

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month and six-month periods ended
30 June 2021
together with the
Independent Auditors' Review Report

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2021

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KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية

مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جدة 21534
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Saudi Industrial Services Company

Introduction

We have reviewed the accompanying 30 June 2021 condensed consolidated interim financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group"), which comprises:

- the condensed consolidated statement of profit or loss for the three-month and six-month periods ended 30 June 2021;
- the condensed consolidated statement of other comprehensive income for the three-month and six-month periods ended 30 June 2021;
- the condensed consolidated statement of financial position as at 30 June 2021;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2021;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed consolidated interim financial statements of Saudi Industrial Services Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR 15,000,000. Previously known as KPMG Al Fozan & Partners Certified Public Accountants. A member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited.

كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مسجلة في المملكة العربية السعودية و تسجلها (15000000) ريال سعودي. مطروح بالخط، وقد تم تغيير اسم الشركة من الاسم السابق "شركة كي بي إم جي للفرزان وشركاه مسجلين ومراجعون للأموال" إلى الاسم الحالي بتاريخ 2021/08/21. وهي شركة عضو غير شريك في شبكة شركات كي بي إم جي المستقلة والكلمة ل كي بي إم جي العالمية شركة مسجلة في بريطانيا

Commercial Registration of the headquarter in Riyadh is 1010425464.



Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Saudi Industrial Services Company (continued)

Other matter

The condensed consolidated interim financial statements of Saudi Industrial Services Company ("the Company") and its subsidiaries ("the Group") for the three month and six month period ended 30 June 2020, were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 27 August 2020

The condensed consolidated interim financial statements of the Group for the three month period ended 31 March 2021 were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 6 May 2021. The consolidated financial statements of the Group as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 4 March 2021

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 18 August 2021
Corresponding to 10 Muharram 1443H



SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three-month and six-month periods ended 30 June 2021

		<i>For the three- month period ended 30 June 2021</i>	<i>For the three- month period ended 30 June 2020</i>	<i>For the six- month period ended 30 June 2021</i>	<i>For the six- month period ended 30 June 2020</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Service revenues	5	244,540,213	215,571,655	498,138,357	382,863,297
Construction revenue		7,607,104	-	12,307,632	-
TOTAL REVENUE		252,147,317	215,571,655	510,445,989	382,863,297
Direct service costs		(120,979,583)	(99,687,615)	(239,694,649)	(213,807,120)
Cost of construction		(7,607,104)	-	(12,307,632)	-
COST OF SALE		(128,586,687)	(99,687,615)	(252,002,281)	(213,807,120)
GROSS PROFIT		123,560,630	115,884,040	258,443,708	169,056,177
OPERATING EXPENSES					
General and administration expenses		(35,920,236)	(38,764,342)	(71,539,176)	(74,735,070)
Selling and distribution expenses		(4,058,492)	(3,959,231)	(8,571,735)	(7,751,465)
TOTAL OPERATING EXPENSES		(39,978,728)	(42,723,573)	(80,110,911)	(82,486,535)
OPERATING INCOME		83,581,902	73,160,467	178,332,797	86,569,642
Finance cost, net	18	(50,864,074)	(51,432,810)	(102,187,289)	(30,972,263)
Other income, net	19	1,525,347	72,307,531	7,885,233	79,148,473
Share of profit of equity accounted investees, net	11	6,034,548	5,169,641	11,844,783	8,900,694
PROFIT BEFORE ZAKAT AND INCOME TAX		40,277,723	99,204,829	95,875,524	143,646,546
Zakat and income tax	20	(3,226,715)	(6,418,106)	(9,175,532)	(8,729,356)
NET PROFIT FOR THE PERIOD		37,051,008	92,786,723	86,699,992	134,917,190
Attributable to:					
Shareholders of the Parent Company		22,467,630	56,522,162	54,747,755	83,123,090
Non-controlling interests		14,583,378	36,264,561	31,952,237	51,794,100
		37,051,008	92,786,723	86,699,992	134,917,190
Earnings per share					
Basic and diluted earnings per share from net profit for the period attributable to the shareholders of the parent	6	0.28	0.69	0.67	1.02

