

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

**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THREE-MONTH PERIOD ENDED
31 MARCH 2013**

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
SAUDI INDUSTRIAL SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)
ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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 at 31 March 2013, 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 auditing standard on interim financial reporting issued by Saudi Organization for Certified Public Accountants. 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 interim 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



6 Jumad Thani 1434 H
16 April 2013

Jeddah

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Saudi Industrial Services Company (A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 March 2013

	Note	31 March 2013 SR	31 March 2012 SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash		174,022,440	159,041,469
Accounts receivables and other receivables		106,507,024	75,185,733
Inventories		15,491,941	14,182,161
TOTAL CURRENT ASSETS		296,021,405	248,409,363
NON-CURRENT ASSETS			
Investments	4	93,246,688	82,823,131
Property, plant and equipment		302,446,228	287,720,409
Property, plant and equipment - bonded and re-export project		146,617,364	110,295,243
Project-in- progress – bonded and re-export project		23,980,367	39,271,719
Property and equipment - quay project		98,137,614	80,120,250
Intangible assets – quay project		1,544,190,925	1,610,033,369
Goodwill	6	8,776,760	8,776,760
TOTAL NON-CURRENT ASSETS		2,217,395,946	2,219,040,881
TOTAL ASSETS		2,513,417,351	2,467,450,244
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and other payables		136,718,645	111,259,630
Short term loan, current portion of long term loans and bank facilities		90,035,011	74,307,465
TOTAL CURRENT LIABILITIES		226,753,656	185,567,095
NON-CURRENT LIABILITIES			
Long term loans and bank facilities		1,092,932,102	1,168,980,429
Other long term liabilities		28,595,869	22,054,209
Employees' end of service benefits		11,899,096	9,229,588
Derivative financial instrument		19,426,335	4,700,000
TOTAL NON-CURRENT LIABILITIES		1,152,853,402	1,204,964,226
TOTAL LIABILITIES		1,379,607,058	1,390,531,321
SHAREHOLDERS' EQUITY			
Share capital	5	680,000,000	680,000,000
Share premium		36,409,063	36,409,063
Statutory reserve		9,430,573	4,912,603
Special reserve		4,705,743	2,446,758
Effect of reducing the ownership percentage in a subsidiary		4,653,218	4,653,218
Cash flow hedging reserve		(11,772,359)	(2,848,200)
Retained earnings		52,527,351	14,124,603
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO PARENT COMPANY		775,953,589	739,698,045
MINORITY INTERESTS		357,856,704	337,220,878
TOTAL EQUITY		1,133,810,293	1,076,918,923
TOTAL LIABILITIES AND EQUITY		2,513,417,351	2,467,450,244

The attached notes 1 to 13 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 2013

	Note	For the three-month period ended 31 March 2013 SR	For the three-month period ended 31 March 2012 SR
Sales and operating income	7	123,553,683	107,729,624
Cost of sales and operations		(62,081,489)	(60,343,433)
GROSS PROFIT		61,472,194	47,386,191
Selling and distribution expenses		(3,231,813)	(2,835,974)
General and administration expenses		(23,542,377)	(27,493,517)
Net income from main operations		34,698,004	17,056,700
Financial charges		(9,044,506)	(7,065,802)
Share of results from associates		(593,208)	(1,546,584)
Other income	8	70,321	10,434,747
NET INCOME BEFORE ZAKAT AND MINORITY INTERESTS		25,130,611	18,879,061
Zakat		(2,016,896)	(1,551,800)
NET INCOME BEFORE MINORITY INTERESTS		23,113,715	17,327,261
Income attributable to minority interests		(9,676,697)	(10,843,716)
NET INCOME FOR THE PERIOD		13,437,018	6,483,545
Weighted average number of ordinary shares outstanding		68,000,000	68,000,000
Earnings per share from net income from main operations (in SR per share)		0.51	0.25
Earnings per share from net income for the period (in SR per share)	9 (b)	0.20	0.10

The attached notes 1 to 13 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 2013

