

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

**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THREE MONTH PERIOD ENDED
31 MARCH 2012**

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

Scope of review

We have reviewed the accompanying consolidated balance sheet of Saudi Industrial Services Company (A Saudi Joint Stock Company) ("the Company") and its subsidiaries (the "Group") as of 31 March 2012, and the related consolidated statements of income cash flows and changes in shareholders' equity for the three month period then ended. These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organization for Certified Public Accountants' auditing standard on interim financial reporting. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

for Ernst & Young


Ahmed I. Reda
Certified Public Accountant
Licence No. 356



24 Jamad Awal 1433 H
16 April 2012

Jeddah

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 March 2012

	Note	31 March 2012 (Unaudited) SR	31 March 2011 (Unaudited) SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		159,041,469	189,173,385
Accounts receivables and other receivables		75,185,733	138,173,691
Inventories		14,182,161	9,793,499
TOTAL CURRENT ASSETS		248,409,363	337,140,575
NON-CURRENT ASSETS			
Investments	4	79,203,240	68,758,637
Property, plant and equipment		287,720,409	218,083,037
Property, plant and equipment - bonded and re-export project		110,295,243	114,770,902
Project-in- progress – bonded and re-export project		39,271,719	10,742,696
Property and equipment - quay project		80,120,250	89,103,889
Intangible assets – quay project		1,610,033,369	1,682,463,339
Goodwill	6	12,396,651	12,396,651
Deferred charges		-	191,664
TOTAL NON-CURRENT ASSETS		2,219,040,881	2,196,510,815
TOTAL ASSETS		2,467,450,244	2,533,651,390
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and other payables		111,259,630	103,432,937
Short term loan, current portion of long term loans and bank facilities		74,307,465	114,176,915
TOTAL CURRENT LIABILITIES		185,567,095	217,609,852
NON-CURRENT LIABILITIES			
Long term loans and bank facilities		1,168,980,429	1,266,979,290
Other long term liabilities		22,054,209	-
Employees' end of service benefits provision		9,229,588	7,545,816
Derivative financial instrument		4,700,000	-
TOTAL NON-CURRENT LIABILITIES		1,204,964,226	1,274,525,106
TOTAL LIABILITIES		1,390,531,321	1,492,134,958
SHAREHOLDERS' EQUITY			
Share capital	5	680,000,000	680,000,000
Share premium		36,409,063	36,409,063
Statutory reserve		4,264,248	3,250,885
Special reserve		2,122,581	1,615,899
Effect of reducing the ownership percentage in a subsidiary		4,653,218	4,653,218
Cash flow hedging reserve		(2,848,200)	-
Retained earnings / (accumulated losses)		15,097,135	(1,693,187)
TOTAL SHAREHOLDERS' EQUITY OF PARENT COMPANY		739,698,045	724,235,878
MINORITY INTERESTS		337,220,878	317,280,554
TOTAL SHAREHOLDERS' EQUITY		1,076,918,923	1,041,516,432
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,467,450,244	2,533,651,390

The attached notes 1 to 12 form part of these unaudited interim consolidated financial statements.

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three month period ended 31 March 2012

	Note	<i>For the 3 month period ended 31 March 2012 (Unaudited) SR</i>	<i>For the 3 month period ended 31 March 2011 (Unaudited) SR</i>
Sales and operating income	7	107,729,624	79,193,423
Cost of sales and operations		(60,343,433)	(47,734,636)
GROSS PROFIT		47,386,191	31,458,787
Selling and distribution expenses		(2,835,974)	(2,701,102)
General and administration expenses		(27,493,517)	(19,278,428)
Net income from main operations		17,056,700	9,479,257
Financial charges		(7,065,802)	(7,970,679)
Share of results from associates		(1,546,584)	(412,198)
Other income	8	10,434,747	402,900
NET INCOME BEFORE ZAKAT AND MINORITY INTERESTS		18,879,061	1,499,280
Zakat		(1,551,800)	(717,200)
NET INCOME BEFORE MINORITY INTERESTS		17,327,261	782,080
Income attributable to minority interests		(10,843,716)	(1,567,785)
NET INCOME/(LOSS) FOR THE PERIOD		6,483,545	(785,705)
Weighted average number of ordinary shares outstanding		68,000,000	68,000,000
Earnings per share on net income from main operations (in SR per share)	9	0.25	0.14
Earnings/(loss) per share on net income/(loss) for the period (in SR per share)	9	0.10	(0.01)

The attached notes 1 to 12 form part of these unaudited interim consolidated financial statements.

