and to best leverage the group position, we see an opportunity to grow and develop our future leaders and managers.

LEAD
Leadership • Excellence • Action • Development

We have, at a group level, put together a program that would train and develop the future leaders and managers who have been identified as those who we want to retain and develop for our future expansion.

In achieving our goal of being the employer of choice, we recognize the importance of talent development and meet it through various managerial and skills-based training programs. SISCO launched The LEAD management training program, which aims at training talented Saudi employees from the group companies and prepare them for future managerial and leadership positions within the group.

### Overview of SISCO Graduate Training Program

As a group of companies, we are aware of our responsibility to help develop the future work force of SISCO, our subsidiaries and associate companies, but also of the Kingdom as a whole. We have decided to therefore implement a robust 2-year graduate program for Saudi nationals who have recently graduated, both form Saudi Universities and universities abroad.

The two-year program is for the top 12 graduates we can find through cognitive testing, and a robust application and interview process.

# Composition of Total Employees by Companies

| Company | 2019 | 2018 |
|---|---|---|
| Saudi Industrial Services Co. (SISCO) | 39 | 38 |
| Red Sea Gateway Terminal (RSGT) | 1,011 | 1,009 |
| Saudi Trade and Export Development (LOGIPOINT) | 129 | 25 |
| Kindasa Water Services (KINDASA) | 138 | 153 |
| Support Services Operation Co. (ISNAD) | 30 | 130 |
| International Water Distribution Co. (TAWZEA) | 247 | 166 |
| Al-Jabr Talke Co. (SA TALKE) | 1,768 | 1,745 |
| TOTAL | 3,362 | 3,266 |
| Total Number of National Employees | 757 | 724 |
| Total Number of Expatriate Employees | 2,605 | 2,542 |




Total Number of Employees

Total Number of National Employees

Total Number of Expatriate Employees

# Employee Engagement

SISCO carried out an employee engagement survey in 2019 and we are proud to report that we have a highly engaged work force and we exceed the Saudi and global norm in almost all categories for how engaged our staff has been. This is down to the fantastic effort of our HR and senior management teams who understand the value of each employee and the need to develop and recognize the contribution made by every employee in our subsidiary and associate companies.

| | Total Favourable Score | Saudi Arabia Norm (121,315) | Utlilities Norm (148,801) | Logistics Norm (148,903) |
|---|---|---|---|---|
| Sustainable Engagement | 89 | 10* | 9* | 13* |
| Strategy & Direction | 89 | 8* | 18* | 13* |
| Senior Leadership | 79 | 10* | 18* | 21* |
| Line Management | 88 | 9* | 9* | 11* |
| Performance Management | 82 | 17* | 13* | 7* |
| Training | 87 | 14* | n/a | n/a |
| Communication | 83 | 12* | 13* | 11* |
| Culture & Values | 84 | 11* | 7* | 12* |
| Quality & Customer Focus | 88 | 14* | 14* | 11* |
| Development Opportunities | 81 | 12* | 19* | 20* |
| Work Organisation | 87 | 9* | 13* | 7* |
| Remuneration and Recognition | 68 | 10* | 17* | 16* |
| Safety | 87 | -1* | 1 | 3* |
| Group Questions | 74 | n/a | n/a | n/a |
| OpCo Questions | 79 | n/a | 28* | n/a |

## Healthy Living and Group Activities

SISCO organized our first annual group football tournament in 2019, with 8 teams competing and S A Talke emerging the winners after an enjoyable hard day of knockout football.













# Corporate Social Responsibility (CSR)

SISCO is pleased to announce the formation of the "**Making a Difference**" CSR program. We are aware that as a contributor to the economic future of the Kingdom of Saudi Arabia we also need to contribute to the community and environment we find ourselves in.

We as a group, focus our energy on three areas:

1. The ocean and coastline boarded on the Kingdom, both the Red Sea and the Arabian Gulf.
2. Community development and up lift, making the lives of people better through our engagement.
3. Regular one-off high participation low cost activities (blood drives, charity help, etc.,).

## 2019 saw the SISCO group participate in number of CSR activities.

- We organised and executed a blood donation drive for the National Guard for our brave soldiers on the Southern Boarder, the program was run over 3 day on the premises of JIP, all SISCO companies along with the Coast Guard, Customs and JIP donated blood, giving one of the single largest quantity of donated blood received to date by the National Guard.
- We continued to clean up the beaches around the Kingdom, with clean-up activities taking place in Jubail, Rabigh and Jeddah
- A large sum of money was spent on creating an artificial reef in front of RSGT. This reef continues to thrive and provide a base for coral growth and have become a home for a vast array of sea life.
- We are currently working with 3 school in Jeddah to help improve the facilities and educational experience for the students.
- We have worked closely with the Ministry of Health, over the last few years, to ensure that the vaccination program they run is taken to the people who need it most.

# Health and Safety (HSSE)

As a group we believe that Health and Safety is a priority.
All employees and visitors to our places of work have the right to:

- Return home safely
- Earn a living in an environment that is safe.
- Not suffer any long-term effects from working for a SISCO company
- To an environment where profit is not put above the wellbeing of our people

We have worked hard this year to ensure that the companies have the appropriate level of expertise to develop and strengthen our HSSE systems and programmes. The culture we endeavour to install is one of "Safety First" where we are all responsible for ensuring that work is carried out in a safe manner, and to ensue any unsafe act is reported, investigated and changes made as needed.



# Environmental

We at SISCO have worked hard during 2019 to ensure we deliver on improving the environment. We have worked closely with local schools to raise the awareness of plastic use and encouraged them to help remove waste form our beaches and surrounding areas. We have also started to remove the use of plastics on our offices.

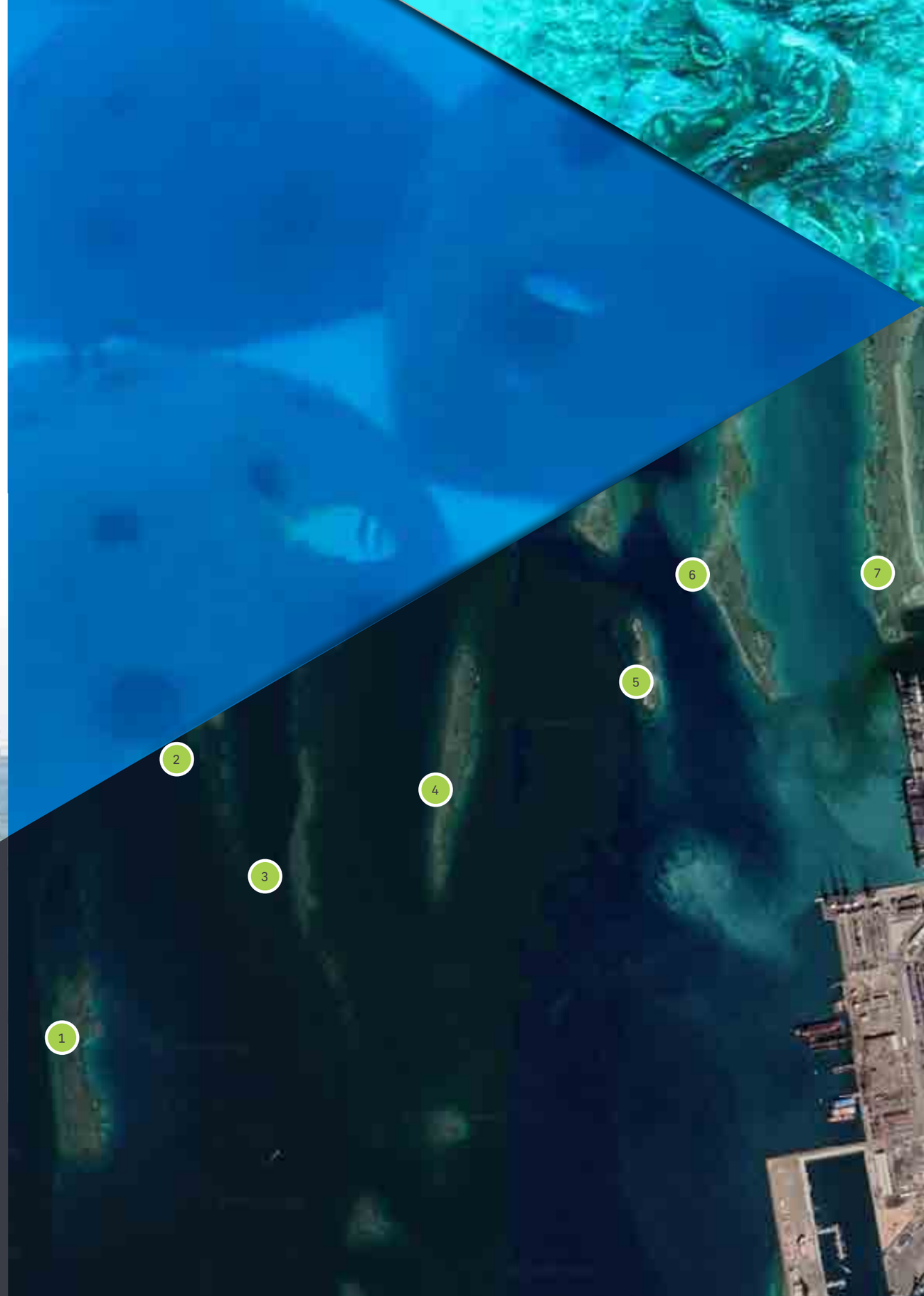


# Environmental

We have also undertaking a large-scale artificial reef project to ensure the continued healthy environment of the Red Sea in front of the Red Sea Gateway Terminal. This has proved to be a great success with coral and sea life already thriving on the reef.



We conduct reviews and educational events of the reef every six months to ensure the reef continues to thrive and the sea life increases on the reef.



# Corporate Governance

04



## Governance Performance

A robust Corporate Governance structure ensures the Group's continued high performance and integrity, while retaining the trust of its stakeholders. Maintaining effective corporate governance is, therefore, a key priority for the board, and this is achieved through implementing the principles and best practices and guidelines promulgated by the Capital Markets Authority of Saudi Arabia and other relevant regulations as well as international best practices.

### The Board

Every three years the shareholders elect a new board of directors that is responsible to the shareholders for the direction of the Group. The board has the ultimate and overall responsibility to set up a robust corporate governance structure, to envisage the Group's strategic direction and help in achieving the business objectives. The CEO, with the direction of the board, is responsible for implementing the acquisition and divestment policies, major capital expenditures and the consideration of significant financial matters while the board monitors the Group's key business risks and reviews the direction of individual business units, and other investments.

Article (15) of SISCO's Articles of Association states that the Board of Directors is to comprise 7 members, which complies with paragraph (a), Article (12) of the Corporate Governance Regulation issued by the Capital Market Authority.

**A total of five meetings of the board of directors were held during the financial year 2019, and the attendance record of each of the directors was as follows:**

| NAME OF THE BOARD MEMBER | DATE AND ATTENDANCE OF THE BOARD MEETINGS | | | | |
|---|---|---|---|---|---|
| | 13 JANUARY | 26 FEBRUARY | 29 APRIL | 29 OCTOBER | 08 DECEMBER |
| Mohamed A. Alireza | ▶ | ▶ | ▶ | ▶ | ▶ |
| Aamer A. Alireza | ▶ | ▶ | ▶ | ▶ | ▶ |
| Adnan A. Maimani | ▶ | ▶ | ▶ | ▶ | ▶ |
| Alawi M. Kamel | ▶ | ▶ | ▶ | ▶ | ▶ |
| Saleh A. Hefni | ▶ | ▶ | ▶ | ▶ | ▶ |
| Abdul-Aziz A. Jazzar | ▶ | ▶ | ▶ | ▶ | ▶ |
| Abdul-Aziz H. Al-Meshal | ▶ | ▶ | ▶ | ▶ | ▶ |

The Board was appointed by the Shareholders' General Assembly on 18 May 2017 for period of three years, starting 1 July 2017.

**The dates of the General Assembly Meeting (GAM) held in 2019 and the board of director's attendance:**

| NAME OF THE BOARD MEMBER | GAM NO. 28 ON 07 MAY |
|---|---|
| Mohamed A. Alireza | |
| Aamer A. Alireza | ▶ |
| Adnan A. Maimani | ▶ |
| Saleh A. Hefni | ▶ |
| Alawi M. Kamel | ▶ |
| Abdul-Aziz A. Jazzar | |
| Abdul-Aziz H. Al-Meshal | |

## Board Balance

SISCO's board is balanced and complies with the independent members criteria set out under the requirements of the Capital Markets Authority. All the seven board members are non-executive and three of them are independent members with expertise in different fields, bringing independent judgment on matters of strategy, performance and utilization of resources of the Group. They provide unbiased views and their presence improves corporate accountability.

**The following table provides the classification of each member of the board of directors:**

| NAME OF THE BOARD MEMBER | TITLE | INDEPENDENT | EXECUTIVE | NON-EXECUTIVE |
|---|---|---|---|---|
| Mohamed A. Alireza | Chairman | | | ▶ |
| Aamer A. Alireza | Vice Chairman | | | ▶ |
| Adnan A. Maimani | Member | | | ▶ |
| Alawi M. Kamel | Member | ▶ | | ▶ |
| Saleh A. Hefni | Member | | | ▶ |
| Abdulaziz H. Al-Meshal | Member | ▶ | | ▶ |
| Abdulaziz A. Jazzar | Member | ▶ | | ▶ |

Overall, the board comprises an appropriate mix of diverse academic and professional backgrounds to provide a collective range of skills, expertise and experience relevant to support the growth and address the complexities, competition and changes in SISCO's business environment.

## Board Committees

The Board has established three committees, comprising of board members, and external independent experts, these committees have specific charters approved by the Board.

**These committees are:**

| AUDIT COMMITTEE | | | | | |
|---|---|---|---|---|---|
| NAME | 26 FEBRUARY | 28 APRIL | 27 JULY | 28 OCTOBER | 24 DECEMBER |
| Waleed A. Kayyal (Chairman) | ▶ | ▶ | ▶ | ▶ | ▶ |
| Adnan A. Maimani | ▶ | ▶ | ▶ | ▶ | ▶ |
| Alawi M. Kamel | ▶ | ▶ | | ▶ | ▶ |
| Abu Baker Bagabir | ▶ | ▶ | ▶ | ▶ | ▶ |

**Responsibilities**
The committee meets at least once every quarter and assists the Board in fulfilling its oversight responsibilities; primarily in reviewing quarterly and annual financial statements, reporting financial and non-financial information, reviewing systems of internal controls, risk management, the audit process, and the related party transactions.

The Audit Committee was appointed by the Shareholders' General Assembly on 18 May 2017 for period of three years, starting 1 July 2017.

**Internal Control Framework**
The Board is responsible for SISCO's system of internal control and for reviewing its effectiveness. The Board, while maintaining its overall responsibility for managing risk within the Group, has delegated the review of the detailed design and operation of the system to Audit Committee which comprising of board members and external experts while the responsibility of maintaining a robust framework of internal controls rests with SISCO management.