	<i>For the three-month period ended 31 March 2013</i>	<i>For the three-month period ended 31 March 2012</i>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Net income for the period before zakat and minority interests	25,130,611	18,879,061
Adjustments for:		
Depreciation and amortization	25,711,170	25,609,850
Provision for employees' end of service benefits	821,450	688,651
Share of results from associates	593,208	1,546,584
Write back of provision no longer required	-	(10,000,000)
Deferred charges	-	47,710
Financial charges	9,044,506	7,065,802
Other long term liabilities	2,223,772	14,321,707
	63,524,717	58,159,365
Changes in operating assets and liabilities:		
Accounts receivables and other receivables	(21,686,504)	(9,354,233)
Inventories	(579,908)	(3,107,655)
Accounts payable and other payables	3,900,334	(6,607,406)
Cash from operations	45,158,639	39,090,071
Zakat paid	(458,958)	(1,518,469)
Employees' end of service benefits paid	(126,741)	(91,424)
Financial charges paid	-	(7,065,802)
Net cash from operating activities	44,572,940	30,414,376
INVESTING ACTIVITIES		
Investments in associates	(11,000,000)	424,393
Additions to property, plant and equipment and intangible assets	(14,016,447)	(11,119,713)
Net cash used in investing activities	(25,016,447)	(10,695,320)
FINANCING ACTIVITIES		
Net change in loans and bank facilities	(3,423,721)	(79,475,359)
Net change in minority interest	(5,161,697)	(1,106,777)
Net cash used in financing activities	(8,585,418)	(80,582,136)
INCREASE/(DECREASE) IN BANK BALANCES AND CASH	10,971,075	(60,863,080)
Bank balances and cash at the beginning of the period	163,051,365	219,904,549
BANK BALANCES AND CASH AT THE END OF THE PERIOD	174,022,440	159,041,469

The attached notes 1 to 13 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 2013

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

	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 SR	Total SR
Balance at 31 December 2012 (audited)	680,000,000	36,409,063	8,086,871	4,033,892	4,653,218	(8,103,003)	41,105,886	766,185,927
Net income for the period	-	-	-	-	-	-	13,437,018	13,437,018
Transfer to reserves	-	-	1,343,702	671,851	-	-	(2,015,553)	-
Derivative financial instrument	-	-	-	-	-	(3,669,356)	-	(3,669,356)
Balance at 31 March 2013 (unaudited)	680,000,000	36,409,063	9,430,573	4,705,743	4,653,218	(11,772,359)	52,527,351	775,953,589
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
Net income for the period	-	-	-	-	-	-	6,483,545	6,483,545
Transfer to reserves	-	-	648,355	324,177	-	-	(972,532)	-
Derivative financial instrument	-	-	-	-	-	(2,848,200)	-	(2,848,200)
Balance at 31 March 2012 (unaudited)	680,000,000	36,409,063	4,912,603	2,446,758	4,653,218	(2,848,200)	14,124,603	739,698,045

The attached notes 1 to 13 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)

At 31 March 2013

1 COMPANY 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 Awwal 1409 H (corresponding to 18 October 1988) and registered under Commercial Registration No. 4030062502 dated 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 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 Company is investment and management of subsidiaries. The head office of the Company is located in Jeddah, Kingdom of Saudi Arabia.

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.

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 Group.

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

Basis of consolidation of the interim consolidated financial statements

These consolidated financial statements include assets, liabilities and the results of the operations of 'the Company and its subsidiaries (the "Group"). A subsidiary company is that in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts control. A subsidiary company is consolidated from the date on which the Group obtains control until the date that control ceases. The interim consolidated financial statements are prepared on the basis of the individual financial statements of the subsidiaries, which are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the portion of the income or loss and net assets that are not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separated from parent shareholders' equity.

Following are the details of consolidated subsidiaries:

Company	Country of incorporation	Effective shareholding		Principal activities
		2013	2012	
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	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.

Saudi Industrial Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2013

2 BASIS OF PREPARATION (continued)

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

Company	Country of incorporation	Effective shareholding		Principal activities
Red Sea Gateway Terminal Company Limited	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	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

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 and derivative financial instruments 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 date of financial statements and the reported amounts of revenues and expenses during the reporting period.

Cash and cash equivalents

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

Sales and revenue recognition

Sales are recognized when the goods are delivered. 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.

Service revenue represents the invoiced value of services rendered by the Group during the period, net of trade discounts and Saudi Arabian Seaports Authority's ("SEAPA") share of revenue and are recognized when the amount of revenue can be measured reliably, normally on rendering of service to customers.

Construction revenue pertaining to construction of Port terminal is recognized using the percentage of completion method. Percentage of completion is determined by comparison of costs incurred to date with estimated total costs. When it is probable that the total costs will exceed the total contract revenue, the expected loss is recognized immediately.

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.

Operating leases

Operating lease payments are recognized as an expense in the consolidated statement of income on a straight line basis over the lease term.

Inventories

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

Saudi Industrial Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2013

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates

The Group's investment in associates is accounted for under the equity method of accounting. This is an entity over which the Group 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 Group'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 Group'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 equity.

Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. The financial statements of the associates are prepared for the same period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Dividends are recorded when received and credited to the investment.