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2021

	<i>For the three-month period ended 30 June 2021</i>	<i>For the three-month period ended 30 June 2020</i>	<i>For the six-month period ended 30 June 2021</i>	<i>For the six-month period ended 30 June 2020</i>
	SR	SR	SR	SR
Net profit for the period	37,051,008	92,786,723	86,699,992	134,917,190
OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified to profit or loss</i>				
Gain on re-measurement of employees' end-of-service benefits	-	1,491,817	-	1,491,817
Change in fair value of financial assets at fair value through other comprehensive income (FVOCI)	(63,182)	-	(63,182)	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Cash flow hedges – effective portion of changes in fair value	4,541,024	(51,478)	4,001,590	(5,836,345)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	4,477,842	1,440,339	3,938,408	(4,344,528)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	41,528,850	94,227,062	90,638,400	130,572,662
Attributable to:				
Shareholders of the Parent Company	25,156,309	57,395,007	57,109,537	80,490,306
Non-controlling interests	16,372,541	36,832,055	33,528,863	50,082,356
	41,528,850	94,227,062	90,638,400	130,572,662

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

		30 June 2021 Unaudited SR	31 December 2020 Audited SR
ASSETS	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	7	255,176,093	268,481,533
Capital work in progress	9	139,848,043	117,954,228
Intangible assets	8	3,084,540,168	3,141,574,145
Right-of-use assets	13	91,263,413	86,918,253
Investment properties		122,586,479	128,000,604
Equity-accounted investees	11	147,829,822	136,922,460
Financial assets at fair value through other comprehensive income (FVOCI)		14,909,532	14,972,714
Goodwill	10	8,776,760	8,776,760
Deferred taxation		2,401,520	2,401,519
TOTAL NON-CURRENT ASSETS		3,867,331,830	3,906,002,216
CURRENT ASSETS			
Inventories, net		22,698,681	19,627,992
Trade receivables, prepayments and other receivables		147,489,980	132,706,458
Due from related parties	21	13,762,509	12,283,133
Cash and cash equivalents	14	367,977,524	336,533,927
TOTAL CURRENT ASSETS		551,928,694	501,151,510
TOTAL ASSETS		4,419,260,524	4,407,153,726
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	816,000,000	816,000,000
Share premium		36,409,063	36,409,063
Statutory reserve		90,324,076	90,324,076
Other components of equity		(14,119,754)	(16,481,536)
Retained earnings		237,797,529	248,329,774
Equity attributable to the shareholders of the parent		1,166,410,914	1,174,581,377
Non-controlling interests		565,975,098	534,995,715
TOTAL EQUITY		1,732,386,012	1,709,577,092
NON-CURRENT LIABILITIES			
Obligation under service concession arrangement	8.2(b)	1,358,630,405	1,355,424,493
Long term loans and bank facilities	16	657,225,595	665,662,576
Employees' end-of-service benefits		52,335,908	48,126,455
Long term provisions	17	2,008,594	1,984,224
Derivative financial instrument	16	10,058,976	14,060,566
Lease liabilities	13	83,283,220	84,597,772
TOTAL NON-CURRENT LIABILITIES		2,163,542,698	2,169,856,086
CURRENT LIABILITIES			
Current portion of obligation under service concession arrangement	8.2(b)	184,414,635	190,530,528
Current portion of long term loans and bank facilities	16	111,940,699	70,670,666
Trade payables, accrued and other current liabilities		205,921,117	247,117,181
Zakat and Tax payable		8,804,375	12,331,613
Lease liabilities	13	10,897,788	7,033,955
Due to a related party	21	1,353,200	36,605
TOTAL CURRENT LIABILITIES		523,331,814	527,720,548
TOTAL LIABILITIES		2,686,874,512	2,697,576,634
TOTAL EQUITY AND LIABILITIES		4,419,260,524	4,407,153,726

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Equity attributable to the shareholders of the Parent Company

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SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

For the six-month period ended 30 June 2021

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

note

1-2

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The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS (UNAUDITED)