The Group maintains an effective internal control framework comprising clear structures, authority limits, accountabilities, well understood policies and procedures, and annual budgets. The Board meets regularly to consider SISCO's financial performance, business growth and development plans, capital expenditure proposals and other key performance indicators.

**Internal Audit Function**
The Audit Committee annually reviews the appropriateness of resources and capabilities of the internal audit function. The Chief Audit Executive functionally reports to the Audit Committee. The Audit Committee approves the annual audit plan, based on an annual risk assessment. The internal audit function undertakes audit of financial, operational, and compliance controls, and reports the audit results to the Audit Committee.

The boards of all subsidiary and associated companies have established their own audit committees with dedicated internal audit resources. SISCO monitors their internal audit functions by having its nominated members in the respective audit committees of those companies.



**Risk Management Function**
Effective risk management requires awareness and engagement at all levels of our organization. It is for this reason that the risk management process is incorporated into the day-to-day management of our business, as well as being reflected in the Group's core processes. Risks are considered at every business level and are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance.

The Board recognises that effective risk management requires awareness and engagement at all levels of our organization. The Board, while being responsible for the overall risk management process, has delegated this responsibility to the to the Audit Committee. The responsibility for identifying and assessing the risks rests with the underlying subsidiaries whilst SISCO's Risk Management Function is responsible for ensuring that the processes followed by subsidiaries are adequate.

| INVESTMENT COMMITTEE | | |
|---|---|---|
| NAME | 28 NOVEMBER | 04 DECEMBER |
| Aamer A. Alireza (Chairman) | ▶ | ▶ |
| Mohamed Ahmed Alireza | ▶ | ▶ |
| Waleed A. Kayyal | ▶ | ▶ |
| Abdul-Aziz A. Jazzar | ▶ | ▶ |

**Responsibilities**
The committee assists the Board in reviewing the Group's major investment transactions and performances, oversees the Group's financial resources and advises on future financial strategy. The Committee meets on as needed basis.

| NOMINATION AND REMUNERATION COMMITTEE | | | | |
|---|---|---|---|---|
| NAME | 13 JANUARY | 13 FEBRUARY | 20 FEBRUARY | 05 DECEMBER |
| Abdul-Aziz A. Jazzar (Chairman) | ▶ | ▶ | ▶ | ▶ |
| Aamer A. Alireza | ▶ | ▶ | ▶ | ▶ |
| Saleh Hefni | ▶ | ▶ | ▶ | ▶ |
| Thamer Al-Harthi | ▶ | ▶ | ▶ | ▶ |

**Responsibilities**
The committee meets at least twice a year, to assist the Board of Directors in reviewing and approving the compensation to be provided to SISCO Corporation, Board members, Chief Executive Officer and employees. In addition, the Committee is responsible for overseeing the development, screening and nomination of qualified individuals for membership of the Board and its committees.

## Audit Committee Report

The Audit Committee met for five times during the year 2019. Audit committee's primary role was to assists the Board in fulfilling its oversight responsibilities by recommending the approval of the company's quarterly and annual financial statements after discussing it the company's management, and reviewing systems of internal controls, risk management, and recommend the approval of the related party transactions.

Audit Committee also met with external auditors to obtain their feedback about their evaluation of the Group's internal control systems and other matters related to the audit process.

**Additionally, The Committee performed the following:**

- Overseeing the company's internal audit function and verifying its effectiveness by reviewing the submitted internal audit reports and Following-up on the corrective action included in these reports.
- And analyzing the summited external audit proposals, submit recommendations to the Board of Directors and the General Assembly regarding the appointment of the company's external auditors for next year based on the applicable requirements.
- Review and approve the annual internal audit plan.
- Review external audit plan and makes necessary comments (if any).
- Discussing and follow up on the observations included in the company's external auditor management report.
- Overseeing risk management system in the company.

**Governance Performance And Internal Audit Results**

SISCO follows a comprehensive approach towards corporate governance to ensure maximum transparency and disclosure. The internal audit functions designs audit programs to timely detect internal control and monitor follow up mechanisms to take the corrective measures in reasonable time.

The Audit Committee confirms that nothing came to its attentions to caused it to believe that there is any significant deficiency in the internal control systems established by the Group and its subsidiaries. The Audit Committee's efforts are continuously focused to develop and improve the effectiveness and efficiency of the established internal controls systems.

During 2019, on an aggregate basis, 48 out of 111 audit findings across the Group were rated as 'Management Attention Required' (MARs).

| NAME OF THE COMPANY | SATISFACTORY | MAR | TOTAL | MAR % |
|---|---|---|---|---|
| SISCO | 21 | 6 | 27 | 22% |
| RSGT | 11 | 27 | 38 | 71% |
| LogiPoint | 31 | 15 | 46 | 33% |
| TOTAL | 63 | 48 | 111 | 43% |

* Most of these findings have been resolved during first quarter of 2020.

# Risk Management

Risk Management is an integral part of SISCO's overall management philosophy. SISCO follows a combination of top-down and bottom-up approaches to identify and assess the risks faced by its group and develops mitigation plans accordingly. During 2019, management teams of all group companies participated in this process and risk-register was updated incorporating recent market / economic conditions and trends.

Risks across the group companies were monitored throughout the year and appropriate actions were taken to ensure that the risks are properly mitigated.

| POTENTIAL RISK | MITIGATING ACTIONS |
|---|---|
| **Business Risks – Risk of high level objectives not being met** | |
| Loss of revenue through increased competition. | All of the Group's subsidiaries are facing increased competition from existing competitors or new players entering the market.<br>Group and subsidiary management monitors the competitive environment and makes necessary investments to enhance its capability and capacity to meet competition. In addition, subsidiaries are forming strong relationships with major customers to retain customers and developing new pricing strategy to minimize impact of price pressure. |
| Macroeconomic and geographical environment. | Market conditions in the sectors can be challenging due to macroeconomic or geographical issues which can potentially impact growth and profitability as well as investment in new assets.<br>The Group's subsidiaries are exploring opportunities to reduce its concentration risk in the market. |
| Limited diversification in the Group operations. | Group is highly dependent on one of its segment which presents a significant risk to the Group's performance in the event of a downturn in related operations.<br>The Group is continuously reviewing its portfolio of investments to diversify in sectors that could provide a hedge against drop in performance of its existing business units. |
| Regulatory risk and compliance. | Laws and regulations are becoming more complex, increasingly stringent and are subject to various legal and regulatory obligations.<br>The Group monitors changes to regulations across its portfolio to ensure that the effect of any changes is minimized and compliance is continually managed. |
| Credit Risk and debt collection. | Group companies have improved their credit control and customer collection procedures through regular follow up with customers. In addition, management normally goes through constant reviews over credit customers to ensure their ability to pay back. |
| **Operational Risks – Risk of ineffective and inefficient utilization of resources** | |
| Increasing cost base. | Rising energy costs and expatriate fees is placing significant strain on the Group's operations and profitability. The Group's companies are constantly reviewing their cost base to improve efficiency and reduce costs. In addition, the Group's companies are in the process of reviewing their pricing strategy and contracts with suppliers and customers. |
| IT and Data security and disclosure of sensitive information | In order to avoid cyber security threats, IT systems, software and security processes are regularly reviewed. All software and systems are upgraded or patched regularly to ensure minimizing any vulnerabilities. |
| Interruption to services and operations. | Group companies may face a risk were they are unable to prevent and respond to incidents caused by natural perils, network and system faults, that threaten our network.<br>The Group and its subsidiaries have a disaster recovery plan in place to minimize disruption to operations from natural disasters which is being reviewed periodically. |
| Environmental pollution e.g. pollution in seawater. | Management continuously reviews its mitigation plans in conjunction with its legal and insurance consultants to protect against this risk. |
| Production and productivity losses. | Maintenance and inspection strategies are put in place across all facilities. The Group continues to carry out necessary capital investment for equipment / plant reliability and availability. Further, it is ensured that operators are properly trained to carry out their roles efficiently. |

# Liquidity Management Policy

Cash is managed and controlled separately by the parent company and each subsidiary and associate and is carried out in accordance with the policies approved by the respective Boards of each company after thorough consultation. The purpose of the policies is to ensure that adequate cost-effective funding is available at all times and exposure to financial risk is minimized. The risks managed are liquidity risk, interest rate risk, and currency exchange rate risk. Derivative financial instruments like hedging strategies are applied to manage exposure to interest rate risk and currency risk. Derivative financial instruments are not used for speculative or profiteering purposes.

SISCO's liquidity policy objectives include implementation of good business practices such as repayment of obligations on a timely basis that assist in building the image of the company for future funding requirements and meeting business commitments on a timely basis. Liquidity risk is mitigated by careful monitoring of cash flow needs, regular communication with our credit providers, and careful selection of financial strategies and appropriate financial partners.

# Related Party Transactions

Various group companies had transactions with related parties of the Group. These transactions follow the same conditions and principles as dealing with third parties. The related parties include: The Group board members, major shareholders, senior executives and any of their first-degree relatives pursuant to the CMA and Ministry of Commerce and Investment regulations. All related party transaction are carried out according to best practices and as per the companies approved procurement procedures and policies.

**The following table sets out all related party transactions where the relation is through the Board Member of SISCO and are required to be approved by the General Assembly in accordance with Article 71 of the Saudi Company Law:**

| RELATED PARTY | RELATIONSHIP | NATURE OF TRANSACTION | AMOUNT OF TRANSACTION |
|---|---|---|---|
| Karam Fedics | Xenel Industries (SISCO shareholder) is also a shareholder of Karam Fedics. Also, Mr. Aamer A. Alireza (SISCO Vice Chairman) is a board member of Karam Fedics. | - Purchase of goods and services including catering and employee housing by RSGT. | 10,219,308 |
| Ali Reza Travel and Tourism Co. Ltd. | Mr. Mohammed A. Alireza (SISCO Chairman) is also a board member of the parent company of Alireza Travel. | - Purchase of air tickets by RSGT. | |
| Xenel Industries Limited (XIL) | XIL is a shareholder of SISCO and Mr. Mohammed A. Alireza (SISCO Chairman) and Mr. Aamer A. Alireza (SISCO Vice Chairman) are also board members of XIL. | - Payments made by the Group on behalf of shareholder.<br>- Expenses incurred by shareholder on behalf of the Group.<br>- Dividend paid by LogiPoint to XIL | 329,295<br>133,828<br>4,200,000 |
| Al Jabr Talke Co. Ltd. (SA Talke) | SA Talke is an associated company of SISCO and Mr. Aamer A. Alireza (SISCO Vice Chairman) is a board member of SA Talke. | - Expenses incurred by Group on behalf of associate.<br>-Dividend received from associate.<br>- Expenses cross charged by Group to associate | 499,331<br>8,444,856<br>10,420 |
| Saudi Cables Co. | Xenel Industries (SISCO shareholder) is also a significant shareholder in Saudi Cable. Mr. Mohammed A. Alireza (SISCO Chairman), Mr. Mr. Aamer Alireza (SICO Vice Chairman) are board members of XIL. Also, Mr. Adnan A. Maimani (SISCO board member) is a board member of Saudi Cables. | - Lease of land and warehouses by LogiPoint. | 244,047 |
| Arabian Bulk Trade Co. Ltd (ABT) | ABT is owned by Xenel Industries (SISCO shareholder). Mr. Mohammed A. Alireza (SISCO Chairman) and Mr. Aamer A. Alireza (SISCO Vice Chairman) are also board members of ABT. | - Warehouse lease by LogiPoint. | 13,858 |

In addition to the above table, following are the additional related party transactions required to be disclosed in accordance with Listing Rules and Corporate Governance Guideline issued by Capital Market Authority.

| RELATED PARTY | RELATIONSHIP | NATURE OF TRANSACTION | AMOUNT OF TRANSACTION |
|---|---|---|---|
| International Water Distribution Co. Ltd. (Tawzea) | SISCO owns 50% of Tawzea. Mr. Mohammed Mudarres (SISCO CEO) is board member of TAWZEA. | - Sales of water by Kindasa.<br>- Expenses incurred by SISCO on behalf of associate.<br>- Expenses incurred by associate on behalf of SISCO. | 62,909,118<br>881,734<br>38,081 |
| Water & Environmental Services Saudi Co. Ltd. | Kindasa (SISCO subsidiary) owns 49% of WESSCO. | - Sale of operation and management services by Kindasa<br>- Dividend received from associate | 5,010,303<br>5,823,999 |
| Red Sea Gateway Terminal Company Limited ("RSGT") | RSGT is a subsidiary of SISCO. Mr. Mohammed A. Alireza (SISCO Chairman), Mr. Aamer A. Alireza (SISCO Vice Chairman) and Mr. Mohammed Mudarres (SISCO CEO) are board members of RSGT. | - Expenses incurred by SISCO on behalf of subsidiary. | 232,649 |
| Saudi Trade and Export Development Company Limited ("LogiPoint") | LogiPoint is a subsidiary of SISCO. Mr. Aamer A. Alireza (SISCO Vice Chairman), Mr. Saleh A. Hefni (SISCO board member) and Mr. Mohammed Mudarres (SISCO CEO) are board members of LogiPoint. | - Expenses incurred by SISCO on behalf of subsidiary.<br>- Expenses incurred by subsidiary on behalf of SISCO.<br>- Transfer of EOSB | 1,174,160<br>133,412<br>603,505 |
| Kindasa Water Services Company ("Kindasa") | Kindasa is a subsidiary of SISCO. Mr. Mohammed A. Alireza (SISCO Chairman), Mr. Saleh A. Hefni, Mr. Adnan Maimani (SISCO board members) and Mr. Mohammed Mudarres (SISCO CEO) are board members of Kindasa. | - Expenses incurred by SISCO on behalf of subsidiary. | 879,657 |
| Support Services Operation Company Limited ("ISNAD") | ISNAD is subsidiary of SISCO. Mr. Aamer A. Alireza (SISCO Vice Chairman)) and Mr. Mohammed Mudarres (SISCO CEO) are board members of ISNAD. | Expenses incurred by SISCO on behalf of subsidiary. | 26,250 |
| Ambro Limited | Ambro is an affiliate of Xenmet which is 25% owned by SISCO subsidiary LogiPoint. | Purchase of services from LogiPoint | 14,841 |

# Board and Management Remuneration

SISCO' Board and committee members are compensated through annual remuneration and meeting attendance fee based on the rules and regulations stipulated by the Ministry of Commerce and Investment and in accordance with the Company's Articles of Association.