Available for sale investments

Investments purchased neither with the intention of being held to maturity nor for trading purposes are designated as available for sale investments and initially recorded at cost and subsequently measured at fair value. Unrealised gains and losses reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity, is included in the consolidated statement of income for the period.

Fair value is determined by reference to the market value in the open market. Any decline in the value of investments considered by the management to be other than temporary, is charged to the consolidated statement of income. For investments which have no active market and there are other indicators through which the market can be objectively determined, accordingly these are non-instantly marketable securities. Thus, if fair value is not available, the cost is considered to be the most appropriate objective and reliable measurement of the fair value of such investments.

Dividend income is recognized 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. Goodwill is subsequently recognized at cost, net of any accumulated impairment losses. The carrying value of goodwill is reviewed annually to determine whether any objective indicator of impairment exists, unless an event or change in circumstances occurs during the year indicating an impairment of the carrying value which requires a valuation of goodwill during the year. Goodwill includes Company's share and the minority share.

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

The impairment is determined by reviewing the realizable amount of cash generating unit (subsidiary), the acquisition of which has given rise to goodwill. Where the realizable 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

Free hold land is not depreciated. Property, plant and equipment and property and equipment of the quay project 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.

Property, plant and equipment of the bonded and re-export project are 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.

Saudi Industrial Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2013

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

Capital work-in-progress

Capital work-in-progress is measured at cost less impairment losses and not depreciated until such time the assets are ready for intended use and transferred to the respective category under property, plant and equipment.

Intangible asset - quay project

Port concession rights

The Group's port terminal operations are conducted pursuant to 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 and 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 has adopted the guidance in International Financial Reporting Standards which is included in IFRIC 12 – Service concession arrangements ("IFRIC 12") issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board to account for the costs incurred for the construction of container terminal (port concession rights) as there is no related guidance available under accounting standards issued by SOCPA. Pursuant to IFRIC 12, costs incurred under service concession arrangements are recognized as an intangible asset.

The port concession rights include all costs incurred towards construction of the container terminal. The port concession rights are assessed to have a finite useful life and are amortised over the useful lives of the assets from the date of commencement of operations.

Right to use land

Right to use land is measured on initial recognition at cost. Following initial recognition, right to use land is carried at cost less any accumulated amortisation and any accumulated impairment losses. Right to use land is amortized over the useful economic life on straight line basis.

Impairment of intangible assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses once recognized are not reversible.

Capitalization of borrowing costs

Borrowing costs that are directly attributable to the construction of a qualifying 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.

Saudi Industrial Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2013

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

End of service benefits

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

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

A 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 resources embodying will be required to settle the obligation.

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

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 shareholders' equity in hedging reserve, while any ineffective portion is recognised immediately in the consolidated statement of income in financial charges.

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 consolidated 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-operating expenses incurred during pre-incorporation period and prior to commencement of commercial operations of the Company and its subsidiaries net of non-operating revenue earned during incorporation period. Such expenses, for which future economic benefits are certain and evident, 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. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

Saudi Industrial Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2013

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

Segmental reporting

A segment is a distinguishable component of the Group 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 Group carries out its activities mainly in the Kingdom of Saudi Arabia, reporting is provided by business segment only (see note 11).

4 INVESTMENTS

	2013 SR	2012 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)	83,676,538	63,877,981
	<u>93,246,688</u>	<u>82,823,131</u>

a) The amount represented advance paid by one of the subsidiaries to acquire 25% ownership interest in Xenmet SA, Vaduz. The legal formalities in respect of acquisition of ownership interest were completed during the year ended 2012 and therefore, the amount has been classified as investment in associate (see note ‘(b – ii)’ below).

b) The investment in associates comprises the following:

Associates	Principal activity	Shareholding %	2013 SR	2012 SR
- International Water Distribution Company Limited	Water/waste works, water treatment and lease of water equipment	50%	36,621,468	25,337,794
- Saudi Water and Environmental Services Company (see note ‘i’ below)	Electrical, water and mechanical works and related operation and maintenance	49% Indirect shareholding	21,100,605	22,387,191
- Al Jabr Talke Company Limited (see note ‘iii’ below)	Contracting, construction, operation and maintenance of factories and warehouses	33.3%	17,324,479	16,152,996
- Xenmet SA, Vaduz (see note ‘ii’ below)	Trading, storage and brokerage of commodities	25% Indirect shareholding	8,629,986	-
			<u>83,676,538</u>	<u>63,877,981</u>

Saudi Industrial Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2013

4 INVESTMENTS (continued)

- i) Saudi Water and Environment Services Company is 49% (2012: 49%) owned by Kindasa Water Service Company (Subsidiary) which is 60% (2012: 60%) owned by the Company.
- ii) Xenmet SA, Vaduz is 25% (2012: Nil) owned by Saudi Trade and Export Development Company Limited, which is 76% owned by the Company (2012: 76%)
- iii) In line with the generally accepted accounting standards applicable in Kingdom of Saudi Arabia, a goodwill of SR 3.6 million has been included as part of carrying value of investment.