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three month period ended 31 March 2012

	<i>For the 3 month period ended 31 March 2012 (Unaudited) SR</i>	<i>For the 3 month period ended 31 March 2011 (Unaudited) SR</i>
OPERATING ACTIVITIES		
Net income for the period before zakat and minority interests	18,879,061	1,499,280
Adjustments for:		
Depreciation and amortization	25,609,850	23,001,506
Provision for employees' end of service benefits	688,651	656,742
Share of results from associates	1,546,584	412,198
Write back of provision no longer required	(10,000,000)	-
Deferred charges	47,710	-
Financial charges	7,065,802	7,970,679
Other long term liabilities	14,321,707	-
	58,159,365	33,540,405
Changes in operating assets and liabilities:		
Accounts receivables and other receivables	(9,354,233)	(72,162,078)
Inventories	(3,107,655)	388,960
Accounts payable and other payables	(6,607,406)	7,379,978
Cash from/(used in) operations	39,090,071	(30,852,735)
Zakat paid	(1,518,469)	(83,540)
Employees' end of service benefits paid	(91,424)	(294,844)
Financial charges paid	(7,065,802)	(7,970,679)
Net cash from/(used in) operating activities	30,414,376	(39,201,798)
INVESTING ACTIVITIES		
Investments in associates	424,393	245,181
Additions to property, plant and equipment and intangible assets	(11,119,713)	(25,607,878)
Net cash used in investing activities	(10,695,320)	(25,362,697)
FINANCING ACTIVITIES		
Net change in loans and bank facilities	(79,475,359)	33,661,260
Net change in minority interest	(1,106,777)	(5,219,459)
Net cash (used in)/from financing activities	(80,582,136)	28,441,801
DECREASE IN BANK BALANCES AND CASH	(60,863,080)	(36,122,694)
Bank balances and cash at the beginning of the period	219,904,549	225,296,079
BANK BALANCES AND CASH AT THE END OF THE PERIOD	159,041,469	189,173,385

The attached notes 1 to 12 form part of these unaudited interim consolidated financial statements.

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the three month period ended 31 March 2012

	Share capital SR	Share premium SR	Statutory reserve SR	Special reserve SR	Effect of reducing the shareholding in a subsidiary SR	Cash flow hedging reserve SR	Retained earnings/ (accumulated losses) SR	Total attributable to equity holders of the parent SR	Minority interests SR	Total shareholders equity SR
Balance at 31 December 2011 (audited)	680,000,000	36,409,063	4,264,248	2,122,581	4,653,218	-	8,613,590	736,062,700	329,335,739	1,065,398,439
Net income for the period	-	-	-	-	-	-	6,483,545	6,483,545	10,843,716	17,327,261
Derivative financial instrument	-	-	-	-	-	(2,848,200)	-	(2,848,200)	(1,851,800)	(4,700,000)
Net movement in minority interests	-	-	-	-	-	-	-	-	(1,106,777)	(1,106,777)
Balance at 31 March 2012 (unaudited)	680,000,000	36,409,063	4,264,248	2,122,581	4,653,218	(2,848,200)	15,097,135	739,698,045	337,220,878	1,076,918,923
Balance at 31 December 2010 (audited)	680,000,000	36,409,063	3,250,885	1,615,899	4,653,218	-	(907,482)	725,021,583	320,932,228	1,045,953,811
Net (loss)/income for the period	-	-	-	-	-	-	(785,705)	(785,705)	1,567,785	782,080
Derivative financial instrument	-	-	-	-	-	-	-	-	-	-
Net movement in minority interests	-	-	-	-	-	-	-	-	(5,219,459)	(5,219,459)
Balance at 31 March 2011 (unaudited)	680,000,000	36,409,063	3,250,885	1,615,899	4,653,218	-	(1,693,187)	724,235,878	317,280,554	1,041,516,432

The attached notes 1 to 12 form part of these unaudited interim consolidated financial statements.