Compensation paid to Board Members during 2019 is as follows:

| BOARD MEMBERS | FIXED REMUNERATION | | | | VARIABLE REMUNERATION | | END OF SERVICE BENEFITS | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | MEETING ATTENDANCE FEE | COMMITTEE ATTENDANCE | COMMITTEE REMUNERATION | TOTAL | BOARD REMUNERATION | TOTAL | | |
| **Independent Members** | | | | | | | | |
| Alawi M. Kamel | 50,000 | 40,000 | 75,000 | **165,000** | 200,000 | **200,000** | - | **365,000** |
| AbdulAziz Jazzar | 50,000 | 60,000 | 150,000 | **260,000** | 200,000 | **200,000** | - | **460,000** |
| Abdul-Aziz Al-Meshal | - | 50,000 | - | **50,000** | 200,000 | **200,000** | - | **250,000** |
| TOTAL | **100,000** | **150,000** | **225,000** | **475,000** | **600,000** | **600,000** | **-** | **1,075,000** |
| **Non-Executive Members** | | | | | | | | |
| Mohamed A. Zainal | 50,000 | 20,000 | 75,000 | **145,000** | 350,000 | **350,000** | - | **495,000** |
| Aamer A. Alireza | 50,000 | 60,000 | 150,000 | **260,000** | 240,000 | **240,000** | - | **500,000** |
| Adnan Abdullah Maimani | 50,000 | 50,000 | 75,000 | **175,000** | 200,000 | **200,000** | - | **375,000** |
| Saleh A. Hefni | 50,000 | 40,000 | 75,000 | **165,000** | 200,000 | **200,000** | - | **365,000** |
| TOTAL | **200,000** | **170,000** | **375,000** | **745,000** | **990,000** | **990,000** | **-** | **1,735,000** |
| **Committee Members** | | | | | | | | |
| Waleed A. Kayyal | - | 70,000 | 225,000 | **295,000** | - | **-** | - | **295,000** |
| Abubaker Ali Bagabir | - | 50,000 | 100,000 | **150,000** | - | **-** | - | **150,000** |
| Thamer Al-Harthi | 10,000 | 40,000 | 75,000 | **125,000** | - | **-** | - | **125,000** |
| TOTAL | 10,000 | **160,000** | **300,000** | **570,000** | - | **-** | - | **570,000** |

## Management Remuneration

Executives of the company are compensated in the form of salaries, allowances, bonus and benefits in kind according to contracts signed with them.

Compensation and benefits paid to Senior Executives (including CEO & CFO) during 2019 are as follows:

| FIXED REMUNERATION | | | | VARIABLE REMUNERATION | | END OF SERVICE BENEFITS | TOTAL |
|---|---|---|---|---|---|---|---|
| BASIC SALARY | ALLOWANCES | OTHER BENEFITS | TOTAL | BONUS | TOTAL | | |
| 3,549,000 | 1,321,150 | 806,105 | **5,676,255** | 1,032,494 | **1,032,494** | 1,636,303 | **8,345,052** |

Remuneration Policy

The Company pays annual bonuses and expenses for attendance and any other relevant expenses for Board of Directors and Committee members in accordance with regulations stipulated by Ministry of Commerce and Investment and in accordance with Company Bylaws and approved charters.

Article (19) of the Company Bylaw's states that:

The remuneration of the Board of Directors consists of a combination of, attendance fees for the required meetings or a percentage of the net profits. Two or more of the benefits may be combined as approved by the Board of Directors and within the limits stipulated by the Companies Law and its regulations as specified by relevant authorities. The report of the Board of Directors to the General Assembly should include a comprehensive statement of all remuneration, fees, and other benefits received by the members during the fiscal year. The report should also include a statement of payments to the members as an employee, administrator or otherwise for technical, administrative or consulting service for the Company. The report should include a statement of the number of meetings, list of attendees of Board and General Assembly meetings.

Remuneration and Allowances Policy of the Board members and Board secretary in accordance with the Board charter:

- Based on Article 19 of the Articles of Association of the Company and the Company Law, the total remuneration of each member including all benefits shall not exceed five hundred thousand Saudi Riyals annually.
- Ten Thousand Saudi Riyals for each member for attending each Board meeting and Committee meeting.
- The company provides first class travel tickets, transportation, and accommodation for non-resident members.
- The Board of Directors determines the annual remuneration of the Secretary of the Board. The Company also covers the expenses such as travel tickets, accommodation, and all matters pertaining to the Board.
- The remuneration, attendance fees, and other allowances as mentioned above should be paid at the end of the financial year, except in the case of termination of membership before the end of the financial year; where remuneration is paid at termination.

Executive Remuneration

The Company pays salaries, allowances and any other remuneration and benefits for its executive based on their contracts and performance.

- The benefits paid are in compliance with the Company's reward and benefit policy.
- Members of the Board of Directors have not taken any amount from the Company for any administrative, technical or advisory work. All members of the Board of Directors are non-executive.

### Board and Management Perfomance

The Nomination and Remuneration Committee evaluates the Board performance through an annual review of the necessary skills and expertise required for board membership and executive management functions to:

- Verify annually that there are no conflicts of interest.
- Identify weaknesses and strengths of the Board.
- Propose solutions to address the weaknesses of the Board.
- Verify independency of the independent members.
- Evaluates the performance of SISCO's Executive Management through the review of Corporate KPI Scorecard achievement for the current year and agree the Corporate KPI Scorecard for the next year.



# Board Declaration / Confirmation

In accordance with the requirements of Article (90) of the Corporate Governance Regulations, and Articles (76-4) and (126-2) of the Companies Law and Articles 7 – 15 - 40 of the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies. To ensure the Board's commitment to highlight the applicable and non-applicable requirements under these Articles, the Board confirms the following:

Not applicable items from Article (90) of the Corporate Governance Regulations:

| ARTICLE NO. | DESCRIPTION | REASON FOR NON-COMPLIANCE |
|---|---|---|
| 9 | Any punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Authority or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future; | Not Applicable |
| 11 | The audit committee's recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor | Not Applicable |
| 12 | The audit committee's recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them. | Not Applicable |
| 21 | Any inconsistency with the standards approved by the Saudi Organizations for Certified Public Accountant. | Not Applicable |
| 25 | A description of any interest in a class of voting shares held by persons (other than the company's directors, Senior Executives and their relatives) who have notified the company of their holdings pursuant to Article 45 of Listing Rules, together with any change to such interests during the last fiscal year; | Not Applicable |
| 26 | A description of any interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the company or its affiliates, and any change on these interest or rights during the last fiscal year. | Not Applicable |
| 28 | A description of the class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the company during the fiscal year, as well as stating any compensation obtained by the company in this regard. | Not Applicable |
| 29 | A description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the company; | Not Applicable |
| 30 | Description of any redemption, purchase or cancellation by the company of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by the company and those purchased by its affiliates. | Not Applicable |
| 35 | A description of any arrangement or agreement under which a director or a Senior Executive of the company has waived any remuneration. | Not Applicable |
| 36 | A description of any arrangement or agreement under which a shareholder of the company has waived any rights to dividends. | Not Applicable |
| 38 | A statement as to the value of any investments made or any reserves set up for the benefit of the employees of the company. | Not Applicable |
| 40 | If the external auditor's report contains reservations on the annual financial statements, the Board report shall highlight this mentioning the reasons and any relevant information. | Not Applicable |
| 41 | If the Board recommended replacing the external auditor before the end of its term, the report shall indicate this mentioning the reasons for the replacement recommendation. | Not Applicable |

Pursuant to sub-clause (39) of article (90) of Corporate Governance Regulations, the Board of Directors of the Company hereby declare that:

- The Group's accounting records were properly prepared.
- The Group's internal control systems and procedures were properly developed and effectively executed.
- There are no doubts about the Group's ability to continue its business activities.

Not applicable items from the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies:

| ARTICLE NO. | DESCRIPTION | REASON FOR NON-COMPLIANCE |
|---|---|---|
| 15 | The Board annual report must contain details relating to Treasury Shares retained by the company and details on the use of these shares. | Not Applicable |

# Shareholding Interests

Information of the shareholding required under the reporting framework is as follows:

Number and dates of shareholders requests

| REQUEST NO. | REQUEST DATE | SHAREHOLDER LIST DATE | REQUEST REASON |
|---|---|---|---|
| 1 | 27/02/2019 | 27/02/2019 | Company Procedures |
| 2 | 17/03/2019 | 17/03/2019 | Company Procedures |
| 3 | 07/05/2019 | 07/05/2019 | General Assembly |
| 4 | 09/05/2019 | 09/05/2019 | Dividend File |
| 5 | 17/06/2019 | 16/06/2019 | Company Procedures |
| 6 | 10/07/2019 | 09/07/2019 | Company Procedures |
| 7 | 03/09/2019 | 30/06/2019 | Company Procedures |
| 8 | 26/09/2019 | 26/09/2019 | Company Procedures |
| 9 | 18/11/2019 | 18/11/2019 | Company Procedures |
| 10 | 18/11/2019 | 18/11/2019 | Company Procedures |
| 11 | 09/12/2019 | 09/12/2019 | Company Procedures |

Shareholders holding more than 5% of the paid-up voting share capital of the Company

| COMPANY NAME | NO. OF SHARE AS OF 01/01/2019 | % OF CAPITAL | NO. OF SHARE AS OF 31/12/2019 | % OF CAPITAL | CHANGE | |
|---|---|---|---|---|---|---|
| | | | | | NO. | % |
| Xenel Industries Limited | 11,992,924 | 14.7 | 11,992,924 | 14.7 | 0 | - |

Board Members and Senior Executives Interest and changes during the year

| NAME | NO. OF SHARE AS OF 01/01/2019 | % OF CAPITAL | NO. OF SHARE AS OF 31/12/2019 | % OF CAPITAL | CHANGE | |
|---|---|---|---|---|---|---|
| | | | | | SHARES | % |
| Mohamed A. Alireza | 933,345 | 1.14 | 938,345 | 1.14 | 5,000 | 0.11 |
| Adnan A. Maimani | 544,102 | 0.67 | 544,102 | 0.67 | - | - |
| Alawi M. Kamel | 35,513 | 0.30 | 5,513 | 0.006 | (30,000) | (0.29) |
| Saleh A. Hefni | 1,200 | 0.00 | 1,200 | 0.00 | - | - |
| Aamer A. Alireza | 31,677 | 0.04 | 31,677 | 0.04 | - | (0.04) |
| Abdulaziz Al-Meshal | 1,013,000 | 1.24 | 1,152,000 | 1.4 | 139,000 | 1.39 |
| Abdulaziz A. Jazzar | 20,400 | 0.03 | 20,400 | 0.03 | - | (0.03) |



# Shareholding Statistics

Shareholding Pattern as of 31 December 2019

| OWNERSHIP OF SHARES | SHAREHOLDERS | | SHARES | |
|---|---|---|---|---|
| | NO. | % | NO. | % |
| Less than 20 shares | 1,434 | 14.2% | 6,101 | 0.01% |
| From 20 to 99 shares | 1,221 | 12.1% | 67,356 | 0.08% |
| From 100 to 499 shares | 2,986 | 29.7% | 742,163 | 0.91% |
| From 500 to 999 shares | 1,248 | 12.4% | 854,019 | 1.05% |
| From 1,000 to 19,999 shares | 2,834 | 28.2% | 10,521,949 | 12.89% |
| From 20,000 to 99,999 shares | 246 | 2.4% | 10,812,953 | 13.25% |
| From 100,000 to 999,999 shares | 83 | 0.8% | 23,569,153 | 28.88% |
| From 1,000,000 to 4,999,999 shares | 14 | 0.1% | 23,033,382 | 28.23% |
| More than 5,000,000 shares | 1 | 0.0% | 11,992,924 | 14.70% |
| TOTAL | 10,067 | 100.0% | 81,600,000 | 100.00% |

Shareholder Categories as of 31 December 2019

| CATEGORY OF SHAREHOLDER | NO. OF INVESTORS | TOTAL SHARES OWNED | % |
|---|---|---|---|
| Companies | 29 | 20,739,924 | 25 |
| Funds | 47 | 8,356,993 | 10 |
| Individuals | 9,991 | 52,503,083 | 64 |
| TOTAL | 10,067 | 81,600,000 | 100.00% |

Nationality of shareholders as of 31 December 2019

| NATIONALITY | CURRENT BALANCE | % |
|---|---|---|
| Saudi | 76,756,935 | 94.06 |
| Norway | 2,045,112 | 2.51 |
| Others (23 Countries) | 2,797,953 | 3.43 |
| TOTAL | 81,600,000 | 100.00% |

Top shareholders as of 31 December 2019 – FUNDS & INVETMENT COMPANIES

| NAME | CURRENT BALANCE | % |
|---|---|---|
| Xenel Industries Limited | 11,992,924 | 14.70 |
| Sanad Investment Company | 3,010,000 | 3.69 |
| Norges Bank | 2,045,112 | 2.51 |
| Capital Investment Fund 46 | 1,070,856 | 1.31 |
| Ashmore Investment Fund.3 | 768,636 | 0.94 |
| Kuwait Investment Authority | 543,911 | 0.67 |
| TOTAL | 19,431,439 | 23.82% |

Shareholder Proposal

If the company receives any proposal, note or enquiry from a shareholder, the liaison officer directly informs executive management to address and respond to the enquiry. The Secretary of the Board shall notify the Board for discussion, if necessary.

# Outlook

# 05

## Future Outlook

2019 had significant shifts for Saudi Arabia business with a number of changes that had a positive impact on every level of the country – economic, social, cultural and environmental, with the aim of diversifying the Kingdom's economy away from an overreliance on hydrocarbons.

One of the most significant events was the Initial Public Offering "IPO" of state-owned energy giant Saudi Aramco, the largest in history, symbolizing efforts to liberalize the economy as well as generating $25 billion to finance wider development ambitions for the non-oil economy.

The number of positive changes was reflected in the improvement in non-oil sector activity and consumption for the first three quarters. This translated into a strong performance for SISCO's affiliates for the year more specifically the port sector which posted record volumes in 2019.

The strong momentum built during 2019 was expected to carry into 2020 leading to better operating results for all our business segments. However, the recent outbreak of the Coronavirus and its adverse impact on financial markets and disruption to the global supply chain coupled with a fall in oil prices, has dampened prospects for the Saudi economy in 2020 with revised estimates pointing to a downward revision of initial growth forecasts.

Despite the uncertainty and the negative economic outlook for 2020, SISCO is confident that its subsidiaries and affiliates will take appropriate measures to absorb any adverse short-term impact and ensure they are well positioned to take advantage of future opportunities when market conditions stabilize.

### Segment performance and outlook:

Whilst the short term performance for the port segment is expected to be impacted by the coronavirus and the economic outlook for 2020, the long term prospects remain very positive in particular after the signing of a new 30 year concession in 2019 by Red Sea Gateway Terminal (RSGT) to consolidate the entire North Container Terminal (NCT). The merging of both the existing and the adjacent NCT makes Red Sea Gateway Terminal the largest container terminal in Saudi Arabia and the Red Sea. The combined terminal will provide significant capacity upgrade, seamless operations and capability to ever increasing shipping alliances and their mega vessels in one location, thus giving it a distinct competitive advantage over other operators in the Western Region.

Mawani also revised the Customs Inspection Tariffs from 1 March 2019 which improved financial performance in 2019 and will continue to have a positive impact on the Port Sector in 2020.