For six-month period ended 30 June 2021

		<i>For the six month period ended 30 June 2021 Unaudited SR</i>	<i>For the six month period ended 30 June 2020 Unaudited SR</i>
	<i>Note</i>		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and income tax		95,875,524	143,646,546
<i>Adjustments for:</i>			
Depreciation and amortization		85,994,153	72,246,862
Provision for employees' end of service benefits		5,310,977	3,624,002
Amortization of advance rental	16	3,988,735	-
Share of profits of equity accounted investees, net	11	(11,844,783)	(8,900,694)
(Reversal) of /allowance for expected credit losses		(1,239,713)	634,946
Provision for slow moving and obsolete inventories		(80,404)	712,102
Loss on disposal of property, plant and equipment		11,575	3,497,515
Reversal of provision for asset replacement cost		-	(75,165,205)
Provision for decommissioning cost		29,643	39,592
Reversals of provision no longer needed	19	(5,727,740)	(3,386,373)
Financial charges, net		102,187,289	30,972,263
		<u>274,505,256</u>	<u>167,921,556</u>
Changes in operating assets and liabilities:			
Trade receivables, prepayments and other receivables		(13,543,809)	(21,218,825)
Due from related parties		(1,479,376)	(2,135,056)
Inventories		(2,990,285)	(2,788,127)
Trade payable, accrued and other liabilities		(122,252,393)	20,346,672
Due to related parties		1,316,595	(980,418)
		<u>135,555,988</u>	<u>161,145,802</u>
Cash generated from operating activities			
Employees' end of service benefits paid		(1,101,523)	(3,041,916)
Financial charges paid		(6,071,629)	(16,698,738)
Zakat and income tax paid		(12,702,772)	(71,773)
		<u>115,680,064</u>	<u>141,333,375</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from an equity accounted investee	11	937,421	5,000,463
Proceeds from disposal of property, plant and equipment		74,631	856,579
Payment for intangible assets		(103,294)	-
Additions to property, plant and equipment, capital work in progress, intangible assets and right of use assets, net		(36,120,311)	(81,168,833)
		<u>(35,211,553)</u>	<u>(75,311,791)</u>
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans and bank facilities, net		25,993,441	(28,964,806)
Lease liabilities paid		(7,188,875)	(9,402,420)
Dividend paid	15	(65,280,000)	(48,960,000)
Dividends paid to non-controlling interests by subsidiaries		(2,520,000)	(28,942,099)
Net movement in non-controlling interests		(29,480)	(195,743)
		<u>(49,024,914)</u>	<u>(116,465,068)</u>
Net cash used in financing activities			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>31,443,597</u>	<u>(50,443,484)</u>
Cash and Cash equivalents at the beginning of the period	14	336,533,927	295,100,801
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>367,977,524</u>	<u>244,657,317</u>
SUPPLEMENTARY NON-CASH INFORMATION			
Cash flow hedges – effective portion of change in fair value		4,001,590	(5,836,345)
Obligation under service concession arrangement		-	(1,576,719,213)
Transfer of assets from property plant and equipment to intangibles		-	489,210,493
Modification of lease contracts		-	(146,694,649)

The attached notes 1 to 25 form an integral part of these condensed consolidated interim financial statements.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT
(UNAUDITED)**

For the six-month period ended 30 June 2021

1. ORGANISATION AND ACTIVITIES

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

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

These condensed consolidated interim 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”. The financial statements of the subsidiaries are prepared for the same reporting period and accounting policies as that of the Parent Company.

<u>Company</u>	<u>Country of incorporation</u>	<u>Effective shareholding</u>		<u>Principal activities</u>
		<u>2021</u>	<u>2020</u>	
Saudi Trade and Export Development Company (“Tusdeer”)	Saudi Arabia	76%	76%	Management and operation of storage and re-export project situated on the land leased from Jeddah Islamic Port.
Kindasa Water Services Company – Closed Joint Stock Company (“Kindasa”)	Saudi Arabia	65%	65%	Water desalination and treatment plant and sale of water.
Support Services Operation Company (“ISNAD”)	Saudi Arabia	99.28%	99.28%	Development and operation of industrial zones, construction and operation of restaurants, catering and entertainment centers, construction of gas stations, auto servicing and maintenance workshops, and purchase of land for the construction of building thereon and investing the same through sale or lease.
Red Sea Gateway Terminal Company Limited (“RSGT”)	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.
Red Sea Port Development Company – Closed Joint Stock Company (“RSPD”)	Saudi Arabia	60.6%	60.6%	Development, construction, operation and maintenance of container terminals and excavation and back filling works.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

1. ORGANISATION AND ACTIVITIES (continued)

On 14 July 2021 SISCO and its subsidiary Saudi Trade and Export Development Company (“Tusdeer”) completed the sale of its 21.2% and 4% direct equity stake in RSGT respectively. SISCO received total gross proceeds of SAR 556.5 million while its subsidiary Tusdeer received total gross proceeds of SAR 105 million before deducting all transaction costs. Post transaction, SISCO will continue to consolidate RSGT through its subsidiary Red Sea Ports Development Company Limited (“RSPD”). The impact of the above transactions will be reflected in the equity in Group’s condensed consolidated interim financial statements for nine months period ending 30 September 2021.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These condensed consolidated interim financial statements do not include all of the information required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020 (last annual consolidated financial statements). However, selected explanatory notes are included to explain the events and transactions that are significant to an understanding of changes in the Group’s financial position and performance since the last annual consolidated financial statements.