Saudi Industrial Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2012

1 COMPANY ACTIVITIES

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

2 BASIS OF PREPARATION

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

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

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

Basis of consolidation of the interim consolidated financial statements

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

Company	Country of incorporation	Shareholding direct/indirect		Principal activities
		2012	2011	
Saudi Trade and Export Development Company Limited (Tusdeer)	Saudi Arabia	76%	76%	Management and operation of storage and Re-export Project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Company Limited	Saudi Arabia	60%	60%	Water desalination and treatment plant and sale of water.
Support Services Operation Limited Company (ISNAD)	Saudi Arabia	100%	100%	Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease.

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2012

2 BASIS OF PREPARATION (continued)

Basis of consolidation of the interim consolidated financial statements (continued)

Company	Country of incorporation	Shareholding		Principal activities
		direct/indirect	2012 2011	
Red Sea Gateway Terminal Company Limited	Saudi Arabia	63%	63%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.
Red Sea Port Development Company – Closed Joint Stock Company	Saudi Arabia	63%	63%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

Subsidiaries

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted are as follows:

Accounting convention

The interim consolidated financial statements are prepared under the historical cost convention except for available for sale investments which are measured at fair value.

Use of estimates

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

Cash and cash equivalents

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

Sales and revenue recognition

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

Expenses

Selling and distribution expenses primarily comprise the cost incurred for distributing and selling of subsidiaries' goods. All other expenses, except cost of sales and operations, are classified as general and administration expenses.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Investment in associates

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

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

Dividends are recorded when received and credited to the investment.

Available for sale investments

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

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

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

Goodwill

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

For impairment test, the goodwill for a subsidiary and an associate is determined individually as each subsidiary is considered as an independent cash generating unit.

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

Property, plant and equipment

a) Property, plant and equipment

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

b) Bonded and re-export project

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

Intangible asset

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

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

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

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

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

Capitalization of borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of income.

Accounts receivable

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

End of service benefits

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

Accounts payable and other payables

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

Provisions

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

The Group is using Profit Rate Swap contracts as hedging instruments to hedge its exposure to the variability in cash flows arising from profit payments on Ijara Facilities obtained from Banks. Hedging instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. Hedging instrument is carried as financial asset when the fair value is positive and as financial liability when the fair value is negative.

For the purpose of hedge accounting, hedging instrument is classified as cash flow hedge. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity in hedging reserve, while any ineffective portion is recognised immediately in the consolidated statement of income in financing contract expenses.

Amount recognised in equity is transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial expense is recognized.

Impairment and uncollectibility of financial assets

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

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

Deferred charges

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

Zakat

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

Foreign currencies

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

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Company carries out its activities entirely in the Kingdom of Saudi Arabia, segment reporting is provided by business segment only (see note 11).

Saudi Industrial Services Company
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2012

4 INVESTMENTS

	2012 SR	2011 SR
Available for sale investment –unquoted	9,570,150	9,570,150
Advance for purchase of investment (see note ‘a’ below)	9,375,000	-
Investment in associates (see note ‘b’ below)	60,258,090	59,188,487
	<u>79,203,240</u>	<u>68,758,637</u>

- a) The amount represents advance paid by one of the subsidiaries to acquire 25% ownership interest in Xenmet SA, Vaduz.
- b) As at 31 December, the investment in associates comprises the following:

Associates	Principal activity	Shareholding %	2012 SR	2011 SR
- International Water Distribution Company Limited	Water/waste works, water treatment and lease of water equipment	50%	25,337,794	31,609,564
- Saudi Water and Environmental Services Company (see note below)	Electrical, water and mechanical works and related operation and maintenance	49% Indirect shareholding	22,387,191	19,608,364
- Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	33.3%	12,533,105	7,970,559
			<u>60,258,090</u>	<u>59,188,487</u>

Saudi Water and Environment Services Company is 49% (2011: 49%) owned by Kindasa Water Service Company (Subsidiary) which is 60% (2011: 60%) owned by the Company.