The logistics sector continues to be in high demand and is at the core of the Kingdom's 2030 Vision. The sector is set to experience significant growth in the coming years through increased government investment and private sector involvement.

In line with this, and on the back of positive strides made during 2019 in securing long term agreements with marquee customers in the petrochemical and e-commerce sectors, 2020 is expected to be a year of opportunity for SISCO's logistics segment as it seeks to widen its product offering and expand operations across Saudi Arabia.

SISCO also made significant progress in the water sector with its affiliate Tawzea being awarded the Taif Independent Sewerage Plant Project. As additional projects are released by the authorities in line with the vision 2030 privatization program in this sector, SISCO is ensuring we are at the forefront of the appropriate PPP contracts released for tenders or negotiations.

** This section of the annual report includes statements subject to risks and uncertainties that are based on several economic and political factors out of SISCO's control.*

# Consolidated Financial Statements

For The Year Ended 31 December 2019

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Ernst & Young & Co. (Certified Public Accountants)
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**INDEPENDENT AUDITORS' REPORT**
**TO THE SHAREHOLDERS OF SAUDI INDUSTRIAL SERVICES COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**
We have audited the consolidated financial statements of Saudi Industrial Services Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

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

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

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

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

**Key audit matter (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Impairment assessment of intangible assets and property, plant and equipment*<br><br>At 31 December 2019, the carrying value of the Group's intangible assets amounted to SR 1,070 million (2018: SR 1,162 million) and its property, plant and equipment amounted to SR 874 million (2018: SR 897 million). Intangible assets mainly comprise of port concession rights resulting from Build-Operate-Transfer (BOT) agreement (the Agreement) with Saudi Ports Authority ("SPA" or "MAWANI") for construction and operation of a container terminal at Jeddah Islamic Port. The Group's property, plant and equipment comprise of container terminals, berths, cranes, storage facilities, desalination plants and related assets.<br><br>For impairment assessment, the Group grouped combined the intangible assets and property, plant and equipment as smallest group of assets that generates cash flow from continuing use (cash generating unit or CGU) that are largely independent of cash flows of other assets or other CGUs. The present value of estimated cash flows from CGUs (recoverable amount) are then compared with the carrying values to arrive at an impairment amount.<br><br>The Group's assessment of the recoverable amount of CGU involves use of significant judgement. This involves use of modelling techniques and requires a significant amount of judgement and estimation uncertainty. It also requires estimates of future cash flows and associated discount and growth rates based on management's view of future business prospects at the time of assessment.<br><br>We considered impairment assessment of intangible assets and property plant and equipment as a key audit matter due to involvement of significant judgements and estimation uncertainty. | In order to evaluate management's assessment of impairment estimate of the CGU, we performed, among other audit procedures, the following:<br><br>• discussed with the management the overall process and key inputs of the impairment estimation.<br>• evaluating and testing the assumptions, methodologies, CGU determination, the discount rates and other data used by the Group, for example by comparing them to external data.<br>• evaluating the financial forecast, the methodology of the financial forecast preparation process and the reasonability of the forecasts at the level of individual entities as well as at the Group level.<br>• evaluated management's outlook in the explicit period as well as the long term growth rate, in particular around forecasted revenues, earnings and capital expenditures<br>• assessed whether the CGU structure is aligned with the organizational structure;<br><br>Assessed the adequacy of the financial statement disclosures in terms of the applicable accounting standards, including disclosures of key assumptions, judgements and sensitivities. |





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

**Key audit matter (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Refer to notes 3.4 and 3.5 for the accounting policy relating to property, plant and equipment and intangible assets respectively and to notes 6 and 7 respectively for their related disclosures.* | |
| *Impairment loss on trade receivables:*<br><br>The gross balance of trade receivables as at 31 December 2019 amounted to SR 86.27 million (31 December 2018: 88.17 million), against which an allowance for impairment of SR 17.2 million (31 December 2018: 1.4 million) was made.<br><br>Significant judgement is involved to determine the impairment allowance against trade receivables. These judgements included the interpretation of the IFRS 9 'Financial Instruments' requirements to assess impairment, assumptions used by the Group in the expected credit loss model, identification of the exposures as well as the time value of money.<br><br>Given the significance of the impact of IFRS 9 on the Group's trade receivables, the complexity and judgements related particularly to the calculation of expected credit losses we considered this area as a key audit matter.<br><br>*Refer to note 3.10 for the accounting policy relating to trade receivables and note 13 and 33 for the related disclosure.* | In order to evaluate management's assessment of impairment against trade receivables, we:<br><br>• assessed the design and tested, for a selected sample, the operating effectiveness of relevant controls in relation to granting of credit terms and subsequent monitoring of trade receivables and review of credit risks of the customers.<br>• assessed the appropriateness of significant judgements, estimates and assumptions made by the management.<br>• assessed methodologies implemented by the Group with reference to the requirements of the IFRS 9 and assumptions used. Particularly we assessed the Group's:<br>  ◦ approach regarding assessment of the default;<br>  ◦ forward-looking information in the calculation of expected credit losses, and<br>  ◦ changes in the customer payment history.<br><br>We also assessed the disclosures in the consolidated financial statements as required by IFRS 7 Financial instruments: Disclosure. |
| *Provision for assets replacement costs*<br><br>At 31 December 2019, the carrying amount of the Group's provision for its obligation to maintain and replace certain equipment ("the Equipment") in accordance with the terms of the Agreement with MAWANI, amounted to SR 77.6 million (2018: SR 59.7 million).<br><br>The Group estimate the amount for the provision for asset replacement by ascertaining the present value of expected cash flows in relation to replace | Our audit procedures included the following:<br><br>• discuss the overall approach and controls put in place by management to build a model and estimate the provision;<br>• assessed appropriateness of the model used by management to determine the provision for asset replacement cost;<br>• checked on a sample basis, the completeness of the assets included in the calculation of the |

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

**Key audit matter (continued)**

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

**Other information included in the Group's 2019 annual report**

Other information consists of the information included in the Group's 2019 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2019 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2019 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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

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

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

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

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

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

**Auditors' responsibilities for the audit of the consolidated financial statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

10 Rajab 1441H
5 March 2020

Jeddah

20/24/MO



SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

| | Notes | *31 December 2019* SR | *31 December 2018* SR |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 6 | **874,419,937** | 896,943,951 |
| Intangible assets | 7 | **1,070,384,638** | 1,162,102,614 |
| Right of use assets | 22 | **241,825,240** | - |
| Investment properties | 8 | **133,781,349** | 143,015,640 |
| Investment in associates | 9 | **132,421,768** | 121,114,973 |
| Financial assets carried at FVOCI | 10 | **15,538,283** | 17,899,897 |
| Goodwill | 11 | **8,776,760** | 8,776,760 |
| Trade receivables, long term | 13 | **-** | 8,041,252 |
| Deferred tax asset | 28 | **4,407,665** | - |
| **TOTAL NON-CURRENT ASSETS** | | **2,481,555,640** | 2,357,895,087 |
| **CURRENT ASSETS** | | | |
| Inventories, net | 12 | **18,171,701** | 21,302,655 |
| Trade receivables, prepayments and other receivables | 13 | **100,088,944** | 108,032,996 |
| Cash and cash equivalents | 14 | **295,100,801** | 180,584,183 |
| Due from related parties | 30 | **11,185,041** | 9,920,006 |
| **TOTAL CURRENT ASSETS** | | **424,546,487** | 319,839,840 |
| **TOTAL ASSETS** | | **2,906,102,127** | 2,677,734,927 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 15 | **816,000,000** | 816,000,000 |
| Share premium | | **36,409,063** | 36,409,063 |
| Statutory reserve | 16 | **76,382,784** | 71,290,485 |
| Other components of equity | | **(9,516,848)** | 5,907,331 |
| Retained earnings | | **171,818,142** | 158,627,451 |
| **Equity attributable to the shareholders' of the Parent** | | **1,091,093,141** | 1,088,234,330 |
| Non-controlling interests | | **499,942,039** | 483,198,445 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **1,591,035,180** | 1,571,432,775 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term loans and bank facilities | 17 | **540,389,501** | 699,026,622 |
| Employees' end-of-service benefits | 18 | **39,470,059** | 27,215,717 |
| Long term provisions | 19 | **74,537,556** | 61,503,570 |
| Derivative financial instrument | 20 | **13,103,655** | 4,537,974 |
| Lease liability | 22 | **217,085,900** | - |
| **TOTAL NON- CURRENT LIABILITIES** | | **884,586,671** | 792,283,883 |
| **CURRENT LIABILITIES** | | | |
| Current portion of long term loans | 17 | **240,711,549** | 153,414,129 |
| Trade payables, accrued and other current liabilities | 21 | **158,857,771** | 159,711,795 |
| Lease liabilities | 22 | **29,930,538** | - |
| Due to related parties | 30 | **980,418** | 892,345 |
| **TOTAL CURRENT LIABILITIES** | | **430,480,276** | 314,018,269 |
| **TOTAL LIABILITIES** | | **1,315,066,947** | 1,106,302,152 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **2,906,102,127** | 2,677,734,927 |

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

| | Notes | 2019 SR | 2018 SR |
|---|---|---|---|
| Revenues | 23 | **675,883,929** | 564,704,864 |
| Direct costs | 24 | **(415,577,044)** | (342,639,116) |
| **GROSS PROFIT** | | **260,306,885** | 222,065,748 |
| **OPERATING EXPENSES** | | | |
| Selling and distribution expenses | 25 | **(32,862,592)** | (16,395,376) |
| General and administrative expenses | 26 | **(134,036,372)** | (117,592,131) |
| **TOTAL OPERATING EXPENSES** | | **(166,898,964)** | (133,987,507) |
| **OPERATING INCOME** | | **93,407,921** | 88,078,241 |
| Finance costs | | **(47,726,965)** | (50,779,637) |
| Finance income | | **1,831,748** | 500,897 |
| Other income | 27 | **8,986,729** | 8,781,688 |
| Share in results from equity accounted associates, net | 9 | **27,372,268** | 23,745,408 |
| **PROFIT BEFORE ZAKAT AND INCOME TAX** | | **83,871,701** | 70,326,597 |
| Zakat and income tax | 28 | **(5,992,979)** | (4,806,109) |
| **NET PROFIT FOR THE YEAR** | | **77,878,722** | 65,520,488 |
| **ATTRIBUTABLE TO:** | | | |
| Shareholders' of the parent company | | **50,922,990** | 46,745,090 |
| Non-controlling interests | | **26,955,732** | 18,775,398 |
| | | **77,878,722** | 65,520,488 |
| **EARNINGS PER SHARE** | | | |
| Basic and diluted earnings per share from net profit for the year attributable to the Shareholders' of the Parent | 29 | **0.62** | 0.57 |

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

| | Notes | 2019 SR | 2018 SR |
|---|---|---|---|
| **NET PROFIT FOR THE YEAR** | | **77,878,722** | 65,520,488 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| ***Items that will not be reclassified to profit or loss*** | | | |
| (Loss) / gain re-measurement of employees' end-of-service benefits | 18 | **(8,847,677)** | 2,976,034 |
| Net change in fair value of financial assets at FVOCI | 10 | **(2,361,614)** | (1,426,311) |
| Share of actuarial losses of equity accounted associates | 9 | **(1,796,618)** | 793,260 |
| ***Items that are or may be reclassified subsequently to profit or loss*** | | | |
| Cash flow hedges – effective portion of changes in fair value | 20 | **(8,565,681)** | (4,537,974) |
| **OTHER COMPREHENSIVE LOSS** | | **(21,571,590)** | (2,194,991) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **56,307,132** | 63,325,497 |
| **ATTRIBUTABLE TO:** | | | |
| Shareholders' of the parent company | | **35,498,811** | 45,422,821 |
| Non-controlling interests | | **20,808,321** | 17,902,676 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **56,307,132** | 63,325,497 |

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2019

| | Equity attributable to the shareholders' of the Parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | ----------Other components of equity---------- | | | | | | | |
| | *Share Capital SR* | *Share Premium SR* | *Statutory Reserve SR* | *Effect of changes in shareholding percentage in subsidiaries SR* | *Actuarial valuation reserves SR* | *Cash flow hedging reserve SR* | *Fair value reserve on financial assets at FVOCI SR* | *Retained earnings SR* | *Total SR* | *Non-controlling interests SR* | *Total equity SR* |
| Balance at 1 January 2019 | 816,000,000 | 36,409,063 | 71,290,485 | 1,133,474 | (805,878) | (2,750,012) | 8,329,747 | 158,627,451 | 1,088,234,330 | 483,198,445 | 1,571,432,775 |
| Profit for the year | - | - | - | - | - | - | - | 50,922,990 | 50,922,990 | 26,955,732 | 77,878,722 |
| Other comprehensive income | - | - | - | - | (7,871,762) | (5,190,803) | (2,361,614) | - | (15,424,179) | (6,147,411) | (21,571,590) |
| Total comprehensive income | - | - | - | - | (7,871,762) | (5,190,803) | (2,361,614) | 50,922,990 | 35,498,811 | 20,808,321 | 56,307,132 |
| Transfer to statutory reserve | - | - | 5,092,299 | - | - | - | - | (5,092,299) | - | - | - |
| Dividends paid (note 15) | - | - | - | - | - | - | - | (32,640,000) | (32,640,000) | (4,200,000) | (36,840,000) |
| Net movement in non-controlling interest | - | - | - | - | - | - | - | - | - | 135,273 | 135,273 |
| **Balance at 31 December 2019** | **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** |

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
For the year ended 31 December 2019

| | *Equity attributable to the shareholders' of the Parent Company* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | ----------Other components of equity---------- | | | | | | | |
| | *Share capital SR* | *Share premium SR* | *Statutory reserve SR* | *Effect of changes in shareholding percentage in subsidiaries SR* | *Actuarial valuation reserves SR* | *Cash flow hedging reserve SR* | *Fair value reserve on financial assets at FVOCI SR* | *Retained earnings SR* | *Total SR* | *Non-controlling interests SR* | *Total equity SR* |
| Balance at 1 January 2018 | 816,000,000 | 36,409,063 | 66,615,976 | 1,133,474 | (3,467,662) | - | 9,563,788 | 141,036,870 | 1,067,291,509 | 476,769,749 | 1,544,061,258 |
| Profit for the year | - | - | - | - | - | - | - | 46,745,090 | 46,745,090 | 18,775,398 | 65,520,488 |
| Other comprehensive income | - | - | - | - | 2,661,784 | (2,750,012) | (1,234,041) | - | (1,322,269) | (872,722) | (2,194,991) |
| Total comprehensive income | - | - | - | - | 2,661,784 | (2,750,012) | (1,234,041) | 46,745,090 | 45,422,821 | 17,902,676 | 63,325,497 |
| Transfer to statutory reserve | - | - | 4,674,509 | - | - | - | - | (4,674,509) | - | - | - |
| Dividends paid (note 15) | - | - | - | - | - | - | - | (24,480,000) | (24,480,000) | (11,476,500) | (35,956,500) |
| Net movement in non-controlling interest | - | - | - | - | - | - | - | - | - | 2,520 | 2,520 |
| Balance at 31 December 2018 | 816,000,000 | 36,409,063 | 71,290,485 | 1,133,474 | (805,878) | (2,750,012) | 8,329,747 | 158,627,451 | 1,088,234,330 | 483,198,445 | 1,571,432,775 |