5 SHARE CAPITAL

Share capital of the Parent Company is divided into 68 million shares (2012: 68 million shares) of SR 10 each.

6 GOODWILL

Goodwill of SR 8.8 million arose on acquisition of Kindasa Water Services Company, a subsidiary.

Goodwill is reviewed for impairment. For the purpose of impairment testing, goodwill has been allocated to the associate (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 senior management.

7 SALES AND OPERATING INCOME

	2013 SR	2012 SR
Selling of potable water revenue	17,095,339	18,052,532
Selling of fuel and transport and support services revenue	6,858,573	10,145,928
Shipping and unloading services revenue	81,713,254	65,575,668
Rent services revenue	17,886,517	13,955,496
Total	123,553,683	107,729,624

8 OTHER INCOME

	2013 SR	2012 SR
Write back of provision no longer required (see note below)	-	10,000,000
Other	70,321	434,747
Total	70,321	10,434,747

Other income represented the reversal of an accrual in respect of a claim from a contractor, which was no longer required to be paid based on the final settlement with the contractor.

Saudi Industrial Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2013

9 EARNINGS PER SHARE

- a) Earnings per share from net income from main operations for the period is calculated by dividing net income from main operations by the weighted average number of outstanding shares during the period. Earnings per share has been calculated on net income from main operations attributable to the Group (including minority interest).
- b) Earnings per share from net income for the period is calculated by dividing the net income attributable to the equity holders of the parent for the period by the weighted average number of outstanding shares during the period.

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

10 COMMITMENTS AND CONTINGENCIES

- a) The Department of Zakat and Income Tax ("DZIT") has raised assessments for the years ended 31 December 2002 through 2008 with additional liability of SR 25.8 million. The Company has filed an Objection against the DZIT's assessment. The Preliminary Objection Committee ("POC") rendered its decision on the Company's objection reducing the assessed liability to SR 3.9 million. The Company has paid the additional liability of SR 3.9 million under protest and filed an appeal with the Higher Appeal Committee ("HAC") with respect to the additional amount. Moreover, DZIT raised initial assessments for the year ended 31 December 2010 and 2011 with an additional liability of SR 1 million. The Parent Company has filed an Objection against the DZIT's initial assessment.
- b) One of subsidiary's supplier has filed a claim for SR 3.2 million as compensation for the services provided to the subsidiary. Management expects a favorable outcome of the case and as such no provision has been made in these unaudited interim consolidated financial statements, in respect of this claim.
- c) At 31 March 2013, the Group's bankers have issued letters of guarantee of SR 35.5 million on which cash margin of SR 14 million was paid (31 March 2012: SR 25 on which cash margin of SR 7.5 million was paid).
- d) At 31 March 2013, the Group's bankers have issued letters of credit of SR 0.14 million on which cash margin of SR 0.14 million was paid (31 March 2012: SR 6.5 million on which cash margin of SR 6.5 million was paid).
- e) As at 31 March 2013, the Company has commitments for capital work in progress of SR 46 million (31 March 2012: SR 24.1 million).

11 BUSINESS SEGMENTS

The Company and its subsidiaries consist 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.

Saudi Industrial Services Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2013

11 BUSINESS SEGMENTS (continued)

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

	<i>Fuel stations and maintenance SR '000</i>	<i>Port developme- nt and quay SR '000</i>	<i>Desalination SR '000</i>	<i>Storage and re- export SR '000</i>	<i>Main office SR '000</i>	<i>Total SR '000</i>
2013						
Assets	24,033	1,784,221	283,114	239,731	182,318	2,513,417
Liabilities	2,756	1,258,551	54,563	35,088	28,649	1,379,607
Sales and operating income	6,859	81,713	17,095	17,887	-	123,554
Net income/(loss) before minority interest	200	16,815	2,884	6,888	(3,673)	23,114
2012						
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

The Group mainly operates in the Kingdom of Saudi Arabia.

12 COMPARATIVE FIGURES

Certain prior period's figures have been reclassified to conform to the presentation in the current period.

13 APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements were approved by the Board of Directors on 16 April 2013 (corresponding to 6 Jumad Thani 1434H).