5 SHARE CAPITAL

Share capital is divided into 68 million shares (2011: 68 million shares) of SR 10 each.

6 GOODWILL

	2012 SR	2011 SR
Goodwill arose on acquisition of:		
- Kindasa Water Services Company – subsidiary	8,776,760	8,776,760
- Al Jabr Talke Company Limited – associate	3,619,891	3,619,891
	<u>12,396,651</u>	<u>12,396,651</u>

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2012

7 SALES AND OPERATING INCOME

	2012 SR	2011 SR
Total notional construction revenue from Build-Operate-Transfer project	-	18,621,033
Total construction cost on Build-Operate-Transfer project	-	(18,621,033)
Selling of potable water revenue	18,052,532	17,981,620
Selling of fuel and transport and support services revenue	10,145,928	9,440,821
Shipping and unloading services revenue	65,575,668	41,055,793
Rent services revenue	13,955,496	10,715,189
Total	107,729,624	79,193,423

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

In accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia, in such agreement, the Group should recognize during construction period notional construction revenue and corresponding construction costs incurred up to date on percentage of completion basis. Also, the construction costs for capital assets are required to be shown as intangible assets. Group's management has not recognized any construction costs and notional construction revenue during the three month period ended 31 March 2012, as the project was completed during the year ended 31 December 2011. However, Group's management recognized total construction costs and notional construction revenue of SR 18,621,033 during the three month period ended 31 March 2011. Amortization charge is allocated over the useful life of the intangible assets.

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

8 OTHER INCOME

	2012 SR	2011 SR
Write back of provision no longer required	10,000,000	-
Other	434,747	402,900
Total	10,434,747	402,900

9 EARNINGS PER SHARE

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

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

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

Saudi Industrial Services Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2012

10 COMMITMENTS AND CONTINGENCIES

At 31 March 2012, the Group's bankers have issued letters of guarantee amounting to SR 25 million on which cash margin of SR 7.5 million was paid (31 March 2011: SR 25 on which cash margin of SR 7.5 million was paid).

At 31 March 2012, the Group's bankers have issued letters of credit amounting to SR 6.5 million on which cash margin of SR 6.5 million was paid (31 March 2011: SR 4 million on which cash margin of SR 4 million was paid).

As at 31 March 2012, the Company has commitments for capital work in progress amounting to SR 24.1 million (31 March 2011: SR 71.5 million).

11 BUSINESS SEGMENTS

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

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

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

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

	<i>Fuel stations and maintenance (Unaudited) SR'000</i>	<i>Port development and quay (Unaudited) SR'000</i>	<i>Desalination (Unaudited) SR'000</i>	<i>Storage and re-export (Unaudited) SR'000</i>	<i>Main office (Unaudited) SR'000</i>	<i>Total (Unaudited) SR'000</i>
31 March 2012(Unaudited)						
Assets	25,298	1,750,154	276,899	198,026	217,073	2,467,450
Liabilities	3,308	1,272,330	55,526	25,866	33,501	1,390,531
Sales and operating income	10,146	65,576	18,053	13,955	-	107,730
Net income/(loss) before minority interest	649	17,548	7,157	4,740	(12,767)	17,327
31 March 2011(Unaudited)						
Assets	23,555	1,831,487	262,214	205,707	210,688	2,533,651
Liabilities	3,278	1,387,522	48,786	31,912	20,637	1,492,135
Sales and operating income	9,441	41,055	17,982	10,715	-	79,193
Net income/(loss) before minority interest	427	(3,088)	4,457	4,590	(5,604)	782

The Group operates only in the Kingdom of Saudi Arabia.

12 APPROVAL OF FINANCIAL STATEMENTS

The unaudited consolidated financial statements were approved by the Board of Directors on 16 April 2012 (corresponding to 24 Jamad Awwal 1433H).