SAUDI INDUSTRIAL SERVICES COMPANY (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
At 31 December 2019

| | Notes | 2019 SR | 2018 SR |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the year before zakat and income tax | | **83,871,701** | 70,326,597 |
| Adjustments for: | | | |
| Depreciation and amortization | 6, 7 & 8 | **149,506,113** | 149,866,024 |
| Depreciation of right of use assets | | **8,437,952** | - |
| Provision for employees' end-of-service benefits | 18 | **5,381,511** | 5,497,529 |
| loss / (Gain) on disposal of property, plant and equipment | 27 | **47,709** | (1,100,000) |
| Share of results from equity accounted associates, net | 9 | **(27,372,268)** | (23,745,408) |
| Impairment allowance | 33 | **15,849,444** | 393,378 |
| Capital work in progress written-off | 6 | **2,013,709** | 2,897,171 |
| Amortization of deferred revenue | | **(16,363)** | (17,591) |
| Provision for dismantling cost | 19 | **79,185** | 1,662,887 |
| Allowance for slow moving and obsolete inventories | | **2,675,448** | 2,139,526 |
| Provision for asset replacement cost | | **11,851,373** | (12,247,283) |
| Financial charges | | **47,726,965** | 50,779,637 |
| | | **300,052,479** | 246,452,467 |
| Changes in operating assets and liabilities | | | |
| Trade receivables, prepayments and other receivables | | **(12,682,735)** | (16,964,133) |
| Inventories | | **455,506** | 2,060,408 |
| Trade payables, accrued and other current liabilities | | **17,874,314** | (390,156) |
| Cash from operating activities | | **305,699,564** | 231,158,586 |
| Finance costs paid | | **(41,550,833)** | (45,202,824) |
| Employees' end-of-service benefits paid | 18 | **(1,974,846)** | (1,999,010) |
| Zakat and income tax paid | 28 | **(6,110,197)** | (5,207,892) |
| Net cash from operating activities | | **256,063,688** | 178,748,860 |
| **INVESTING ACTIVITIES** | | | |
| Dividends received from equity accounted associates | 9 | **14,268,855** | 14,394,944 |
| Purchase of intangibles, property, plant and equipment | 6, 7 & 8 | **(38,046,060)** | (46,953,160) |
| Redemption of investments classified as available for sale | 10 | **-** | 50,487,996 |
| Proceeds from disposal of property, plant and equipment | | **51,551** | 2,812,600 |
| Net cash (used in) / from investing activities | | **(23,725,654)** | 20,742,380 |
| **FINANCING ACTIVITIES** | | | |
| Long term loans and bank facilities (paid) / received, net | | **(76,396,042)** | (133,661,018) |
| Dividend paid | 15 | **(32,640,000)** | (24,480,000) |
| Dividends paid to non-controlling interests by subsidiaries | | **(4,200,000)** | (11,476,500) |
| Payment of lease liability | | **(4,720,647)** | - |
| Net movement in non-controlling interests | | **135,273** | 2,520 |
| Net cash used in financing activities | | **(117,821,416)** | (169,614,998) |
| Net increase in cash and cash equivalents | | **114,516,618** | 29,876,242 |
| Cash and cash equivalents at the beginning of the year | 14 | **180,584,183** | 150,707,941 |
| **Cash and cash equivalents at the end of the year** | 14 | **295,100,801** | 180,584,183 |



SAUDI INDUSTRIAL SERVICES COMPANY (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
At 31 December 2019

SUPPLEMENTARY NON CASH INFORMATION

| | Note | 31 December 2019 SR | 31 December 2018 SR |
|---|---|---|---|
| Transfers from Property and equipment investments property | 6 | **(134,568)** | (217,092) |
| Transfers from intangible assets to Right of use assets | 7.2 | **(26,162,609)** | - |
| Right of use assets from lease liability and prepayments | 22 | **(230,459,708)** | - |
| Deferred tax | 28 | **4,407,665** | - |

## 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 2019 | 2018 | Principal activities |
|---|---|---|---|---|
| Saudi Trade and Export Development Company Limited ("Tusdeer") | Saudi Arabia | **76%** | 76% | Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port. |
| Kindasa Water Services Company – Closed Joint Stock Company ("Kindasa") | Saudi Arabia | **65%** | 65% | Water desalination and treatment plant and sale of water. |
| Support Services Operation Company Limited ("ISNAD") | Saudi Arabia | **99.28%** | 99.28% | Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease. |
| Red Sea Gateway Terminal Company Limited ("RSGT") | Saudi Arabia | **60.6%** | 60.6% | Development, construction, operation and maintenance of container terminals and excavation and back filling works. |
| Red Sea Port Development Company – Closed Joint Stock Company ("RSPD") | Saudi Arabia | **60.6%** | 60.6% | Development, construction, operation and maintenance of container terminals and excavation and back filling works. |

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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





## 2 BASIS OF PREPARATION (continued)

### 2.2 Basis of measurement

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

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

### 2.3 Functional and presentation currency

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

### 2.4 Significant accounting judgements, estimates and assumptions

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

**Judgements**

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

- Decision related to control over investee (note 3.1)
- Classification of investment property (note 3.6)
- Lease classification (note 3.7)
- Provisions (3.12)

***Volume rebate***

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

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

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

***Going concern***

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

**Estimates and assumptions**

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

***Useful lives and residual value of property, plant and equipment***

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

## 2 BASIS OF PREPARATION (continued)

### 2.4 Significant accounting judgements estimates and assumptions (continued)

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

***Provision for expected credit losses (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 33.

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

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

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

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

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

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





## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Basis of consolidation
The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary is as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

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

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

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

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

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

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

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

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

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

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.1 Basis of consolidation (continued)

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

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

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

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

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

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

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

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

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

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

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





## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Foreign currencies

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

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

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

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

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

### 3.3 Current versus non-current classification

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

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

All other assets are classified as non-current.

***Liabilities***
A liability is current when:

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

The Group classifies all other liabilities as non-current.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 Property, plant and equipment**

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

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

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

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

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

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

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

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

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

The estimated useful lives are as follows:

| | |
|---|---|
| Buildings | Shorter of lease / concession period or 10 – 40 years |
| Leasehold improvements | Shorter of lease / concession period or 10 – 28 years |
| Plant and equipment | Shorter of lease / concession period or 5 – 20 years |
| Machinery and equipment | 2 – 25 years |
| Motor vehicles and tankers | 5 – 10 years |
| Fixtures and furnishing | 5 – 10 years |
| Computers and equipment | 2 - 5 years |

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





**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

The port concession rights include all costs incurred towards construction of the container terminal. The port concession rights are stated at cost, less amortization of cost. The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period which is 32 years or life of the underlying assets, whichever is shorter (see note 7)

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

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

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

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

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

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.6 Investment properties (continued)**

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

**3.7 Leases**

The 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***

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, initial direct costs incurred, and lease payments made at or before the commencement date 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. Refer to the accounting policies in section (s) Impairment of non-financial assets.

***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. 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.

***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

***Group as a lessor***

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

**3.8 Inventories**

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





**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.9 Cash and cash equivalents**

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

**3.10 Financial instruments**

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

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

**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.

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

***Subsequent measurement***

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

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

***a) Financial assets at amortised cost (debt instruments)***

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

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

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

***b) Financial assets at fair value through OCI***

***Debt instruments***

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

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

***b) Financial assets at fair value through OCI (continued)***

***Debt instruments (continued)***

- 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. 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.



SAUDI INDUSTRIAL SERVICES COMPANY (A Saudi Joint Stock Company)
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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

**Business model assessment (continued)**

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

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

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

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

**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.

***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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Financial instruments (continued)**

***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.

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

**3.11 Impairment of financial and non-financial assets**

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

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





**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.11 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.

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

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

**3.13 Employee benefits**

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

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

**3.15 Revenue**

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

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

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

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

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

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





**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.15 Revenue (continued)**

***Sale of goods***

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

***Rendering of services***

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

***Rental revenue***

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

***Volume rebates***

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

**3.16 Expenses**

***Direct cost***

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

***Selling and distribution expenses***

These include any costs incurred to carry out or facilitate selling activities of the 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.

**3.17 Borrowing costs**

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

**3.18 Finance income**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.19 Zakat**

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

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

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

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

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

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

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

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

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

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

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

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

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





**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.19 Zakat and tax (continued)**

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

***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.

**3.20 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.

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 NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

Effective 1 January 2019 the Company has adopted following IFRSs, the impact of the adoption of which is explained below:

**IFRS 16 Leases**

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

## 4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

The effect of adoption of IFRS 16 as at 1 January 2019 [increase / (decrease)] is as follows:

| | *SR* |
|---|---|
| **Assets** | |
| Right-of-use assets (note 22) | **230,459,708** |
| Prepayments | **(2,937,500)** |
| Transfers | **26,162,609** |
| **Total assets** | **253,684,817** |
| **Liabilities** | |
| Lease liabilities (note 22) | **241,835,939** |
| Other non-current and current liabilities | **(14,313,731)** |
| **Total liabilities** | **227,522,208** |

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

*Leases previously classified as finance leases*
The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

*Leases previously accounted for as operating leases*
The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease





## 4 IMPACT OF ADOPTION OF NEW STANDARDS (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

| | *SR* |
|---|---|
| **Assets** | |
| Operating lease commitments as at 31 December 2018 | **464,301,737** |
| Weighted average incremental borrowing rate as at 1 January 2019 | **(222,465,798)** |
| Lease liabilities as at 1 January 2019 | **241,835,939** |

The weighted average incremental borrowing rate for the Group ranges between 4.9% to 5.5%.

**Amendments to IFRS 9: Prepayment Features With A Negative Compensation**

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendment is effective for reporting periods beginning or after 1 January 2019. The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.

The amendments to IFRS 9 has no impact on the financial statements of the Group**.**

**Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combination, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The amendment to IFRS 10 and IAS 28 has no impact on the Group.

## 5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

**Amendments to IFRS 3: Definition of a business**

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

The amendments to IFRS 3 has no impact on the Group.

## 5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

**Amendments to IFRS 9 and IFRS 7: Interest Rate Benchmark Reform**

In September 2019, the IASB issued amendments to IFRS 9 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The amendment is effective for reporting periods beginning on or after 1 January 2020. The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed.

The Group holds derivatives for risk management purposes, some of which are designated in hedging relationships. The interest rate and foreign exchange derivative instruments have floating legs that are indexed to IBORs. The Group also has floating-rate liabilities indexed to IBORs. The Group's treasury team will initiate discussions with the counterparties of the financial liabilities to renegotiate the contractual terms in preparation for IBOR reform. The Group is in the process of ascertaining the impact of Interest rate benchmark reform and make the required adjustments in the next financial year

**Amendment to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendment is effective for reporting periods beginning on or after 1 January 2020. The amendments must be applied prospectively. Early application is permitted and must be disclosed. The management did not early adopt the amendment and is of the view that there will be no impact on the financial statements of the Group in future.

**IFRS 17 Insurance Contracts**

In May 2018, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

## 6 PROPERTY, PLANT AND EQUIPMENT

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Property, plant and equipment | **315,005,474** | 312,038,100 |
| Property and equipment of bonded and re-export project (note 6.1) | **29,393,479** | 30,916,200 |
| Property and equipment – port terminal operations (note 6.2) | **530,020,984** | 553,989,651 |
| | **874,419,937** | 896,943,951 |





## 6 PROPERTY, PLANT AND EQUIPMENT (continued)

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

| | *Land SR* | *Leasehold improvements SR* | *Motor vehicles & tankers SR* | *Tools & equipment's SR* | *Furniture & fixtures SR* | *Computers SR* | *Desalination plants SR* | *Capital work-in-progress SR* | *31 December 2019 SR* |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At the beginning of the year | 66,808,150 | 131,943 | 16,168,793 | 15,230,854 | 12,082,613 | 6,193,123 | 320,572,681 | 100,662,759 | **537,850,916** |
| Additions during the year | - | - | 2,247,050 | 174,916 | 165,004 | 192,407 | 1,079,222 | 25,929,947 | **29,788,546** |
| Disposals during the year | - | - | (84,804) | (256,781) | (1,308,281) | (1,182,950) | (336,250) | - | **(3,169,066)** |
| Written off during the year | - | - | - | - | - | - | - | (2,013,709) | **(2,013,709)** |
| Transfer to investment property (note 8) | - | - | - | - | - | - | - | (134,568) | **(134,568)** |
| Transfers during the year (refer note below) | - | - | 736,544 | 3,238 | 2,780,649 | - | 32,503,876 | (36,443,382) | **(419,075)** |
| At the end of the year | 66,808,150 | 131,943 | 19,067,583 | 15,152,227 | 13,719,985 | 5,202,580 | 353,819,529 | 88,001,047 | **561,903,044** |
| **Accumulated depreciation** | | | | | | | | | |
| At the beginning of the year | - | 131,943 | 11,479,045 | 10,230,928 | 8,827,912 | 3,810,151 | 191,332,837 | - | **225,812,816** |
| Charge for the year | - | - | 1,131,853 | 496,188 | 1,737,955 | 596,470 | 20,199,764 | - | **24,162,230** |
| Disposals during the year | - | - | (84,804) | (255,043) | (1,305,362) | (1,127,033) | (305,234) | - | **(3,077,476)** |
| At the end of the year | - | 131,943 | 12,526,094 | 10,472,073 | 9,260,505 | 3,279,588 | 211,227,367 | - | **246,897,570** |
| Net book amounts | | | | | | | | | |
| **As at 31 December 2019** | **66,808,150** | - | **6,541,489** | **4,680,154** | **4,459,480** | **1,922,992** | **142,592,162** | **88,001,047** | **315,005,474** |

**6 PROPERTY, PLANT AND EQUIPMENT (continued)**

| | *Land* *SR* | *Leasehold improvements* *SR* | *Motor vehicles & tankers* *SR* | *Tools & equipment's* *SR* | *Furniture & fixtures* *SR* | *Computers* *SR* | *Desalination plants* *SR* | *Capital work-in-progress* *SR* | *31 December 2018* *SR* |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At the beginning of the year | 66,808,150 | 131,943 | 13,573,640 | 15,185,789 | 11,948,511 | 6,060,171 | 320,241,251 | 67,845,211 | 501,794,666 |
| Additions during the year | - | - | 2,595,153 | 45,065 | 134,102 | 132,952 | 60,406 | 37,789,364 | 40,757,042 |
| Disposals during the year | - | - | - | - | - | - | (917,493) | (457,190) | (1,374,683) |
| Written off during the year (note 26) | - | - | - | - | - | - | - | (2,897,171) | (2,897,171) |
| Transfer to investment property (note 8) | - | - | - | - | - | - | - | (217,092) | (217,092) |
| Transfer to Intangibles (note 7.3) | - | - | - | - | - | - | - | (211,846) | (211,846) |
| Transfers during the year | - | - | - | - | - | - | 1,188,517 | (1,188,517) | - |
| At the end of the year | 66,808,150 | 131,943 | 16,168,793 | 15,230,854 | 12,082,613 | 6,193,123 | 320,572,681 | 100,662,759 | 537,850,916 |
| **Accumulated depreciation** | | | | | | | | | |
| At the beginning of the year | - | 131,943 | 10,568,124 | 9,637,398 | 7,684,700 | 2,920,609 | 172,714,069 | - | 203,656,843 |
| Charge for the year | - | - | 910,921 | 593,530 | 1,143,212 | 889,542 | 19,245,474 | - | 22,782,679 |
| Disposals during the year | - | - | - | - | - | - | (626,706) | - | (626,706) |
| At the end of the year | - | 131,943 | 11,479,045 | 10,230,928 | 8,827,912 | 3,810,151 | 191,332,837 | - | 225,812,816 |
| Net book amounts | | | | | | | | | |
| **As at 31 December 2018** | 66,808,150 | - | 4,689,748 | 4,999,926 | 3,254,701 | 2,382,972 | 129,239,844 | 100,662,759 | 312,038,100 |





**6 PROPERTY, PLANT AND EQUIPMENT (continued)**

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

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

c) The carrying amount of capital work in progress include finance cost amounting to SR 9.9 million related to unwinding of right of use liability amount (note 22).

**6.1 Property and equipment of bonded and re-export project**

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

| | ***Leasehold improvements*** ***SR*** | ***Buildings on leasehold land*** ***SR*** | ***Equipment*** ***SR*** | ***31 December 2019*** ***SR*** |
|---|---|---|---|---|
| **Cost** | | | | |
| At the beginning of the year | 27,281,790 | 20,564,261 | 1,203,875 | **49,049,926** |
| Disposals during the year | - | - | (41,300) | **(41,300)** |
| Transfer from capital work in progress | - | 419,075 | - | **419,075** |
| At the end of the year | 27,281,790 | 20,983,336 | 1,162,575 | **49,427,701** |
| **Accumulated depreciation** | | | | |
| At the beginning of the year | 12,620,116 | 4,309,735 | 1,203,875 | **18,133,726** |
| Charge for the year | 1,039,611 | 902,185 | - | **1,941,796** |
| Disposals during the year | - | - | (41,300) | **(41,300)** |
| At the end of the year | 13,659,727 | 5,211,920 | 1,162,575 | **20,034,222** |
| Net book value | | | | |
| **31 December 2019** | **13,622,063** | **15,771,416** | - | **29,393,479** |

The buildings and leasehold improvements are situated on a plot of land leased from 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.

| | *Leasehold improvements* *SR* | *Buildings on leasehold land* *SR* | *Equipment* *SR* | *31 December 2018* *SR* |
|---|---|---|---|---|
| **Cost** | | | | |
| At the beginning of the year | 27,078,690 | 20,564,261 | 1,203,875 | 48,846,826 |
| Additions during the year | 203,100 | - | - | 203,100 |
| At the end of the year | 27,281,790 | 20,564,261 | 1,203,875 | 49,049,926 |
| **Accumulated depreciation** | | | | |
| At the beginning of the year | 11,597,833 | 3,407,546 | 1,203,875 | 16,209,254 |
| Charge for the year | 1,022,283 | 902,189 | - | 1,924,472 |
| At the end of the year | 12,620,116 | 4,309,735 | 1,203,875 | 18,133,726 |
| Net book value | | | | |
| **31 December 2018** | 14,661,674 | 16,254,526 | - | 30,916,200 |

## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

### 6.2 Property and equipment – port terminal operations

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

| | *Leasehold improvements SR* | *Motor vehicles SR* | *Furniture and fixtures SR* | *Computers and equipment's SR* | *Machinery and equipment's SR* | *Capital work-in-progress SR* | *31 December 2019 SR* |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At the beginning of the year | 333,471,636 | 4,365,328 | 18,459,424 | 8,808,682 | 349,449,826 | 595,544 | **715,150,440** |
| Additions during the year | 178,600 | 844,591 | 978,590 | 958,955 | 797,687 | 18,859,867 | **22,618,290** |
| Disposals during the year | - | - | (63,195) | (201,242) | (186,000) | - | **(450,437)** |
| At the end of the year | 333,650,236 | 5,209,919 | 19,374,819 | 9,566,395 | 350,061,513 | 19,455,411 | **737,318,293** |
| **Accumulated depreciation** | | | | | | | |
| At the beginning of the year | 42,225,549 | 2,625,733 | 11,409,013 | 7,120,754 | 97,779,740 | - | **161,160,789** |
| Charge for the year | 20,285,777 | 654,136 | 1,941,856 | 971,862 | 22,725,656 | - | **46,579,287** |
| Disposals during the year | - | - | (55,525) | (201,242) | (186,000) | - | **(442,767)** |
| **At the end of the year** | 62,511,326 | 3,279,869 | 13,295,344 | 7,891,374 | 120,319,396 | - | **207,297,309** |
| Net book value | | | | | | | |
| **At 31 December 2019** | **271,138,910** | **1,930,050** | **6,079,475** | **1,675,021** | **229,742,117** | **19,455,411** | **530,020,984** |

a) The Group's property and equipment – port terminal operations has been pledged against the Ijara facility (note 17).



## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

### 6.2 Property and equipment – port terminal operations (continued)

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

## 6 PROPERTY, PLANT AND EQUIPMENT (continued)

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

| | ***31 December 2019 SR*** | *31 December 2018 SR* |
|---|---|---|
| Direct costs | **60,656,617** | 52,113,242 |
| Selling and distribution expenses (note 24) | **7,449,090** | 7,566,797 |
| General and administrative expenses (note 25) | **4,577,606** | 12,042,935 |
| | **72,683,313** | 71,722,974 |

## 7 INTANGIBLE ASSETS

Intangible assets comprise of the following:

| | ***31 December 2019 SR*** | *31 December 2018 SR* |
|---|---|---|
| Port concession rights (note 7.1) | **1,067,739,776** | 1,133,082,390 |
| Right to-use-land (note 7.2) | **-** | 26,162,608 |
| Other intangible assets (note 7.3) | **2,644,862** | 2,857,616 |
| | **1,070,384,638** | 1,162,102,614 |

Intangible assets – port concession rights are secured against the Ijara facilities obtained from local banks (note 17).

### 7.1 Port concession rights

Saudi Trade and Export Development Company (Tusdeer), a subsidiary of the Group, had an agreement with Saudi Ports Authority ("SPA" or "MAWANI") for the construction of a container terminal at the Re-export Zone of Jeddah Islamic Port. This Build-Operate-Transfer (BOT) Service Concession Agreement ("the Agreement") with MAWANI has been novated by Tusdeer to another subsidiary of the Group i.e. RSGT, effective from 22 Shawal 1428 H (corresponding to 3 November 2007), and the duration of this agreement is 32 years. As per BOT agreement, at the end of the concession period, the property and equipment underlying the port concession rights shall be transferred to MAWANI. RSGT commenced its initial commercial operations effective from 22 December 2009 (corresponding to 5 Muharram 1431 H). Port concession rights are being amortised over the useful lives of the underlying assets (representing the property and equipment) or the remaining term of concession, whichever is shorter. All amortization charge for the year has been allocated to direct cost (note 37).

The movement in port concession rights is as follows:

| | ***31 December 2019 SR*** | *31 December 2018 SR* |
|---|---|---|
| **Cost** | | |
| At the beginning of the year | **1,710,555,638** | 1,711,145,484 |
| Disposal | **-** | (589,846) |
| End of the year | **1,710,555,638** | 1,710,555,638 |
| **Amortization** | | |
| At the beginning of the year | **577,473,248** | 512,516,475 |
| Charge for the year | **65,342,614** | 65,494,040 |
| Disposal | **-** | (537,267) |
| End of the year | **642,815,862** | 577,473,248 |
| **Net book value** | **1,067,739,776** | 1,133,082,390 |





## 7 INTANGIBLE ASSETS (continued)

### 7.2 Right to use land

Saudi Trade and Export Development Company ("Tusdeer"), a subsidiary of the Group had obtained a land on lease from MAWANI. The subsidiary transferred the right to use land to another subsidiary at original contract price. The right obtained for use of land is for a period of 31 years and 2 months ending on 14 Muharram 146I H (corresponding to 8 February 2039) and is being amortized on straight line basis. Effective 1 January 2019, the net carrying amount of right to use land was transferred to "right to use assets" due to adoption of IFRS 16 (note 22).

### 7.3 Other intangible assets

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

| | ***31 December 2019 SR*** | *31 December 2018 SR* |
|---|---|---|
| **Cost** | | |
| At the beginning of the year | **20,791,908** | 20,230,480 |
| Additions during the year | **1,898,573** | 263,406 |
| Transfers from capital work-in-progress (notes 6 and 6.2) | **-** | 298,022 |
| At the end of the year | **22,690,481** | 20,791,908 |
| **Amortization** | | |
| At the beginning of the year | **17,934,292** | 16,093,884 |
| Charge for the year | **2,111,327** | 1,840,408 |
| **At the end of the year** | **20,045,619** | 17,934,292 |
| **Net book value** | **2,644,862** | 2,857,616 |

Amortization charge for the year has been allocated as follows:

| | ***31 December 2019 SR*** | *31 December 2018 SR* |
|---|---|---|
| Direct costs | **1,198** | 116,411 |
| Selling and distribution expenses (note 25) | **138,309** | 101,172 |
| General and administrative expenses (note 26) | **1,971,820** | 1,622,825 |
| | **2,111,327** | 1,840,408 |

## 8 INVESTMENT PROPERTIES

The movement in investment property is as follows:

| | *Leasehold improvements* | *Buildings on leasehold land* | *31 December 2019* | *31 December 2018* |
|---|---|---|---|---|
| **Cost** | ***SR*** | ***SR*** | ***SR*** | *SR* |
| At the beginning of the year | 107,998,677 | 132,532,824 | **240,531,501** | 240,273,931 |
| Additions during the year | - | - | **-** | 40,478 |
| Transfer from property and equipment (note 6) | - | 134,568 | **134,568** | 217,092 |
| | 107,998,677 | 132,667,392 | **240,666,069** | 240,531,501 |
| **Accumulated depreciation** | | | | |
| At the beginning of the year | 40,277,316 | 57,238,545 | **97,515,861** | 87,843,443 |
| Charge for the year | 3,388,369 | 5,980,490 | **9,368,859** | 9,672,418 |
| At the end of the year | 43,665,685 | 63,219,035 | **106,884,720** | 97,515,861 |
| Net book value: | | | | |
| **At 31 December 2019** | **64,332,992** | **69,448,357** | **133,781,349** | |
| At 31 December 2018 | 67,721,361 | 75,294,279 | | 143,015,640 |

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

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

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

## 9 INVESTMENT IN ASSOCIATES

| | *31 December 2019* | *31 December 2018* |
|---|---|---|
| | ***SR*** | *SR* |
| As at 1 January | **121,114,973** | 110,971,249 |
| Share in results of associates, net | **27,372,268** | 23,745,408 |
| Share of actuarial losses of associates recognized in OCI | **(1,796,618)** | 793,260 |
| Dividend received during the year | **(14,268,855)** | (14,394,944) |
| As at 31 December | **132,421,768** | 121,114,973 |





## 9 INVESTMENT IN ASSOCIATES (continued)

9.1 As at 31 December 2019, the investment in associates comprises the following:

| *Associates* | *Principal activity* | *Country of incorporation* | *Effective shareholding percentage* | | *Carrying amount* | |
|---|---|---|---|---|---|---|
| | | | ***2019*** | ***2018*** | ***31 December 2019*** | *31 December 2018* |
| International Water Distribution Company Limited (note a) | Water/waste works, water treatment and lease of water equipment | Kingdom of Saudi Arabia | **50%** | 50% | **81,610,509** | 71,909,835 |
| 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% | **7,685,124** | 11,337,843 |
| Saudi Al Jabr Talke Company Limited | Contracting, construction, operation and maintenance of factories and warehouses | Kingdom of Saudi Arabia | **33.3%** | 33.3% | **41,480,770** | 37,007,775 |
| Xenmet SA, Vaduz (note c) | Trading, storage and brokerage of commodities | Principality of Liechtenstein | **19%** | 19% | **1,645,365** | 859,520 |
| | | | | | **132,421,768** | 121,114,973 |

a) The Parent Company does not have any direct 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.

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

| *Associates* | *International Water Distribution Company Limited* | *Saudi Water and Environmental Services Company* | *Al Jabr Talke Company Limited* | *Xenmet SA, Vaduz* |
|---|---|---|---|---|
| | ***SR*** | ***SR*** | ***SR*** | ***SR*** |
| **31 December 2019** | | | | |
| **Assets** | **262,735,075** | **14,533,941** | **189,037,153** | **7,052,408** |
| **Liabilities** | **100,420,912** | **956,796** | **83,479,440** | **492,048** |
| **Revenues** | **233,306,395** | **20,334,370** | **258,866,775** | **3,485,784** |
| **Net income** | **19,770,081** | **4,431,184** | **38,443,336** | **2,448,178** |
| **Share of OCI** | **(637,607)** | **-** | **(1,159,011)** | **-** |
| **Share of profit** | **10,338,282** | **2,171,280** | **14,076,861** | **785,845** |

## 9 INVESTMENT IN ASSOCIATES (continued)

| *Associates* | *International Water Distribution Company Limited* | *Saudi Water and Environmental Services Company* | *Al Jabr Talke Company Limited* | *Xenmet SA, Vaduz* |
|---|---|---|---|---|
| | *SR* | *SR* | *SR* | *SR* |
| 31 December 2018 | | | | |
| Assets | 266,055,658 | 24,547,429 | 153,774,721 | 4,193,708 |
| Liabilities | 122,098,362 | 1,410,543 | 58,647,572 | 615,019 |
| Revenues | 257,091,101 | 24,466,404 | 249,763,193 | 1,008,041 |
| Net income | 15,539,279 | 5,617,303 | 35,446,989 | 548,243 |
| Share of OCI | 308,763 | - | 484,498 | - |
| Share of profit | 7,775,644 | 2,956,005 | 12,821,011 | 192,748 |

## 10 FINANCIAL ASSETS CARRIED AT FVOCI

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

| | ***31 December 2019 SR*** | *31 December 2018 SR* |
|---|---|---|
| Balance at beginning of the year | **17,899,897** | 18,838,212 |
| Changes in fair value | **(2,361,614)** | (938,315) |
| Balance at end of the year | **15,538,283** | 17,899,897 |

Further in prior year, RSGT invested in a mutual fund managed by a commercial bank, in accordance with the terms of Ijara financing arrangement. The investment was disposed off during the year 2018 resulting in fair value gain of SAR 0.49 million.

## 11 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 resulting in net carrying value of SR 8.8 million (31 December 2018: SR 8.8 million).

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

During the year ended 31 December 2019, the carrying amount of goodwill was reviewed and no impairment indicators were identified.

## 12 INVENTORIES, NET

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| Spare parts | **25,199,480** | 26,652,756 |
| Raw materials and chemicals | **235,335** | 92,626 |
| Fuel, oil and desalinated water | **748,472** | 193,124 |
| | **26,183,287** | 26,938,506 |
| Less: allowance for slow moving and obsolete inventories | **(8,011,586)** | (5,635,851) |
| | **18,171,701** | 21,302,655 |





## 13 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

| | ***31 December 2019 SR*** | *31 December 2018 SR* |
|---|---|---|
| Trade receivables, net (note 33) | **69,043,545** | 86,722,446 |
| Prepayments and other receivables | **20,349,646** | 25,002,691 |
| Margin deposits (note 31) | **2,254,980** | 1,454,980 |
| Advances to suppliers | **8,440,773** | 2,894,131 |
| | **100,088,944** | 116,074,248 |
| Non current portion of trade receivables (note below) | **-** | (8,041,252) |
| | **100,088,944** | 108,032,996 |

During the year ended 31 December 2017, one of the subsidiaries agreed to reschedule the outstanding balance due from a customer amounting to SR 10.3 million in respect of lease of land space at bonded and re-export zone. Under the rescheduling arrangement, the amounts were due over a period of next three to four years till January 2021. Accordingly, the amount was discounted at market profit rates and recorded as long-term receivables at their present values as at 31 December 2018. However, during the current year, the customer defaulted and went in to liquidation proceedings. Accordingly, the subsidiary provided 100% specific impairment allowance against this customer.

## 14 CASH AND CASH EQUIVALENTS

| | ***31 December 2019 SR*** | *31 December 2018 SR* |
|---|---|---|
| Cash on hand | **318,714** | 268,740 |
| Cash at banks (note 14.1) | **259,243,419** | 99,664,648 |
| Murabaha deposits (note 14.2) | **35,538,668** | 80,650,795 |
| | **295,100,801** | 180,584,183 |

14.1 SR 0.54 million (31 December 2018: SR 0.54 million) held with a commercial bank in respect of accumulated unclaimed dividends.

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

## 15 SHARE CAPITAL AND DIVIDEND

As at 31 December 2019, the authorized and paid up capital of the Company is divided into 81.6 million shares (31 December 2018: 81.6 million shares) of SR 10 each.

On 7 May 2019, the General Assembly approved a distribution of cash dividend amounting SR 32.6 million (SR 0.4 per share) for the year 2018 (cash dividend of SR 24.48 (SR 0.3 per share) million was paid in 2018 for the year 2017). The dividend has been paid in full.

Subsequent to the year end 2019, the Board of Directors of the Company on 2 Rajab 1441 (corresponding 26 February 2020) subject to approval of the shareholders, recommended to distribute dividend amounting to SR 48.96 million (SR 0.6 per share).

## 16 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.

## 17 LONG-TERM LOANS AND BANK FACILITIES

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| Long-term loans | **781,101,050** | 852,440,751 |
| Less: current portion | **(240,711,549)** | (153,414,129) |
| Non-current portion | **540,389,501** | 699,026,622 |

a) During 2007, RSGT entered into an Ijara arrangement with two banks to obtain a loan of SR 1,271 million. The Ijara facility is secured by property and equipment – port terminal operations and intangible assets – port concession rights of RSGT (note 6). The remaining amount of loan is repayable in semi-annual installments, with maturity up to December 2023. The loan bears commission rate of SIBOR plus an agreed margin. The facility includes unamortised portion of the advance rentals and other fees paid to the banks and will be amortised over the remaining period of the Ijara facility.

b) During 2016, RSGT entered into an Ijara arrangement with two banks to obtain a loan of SR 260 million for expansion of its existing berths. The Ijara facility is secured by the property and equipment – port terminal operations of a subsidiary (note 6). The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in nine installments ending in December 2023.

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| Long-term loans | **775,344,095** | 844,912,426 |
| Less: current portion (note below) | **(238,940,177)** | (151,642,758) |
| Non-current portion | **536,403,918** | 693,269,668 |

c) During 2016, Kindasa entered into an agreement for a long-term facility with a commercial bank for to SR 24 million to finance the construction of a new water desalination facility. 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 2019, Kindasa has drawn down SR 8.5 million out of total facility of SR 24 million.

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| Long-term loan | **5,756,954** | 7,528,325 |
| Less: current portion | **(1,771,371)** | (1,771,371) |
| Long-term portion | **3,985,583** | 5,756,954 |





## 18 EMPLOYEES' END-OF-SERVICE BENEFITS

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

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| Balance at 1 January | **27,215,717** | 26,693,232 |
| ***Included in statement of profit or loss*** | | |
| Current service cost | **4,172,387** | 4,381,747 |
| Interest cost | **1,209,124** | 1,115,782 |
| | **5,381,511** | 5,497,529 |
| ***Included in statement of other comprehensive income*** | | |
| Actuarial loss / (gain) | **8,847,677** | (2,976,034) |
| Benefits paid | **(1,974,846)** | (1,999,010) |
| Balance at 31 December | **39,470,059** | 27,215,717 |

***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 2019*** | *31 December 2018* |
|---|---|---|
| Discount rate | **3.2%** | 4.61% |
| 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 12.53 years (2018: 13.41 years).

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

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| | **SR** | SR |
| Increase in discount rate | **(4,948,361)** | (5,615,668) |
| Decrease in discount rate | **4,948,361** | 5,615,668 |

## 19 LONG-TERM PROVISIONS

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | ***SR*** | *SR* |
| Provision for asset replacement cost (note a) | **72,632,517** | 59,661,353 |
| Provision for dismantling cost (note b) | **1,742,072** | 1,662,887 |
| Others | **162,967** | 179,330 |
| | **74,537,556** | 61,503,570 |

### a) Provision for asset replacement cost

As per the Build Operate and Transfer (BOT) agreement with MAWANI, RSGT, a subsidiary of the Group has an obligation to replace certain machinery and equipment ("the Equipment") during the tenure of the agreement. The management of the subsidiary has estimated that an amount of SR 479 million (31 December 2018: SR 534 million) will be incurred to replace the equipment.

The movement in the provision for asset replacement cost is as follows:

| | **31 December 2019** | 31 December 2018 |
|---|---|---|
| | ***SR*** | *SR* |
| Balance at 1 January | **59,661,353** | 65,843,826 |
| Charge / (reversal) for the year | **12,971,164** | (6,182,473) |
| Balance at 31 December | **72,632,517** | 59,661,353 |

The following assumptions were used in estimating the provision for asset replacement cost:

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| Discount rate | **5.14%** | 6.62% |
| Equipment price inflation rate | **0.96%** | 1.40% |

### b) Provision for dismantling cost

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

## 20 DERIVATIVE FINANCIAL INSTRUMENT

During the year ended 31 December 2018,RSGT entered into another 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 2019*** | *31 December 2018* |
|---|---|---|
| | ***SR*** | *SR* |
| Notional amount | **430,051,555** | 521,037,209 |
| Negative fair value | **13,103,655** | 4,537,974 |

The Profit Rate Swap contract is assessed to be effective and as at 31 December 2019, net un-realised loss of SR 8.57 million (2018: SR 4.54 million) has been included in the consolidated statement of other comprehensive Income', as cash flow hedging reserve.

The amount shown as cash flow hedging reserve in the consolidated statement f other comprehensive income as at 31 December 2019 is expected to affect the consolidated statement of profit or loss in forthcoming years.





## 21 TRADE PAYABLES ACCRUED AND OTHER LIABILITIES

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| | ***SR*** | *SR* |
| Accrued liabilities | **100,557,487** | 105,726,854 |
| Deferred revenue | **5,161,030** | 10,699,815 |
| Trade payables | **7,429,797** | 8,168,527 |
| Advances from customers | **4,310,587** | 4,007,638 |
| Zakat and tax payable (note 28) | **8,443,058** | 4,152,611 |
| Other payables | **32,955,812** | 26,956,350 |
| | **158,857,771** | 159,711,795 |

## 22 RIGHT OF USE ASSETS

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

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| | ***SR*** | *SR* |
| IFRS transition adjustments | **230,459,708** | - |
| Transfer from intangible on the date of application of IFRS 16, net (note 7.2) | **26,162,609** | - |
| | **256,622,317** | - |
| Depreciation: | | |
| Depreciation for the year | **(8,437,952)** | - |
| Depreciation for the year (classified in capital work in progress) | **(6,359,125)** | |
| **At end of the year** | **241,825,240** | - |

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

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| | ***SR*** | *SR* |
| IFRS transition adjustments | **241,835,939** | - |
| Interest charge for the year | **1,994,535** | - |
| Unwinding of lease liability (classified in capital work in progress) | **9,901,143** | - |
| Payment of lease liabilities during the year | **(6,715,179)** | - |
| **As at 31 December 2019** | **247,016,438** | - |

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| | ***SR*** | *SR* |
| Current lease liability | **29,930,538** | - |
| Non-current lease liability | **217,085,900** | - |
| | **247,016,438** | - |

## 22 RIGHT OF USE ASSETS (continued)

The following are the amounts recognized in profit or loss:

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Depreciation expense of right-of-use assets | **14,797,077** | **-** |
| Interest charge on lease liabilities | **1,994,535** | **-** |
| **Total amount recognized in profit or loss** | **16,791,612** | **-** |

## 23 REVENUES

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Shipping and unloading services | **504,359,819** | 388,350,918 |
| Sale of potable water | **91,768,225** | 92,920,193 |
| Rentals and support services | **79,755,885** | 83,433,753 |
| | **675,883,929** | 564,704,864 |

## 24 DIRECT COSTS

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Cost of shipping and unloading services | **309,714,794** | 238,243,204 |
| Cost of sale of potable water | **66,722,105** | 65,308,715 |
| Cost of rentals and support services | **39,140,145** | 39,087,197 |
| | **415,577,044** | 342,639,116 |

## 25 SELLING AND DISTRIBUTION EXPENSES

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Depreciation (note 6) | **7,449,090** | 7,566,797 |
| Salaries, wages and benefits | **6,275,782** | 5,566,361 |
| Utilities and telecommunication | **667,485** | 751,791 |
| Advertising and marketing | **997,063** | 637,817 |
| Expected credit losses on trade receivables (note 33) | **15,849,444** | 393,378 |
| Amortization (note 7) | **138,309** | 101,172 |
| Right of use assets depreciation | **375,444** | - |
| Others | **1,109,975** | 1,378,060 |
| | **32,862,592** | 16,395,376 |





## 26 GENERAL AND ADMINISTRATIVE EXPENSES

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Salaries, wages and benefits | **90,891,723** | 67,714,221 |
| Legal and professional fees | **14,218,393** | 7,005,300 |
| Utilities, telecommunication and office supplies | **2,404,640** | 4,438,925 |
| Depreciation (note 6) | **4,577,606** | 12,042,935 |
| Travelling | **6,107,145** | 4,119,996 |
| Amortization of intangibles (note 7) | **1,971,820** | 1,622,825 |
| Right of use assets depreciation | **44,130** | - |
| Capital work in progress written off | **-** | 2,897,171 |
| Others | **13,820,915** | 17,750,758 |
| | **134,036,372** | 117,592,131 |

## 27 OTHER INCOME

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Claim received from a supplier | **-** | 2,016,466 |
| Reversal of provision no longer required | **5,604,747** | - |
| Gain on disposal of property and equipment | **47,709** | 1,100,000 |
| Others | **3,334,273** | 5,665,222 |
| | **8,986,729** | 8,781,688 |

## 28 ZAKAT AND INCOME TAX

Zakat for the year comprise of:

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Zakat charge for the year related to Saudi partners (note 28.1) | **5,892,112** | 3,992,582 |
| Income tax charge / (reversal) for the year related to non-Saudi partners (note 28.2) | **(1,254,660)** | 813,527 |
| Adjustments related to prior years (notes 28.1 and 28.2) | **1,355,527** | - |
| | **5,992,979** | 4,806,109 |

28.1 Movement in provision for zakat is as follows:

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Balance at 1 January | **4,586,438** | 5,096,080 |
| Charge for the year | **5,892,112** | 3,992,582 |
| Adjustments relating to prior year | **1,007,850** | - |
| Amounts paid during the year | **(4,769,506)** | (4,502,224) |
| Balance at 31 December | **6,716,894** | 4,586,438 |

## 28 ZAKAT AND INCOME TAX (continued)

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

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Balance at 1 January | **(433,827)** | (541,686) |
| Charge relating to current year | **3,153,005** | 813,527 |
| Adjustment related to prior years | **347,677** | - |
| Paid during the year | **(1,340,691)** | (705,668) |
| | **1,726,164** | (433,827) |

28.3 Major components of income tax are as follows:

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Current income tax (see note 28.2) | **3,153,005** | - |
| Deferred income tax (see note 28.4) | **(4,407,665)** | - |
| | **(1,254,660)** | - |

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%.

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

| | *31 December 2019 SR* | *31 December 2018 SR* |
|---|---|---|
| Deferred tax credit and closing balance (see note 28.3) | **4,407,665** | - |

### *28.5 Zakat assessments status*

***Parent Company***
The General Authority for Zakat and Tax (GAZT) raised assessments for the years 2002 through 2008 with an additional liability of SR 25.8 million. The Parent Company had filed an objection against the GAZT's assessment. The Higher Appeal Committee issued their decision during the year. Following the issuance of the decision, the GAZT raised a revised assessment amounting to SR 9.5 million. The assessment does not take into consideration SR 3.9 million paid "under protest" at the time of filing an appeal with Higher Appeal Committee (HAC). The Company has filed an appeal against the decision issued by the HAC with the Board of Grievances (BOG). In addition, the Parent Company has also requested the GAZT to reconsider their revised assessment. The BOG has recently issued their decision by rejecting to review the appeal filed by the Company. The company is in process of filing an appeal to second level of BOG, the BOG have dismissed this case from a procedural perspective without considering the merits thereof, in response the entity filed an appeal against the BOG's decision with the Supreme Court. Furthermore, the case was also escalated to the General Secretariat of Tax Committees (GSTC) in line with the latest regulations in this regard.

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





## 28 ZAKAT AND INCOME TAX (continued)

### *28.5 Zakat assessments status (continued)*

The GAZT raised assessments for the years 2014 and 2015 with an additional liability of SR 0.69 million. The Parent Company has filed an appeal against the GAZT's assessments. The GAZT has issued a revised assessment with reduced liability of SR 0.52 million. An appeal against the remaining amount was filed by the Company with the GSTC. Hearing dates for each of the cases transferred to the GSTC are yet to be assigned.

The Parent Company has filed its Zakat returns for the years upto 31 December 2018. Up to the date of these consolidated financial statements, GAZT is yet to raise the assessment for the years 2016, 2017 and 2018.

***Subsidiaries***
***Red Sea Gateway Terminal Company Limited and Red Sea Ports Development Company ("the Subsidiaries")***
RSGT has finalized its Zakat and income tax assessments with GAZT up to 2013 and has filed its Zakat and income tax returns up to the year 2018. GAZT is yet to raise the assessment for the years from 2014 to 2018.

RSPD has filed its Zakat and income tax returns up to the year 2018. Up to the date of these consolidated financial statements, GAZT is yet to raise assessments.

***Saudi Trade and Export Development Company Limited ("the Subsidiary")***
The Subsidiary has finalized its Zakat assessments with GAZT up to 2008 and has filed its Zakat returns up to 2018. Upto the date of these consolidated financial statements, GAZT is yet to raise the assessment for the years from 31 December 2009 to 31 December 2018.

***Support Services Operation Company Limited ("the Subsidiary")***
The Subsidiary has finalized its Zakat assessments with GAZT up to 2008 and has filed its Zakat returns up to 2018. GAZT has not raised the assessment for the years from 31 December 2009 to 31 December 2018.

***Kindasa Water Service Company ("the Subsidiary")***
The Subsidiary has finalized its Zakat assessments with GAZT up to 2008 and has filed its Zakat returns up to 2018. Upto the date of these consolidated financial statements, GAZT is yet to raise the assessment for the years from 31 December 2009 to 31 December 2018.

## 29 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 2019* | *31 December 2018* |
|---|---|---|
| Profit for the period attributable to ordinary equity holders of the Parent Company | **50,922,990** | 46,745,090 |
| Weighted average number of ordinary shares in issue | **81,600,000** | 81,600,000 |
| Basic and diluted earnings per share | **0.62** | 0.57 |

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

## 30 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

**Due from related parties**

| *Related party* | *Relationship* | *Description* | *Amount of transaction* | | *Balance as at* | |
|---|---|---|---|---|---|---|
| | | | ***31 December 2019 SR*** | *31 December 2018 SR* | ***31 December 2019 SR*** | *31 December 2018 SR* |
| International Water Distribution Company | Associate | Sales of goods and services | **62,909,118** | 57,220,639 | **10,376,904** | 6,984,904 |
| | | Services rendered to associate | **693,000** | 693,000 | - | 2,105,597 |
| | | Expenses incurred by associate on behalf of the Group | **(38,081)** | (30,469) | - | - |
| | | Expenses incurred by Group on behalf of the associate | **188,734** | 2,176,893 | - | - |
| Arabian Bulk Trade Limited | Affiliate | Lease of land and warehouses | **13,858** | 241,022 | **5,237** | 4,003 |
| Ambro limited | Affiliate | Purchase of services | **(14,841)** | (80,898) | - | - |
| Al Jabr Talke Company Limited | Associate | Services rendered to associate | **499,331** | 498,785 | **-** | 250,985 |
| | | Dividend received from associate | **8,444,856** | 6,799,945 | **10,420** | - |
| | | Expenses cross charged by Group to associate | **10,420** | - | | - |
| Saudi Water and Environmental Services Company Limited | Associate | Sales of goods and services | **5,010,303** | 4,574,610 | **309,637** | 331,625 |
| Saudi Cable Company | Affiliate | Lease of land and warehouses | **244,047** | 366,492 | **210,035** | 242,892 |



## 30 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

| *Related party* | *Relationship* | *Description* | *Amount of transaction* | | *Balance as at* | |
|---|---|---|---|---|---|---|
| | | | ***31 December 2019 SR*** | *31 December 2018 SR* | ***31 December 2019 SR*** | *31 December 2018 SR* |
| Aecom Arabia Limited | Affiliate | Payments made by the Group on behalf of affiliate | **-** | - | **64,226** | - |
| Xenel Industries Limited | Shareholder | Payments made by the Group on behalf of the Shareholder | **329,295** | 135,729 | | - |
| | | Expenses incurred by the shareholder on behalf of the Group | **(133,828)** | (468,750) | **208,582** | - |
| Haji Abdullah Ali Reza & Co. Limited | Affiliate | Purchase of goods | | (36,081) | **-** | - |
| | | Purchase of air tickets | | (130,931) | **-** | - |
| **Total** | | | | | **11,185,041** | 9,920,006 |

**Due to related parties**

| *Related party* | *Relationship* | *Description* | *Amount of transaction* | | *Balance as at* | |
|---|---|---|---|---|---|---|
| | | | ***31 December 2019 SR*** | *31 December 2018 SR* | ***31 December 2019 SR*** | *31 December 2018 SR* |
| Al Karam Fedics Services Company | Affiliate | Purchase of goods and services | **10,219,308** | 9,413,894 | **980,418** | 807,873 |
| Aecom Arabia Limited | Affiliate | Payments made by the Group on behalf of affiliate | - | - | - | 64,226 |
| Xenel Industries Limited | Shareholder | Expenses incurred by the shareholder on behalf of the Group | - | - | - | 20,246 |
| **Total** | | | | | **980,418** | 892,345 |

## 30 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| Short term employee benefits | **9,877,991** | 8,472,440 |
| Post-employment benefits | **563,811** | 460,164 |
| | **10,441,802** | 8,932,604 |

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 2019*** | *31 December 2018* |
|---|---|---|
| Meeting attendance fees | **805,000** | 445,000 |
| Other remuneration | **5,340,400** | 4,260,000 |
| | **6,145,400** | 4,705,000 |

## 31 COMMITMENTS AND CONTINGENCIES

At 31 December 2019, the Group's bankers have issued letters of guarantee amounting to SR 67.1 million (31 December 2018: SR 42.1 million) against which cash margin of SR 2.25 million (31 December 2018: SR 1.45 million) was deposited.

As at 31 December 2019, the Group has commitments for capital work in progress amounting to SR 141.7 million (31 December 2018: SR 2.9 million) mainly relating to new logistic hub and park construction project and new desalination plant construction and development project.





## 32 BUSINESS SEGMENTS

The Group has the following main business segments:

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

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

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

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

| | **Reportable segments** | | | | | |
|---|---|---|---|---|---|---|
| **31 December 2019** | ***Port development and operations*** *(SR'000)* | ***Logistic parks and support services*** *(SR'000)* | ***Water desalination and distribution*** *(SR'000)* | ***Total*** *(SR'000)* | ***Unallocated*** *(SR'000)* | ***Total*** *(SR'000)* |
| **External revenues** | 504,827 | 82,270 | 92,728 | 679,825 | - | 679,825 |
| **Inter-segment revenue** | (468) | (2,514) | (959) | (3,941) | - | (3,941) |
| **Segment Revenue** | 504,359 | 79,756 | 91,769 | 675,884 | - | 675,884 |
| **Direct costs** | 313,189 | 39,607 | 66,722 | 419,518 | - | 419,518 |
| **Inter-segment direct costs** | (3,474) | (467) | - | (3,941) | - | (3,941) |
| **Segment cost** | 309,715 | 39,140 | 66,722 | 415,577 | - | 415,577 |
| **Segment gross profit** | 194,644 | 40,616 | 25,047 | 260,307 | - | 260,307 |
| **Profit / (loss) attributable to shareholders of the Parent Company** | 42,142 | 2,596 | 2,773 | 47,511 | 3,412 | 50,923 |
| **Segment assets** | 1,906,314 | 522,672 | 236,847 | 2,665,833 | 240,269 | 2,906,102 |
| **Segment liabilities** | 994,452 | 259,342 | 32,374 | 1,286,168 | 28,899 | 1,315,067 |

## 32 BUSINESS SEGMENTS (continued)

| 31 December 2018 | Reportable segments | | | | | |
|---|---|---|---|---|---|---|
| | *Port development and operations (SR'000)* | *Logistic parks and support services (SR'000)* | *Water desalination and distribution (SR'000)* | *Total (SR'000)* | *Unallocated (SR'000)* | *Total (SR'000)* |
| External revenues | 388,666 | 83,504 | 93,740 | 565,910 | - | 565,910 |
| Inter-segment revenue | (315) | (70) | (820) | (1,205) | - | (1,205) |
| Segment Revenue | 388,351 | 83,434 | 92,920 | 564,705 | - | 564,705 |
| Direct costs | 239,133 | 39,402 | 65,309 | 343,844 | - | 343,844 |
| Inter-segment direct costs | (890) | (315) | - | (1,205) | - | (1,205) |
| Segment cost | 238,243 | 39,087 | 65,309 | 342,639 | - | 342,639 |
| Segment gross profit | 150,108 | 44,347 | 27,611 | 222,066 | - | 222,066 |
| Profit attributable to shareholders of the Parent Company | 18,963 | 18,174 | 5,230 | 42,367 | 4,378 | 46,745 |
| Segment assets | 1,853,822 | 346,662 | 219,331 | 2,419,815 | 257,920 | 2,677,735 |
| Segment liabilities | 1,017,108 | 37,813 | 24,444 | 1,079,365 | 26,937 | 1,106,302 |

## 33 FINANCIAL RISK MANAGEMENT

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

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

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

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

Increase / decrease in variable rate by 1% with all other variables held constant, the impact on the equity and profit before zakat and income tax for the year would have been SR 3.6 million (31 December 2018: SR 3.5 million).





## 33 FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| **Financial assets** | | |
| Trade receivables, net | **69,043,545** | 86,722,446 |
| Due from related parties | **11,185,041** | 9,920,006 |
| Balances with banks | **294,782,087** | 180,315,443 |
| | **375,010,673** | 276,957,895 |

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. As at 31 December 2019, 6 largest customers (31 December 2018: 6 largest customers) account for approximately 72% (31 December 2018: 61%) 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 2019*** | | | | | |
|---|---|---|---|---|---|---|
| | ***Current SR*** | ***<90 days SR*** | ***90–180 days SR*** | ***271–365 days SR*** | ***>1 year SR*** | ***Total SR*** |
| Exposure at default | **34,552,243** | **30,323,345** | **1,900,998** | **7,029,056** | **12,465,670** | **86,271,312** |
| Expected credit loss | **144,054** | **251,788** | **81,306** | **4,744,489** | **12,006,130** | **17,227,767** |
| | **34,408,189** | **30,071,557** | **1,819,692** | **2,284,567** | **459,540** | **69,043,545** |

## 33 FINANCIAL RISK MANAGEMENT (continued)

**Credit risk (continued)**

| | *31 December 2018* | | | | | |
|---|---|---|---|---|---|---|
| | ***Current*** | ***<90 days*** | ***90–180 days*** | ***271–365 days*** | ***>1 year*** | ***Total*** |
| | ***SR*** | ***SR*** | ***SR*** | ***SR*** | ***SR*** | ***SR*** |
| Exposure at default | 28,290,654 | 40,025,740 | 10,063,594 | 6,731,084 | 3,056,219 | 88,167,291 |
| Expected credit loss | 76,932 | 267,817 | 76,257 | 289,571 | 734,268 | 1,444,845 |
| | 28,213,722 | 39,757,923 | 9,987,337 | 6,441,513 | 2,321,951 | 86,722,446 |

Movement of impairment allowance against trade receivables is as follows:

| | ***31 December 2019*** | *31 December 2018* |
|---|---|---|
| Balance at beginning of the year | **1,444,845** | 5,550,939 |
| Charge during the year | **15,849,444** | 393,378 |
| Written off during the year | **(66,522)** | (4,499,472) |
| | **17,227,767** | 1,444,845 |

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

| **31 December 2019** | ***Within 1 year*** | ***1 to 5 years*** | ***More than 5 years*** | ***Total*** |
|---|---|---|---|---|
| | ***SR*** | ***SR*** | ***SR*** | ***SR*** |
| Bank borrowings | **240,711,549** | **540,389,501** | - | **781,101,050** |
| Trade payables, accrued and other liabilities | **140,943,097** | - | - | **140,943,097** |
| Due to related parties | **980,418** | - | - | **980,418** |
| | **382,635,064** | **540,389,501** | - | **923,024,565** |
| 31 December 2018 | | | | |
| Bank borrowings | 153,414,129 | 699,026,622 | - | 852,440,751 |
| Trade payables, accrued and other liabilities | 145,004,341 | - | - | 145,004,341 |
| Due to related parties | 892,345 | - | - | 892,345 |
| | 299,310,815 | 699,026,622 | - | 998,337,437 |





## 34 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 *2019*** ***SR*** | *31 December 2018* *SR* |
|---|---|---|
| Total liabilities | **1,315,066,947** | 1,106,302,152 |
| Less: Cash and cash equivalents | **(295,100,801)** | (180,584,183) |
| Net debt | **1,019,966,146** | 925,717,969 |
| Equity | **1,591,035,180** | 1,571,432,775 |
| Total capital | **2,611,001,326** | 2,497,150,744 |
| Gearing ratio | **39%** | 37% |

## 35 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

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

## 35 FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

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

| *31 December 2018* | *Carrying value* SR | *Level 3* SR |
|---|---|---|
| FINANCIAL ASSETS | | |
| *Amortised cost* | | |
| Trade receivables and other receivables | 80,136,174 | - |
| Due from related parties | 9,920,006 | - |
| Cash and cash equivalents | 180,584,183 | - |
| *FVOCI* | | |
| Investment in equity securities | 17,899,897 | 17,899,898 |
| | 288,540,260 | 17,899,898 |
| FINANCIAL LIABILITIES | | |
| Loans and bank facility | 852,440,751 | - |
| Trade payables and other liabilities | 140,851,731 | - |
| Due to related parties | 892,345 | |
| Derivative financial instrument | 4,537,974 | 4,537,974 |
| | 998,722,801 | 4,537,974 |

None of the Group's financial assests and liabilities are classified under level 1 and level 2.





## 36 MATERIAL PARTLY-OWNED SUBSIDIARIES

| | ***31* December *2019*** SR | *31 December 2018* SR |
|---|---|---|
| Non -controlling interest | **346,622,791** | 329,328,943 |

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 32 to the consolidated financial statements under "Port development and operations" segment.

## 37 NEW CONCESSION AGREEMENT

A subsidiary of the Group RSGT signed a new concession agreement with MAWANI dated 23 December 2019 (the new agreement). The salient feature of the new agreement included but not limited to:

- RSGT will acquire rights to operate north container terminal in addition to the terminal currently operated;
- the operational rights of the combined terminals will be for 30 years from the effective date;
- the current agreement would be terminated once the new agreement is effective;
- the contract will be effective on a proposed future date of 1 April 2020 or any subsequent mutual agreed date, once all the conditions precedent are met to the satisfaction of the counter party.

Management, based on the legal opinion, is of the view that outcome of certain of the condition precedents could only be confirmed on the future date once completed. Accordingly, these consolidated financial statements do not reflect the accounting implications, if any, of the terms of the new agreement in accordance with the requirements of applicable IFRS regulations (see note 7).

## 38 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year. However, there was no impact on the total comprehensive income or equity of such reclassifications.

## 39 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 26 February 2020 (corresponding to 2 Rajab 1441H).

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