2.2 Significant judgments, estimates and assumptions

The preparation of Group’s condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Group based its assumptions and estimates on parameters available when the condensed consolidated interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Also see note 2.3 below.

The significant judgments exercised in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements for the year ended 31 December 2020.

2.3 Impact of the Pandemic

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

2. BASIS OF PREPARATION (continued)

2.4 Basis of measurement

These condensed consolidated interim 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.

2.5 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2020. Few amendments to standards became effective from 1 January 2021 which do not have a material effect on these condensed consolidated interim financial statements.

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

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

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	1 January 2022
	Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41	
IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
IFRS 3	Reference to the conceptual framework – Amendment	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2023
IAS 8	Definition of Accounting Estimate - Amendment	1 January 2023
IAS 1	Disclosure of Accounting Policies	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The Group is currently assessing the implication of adopting the abovementioned standards, amendments or interpretations the Group's financial statements on adoption.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

5. SERVICE REVENUE

	<i>For the three-month period ended 30 June 2021 Unaudited SR</i>	<i>For the three- month period ended 30 June 2020 Unaudited SR</i>	<i>For the six- month period ended 30 June 2021 Unaudited SR</i>	<i>For the six- month period ended 30 June 2020 Unaudited SR</i>
Shipping and unloading services	192,785,858	175,333,833	399,541,741	299,158,721
Sale of potable water	25,057,286	20,873,998	47,919,842	45,059,517
Rentals and support services	26,697,069	19,363,824	50,676,774	38,645,059
	244,540,213	215,571,655	498,138,357	382,863,297

6. EARNINGS PER SHARE

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

	<i>For the three-month period ended 30 June 2021 Unaudited SR</i>	<i>For the three- month period ended 30 June 2020 Unaudited SR</i>	<i>For the six- month period ended 30 June 2021 Unaudited SR</i>	<i>For the six- month period ended 30 June 2020 Unaudited SR</i>
Profit for the period attributable to ordinary equity holders of the Parent	22,467,630	56,522,162	54,747,755	83,123,090
Weighted average number of ordinary shares in issue	81,600,000	81,600,000	81,600,000	81,600,000
Basic and diluted earnings per share	0.28	0.69	0.67	1.02

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

7. PROPERTY, PLANT AND EQUIPMENT

	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
Property, plant and equipment - Port terminal operations	33,447,076	34,883,753
Property, plant and equipment	194,386,316	204,962,895
Property, plant and equipment of Bonded and re-export project	27,342,701	28,634,885
	<u>255,176,093</u>	<u>268,481,533</u>

- a) During the six-month period ended 30 June 2021, additions amounting to SR 1.72 million (year ended 31 December 2020: SR 4 million), SR 0.06 million (year ended 31 December 2020: SR 0.4 million), SR 0.8 million (year ended 31 December 2020: SR 21.8 million) were made to the property, plant and equipment, Bonded and re-export project and Port terminal operations respectively .
- b) The Group's property and equipment – port terminal operations have been pledged against the Ijara Facility.

8. INTANGIBLE ASSETS

	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
Port concession rights (note 8.1)	1,585,207,574	1,625,893,154
Intangible asset related to fixed and guaranteed variable fee (note 8.2)	1,495,564,420	1,511,355,369
Other intangible assets	3,768,174	4,325,622
	<u>3,084,540,168</u>	<u>3,141,574,145</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

8. INTANGIBLE ASSETS (continued)

8.1 Port concession rights

	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
Cost		
Balance at the beginning of the period/year	2,487,828,059	1,710,555,638
Additions during the period/year	1,739,003	75,426,303
Transfer from capital work in progress	1,680,462	72,065,880
Disposals during the period/year	(609,966)	(2,401,843)
Transfers (note 8.2(a))	-	632,182,081
	<u>2,490,637,558</u>	<u>2,487,828,059</u>
Amortisation		
Balance at the beginning of the period/year	861,934,905	642,815,862
Charge for the period / year	44,105,045	76,989,549
Disposals during the period/year	(609,966)	(2,342,094)
Accumulated amortization pertaining to transfers (note 8.2(a))	-	144,471,588
	<u>905,429,984</u>	<u>861,934,905</u>
	<u><u>1,585,207,574</u></u>	<u><u>1,625,893,154</u></u>

8.2 Intangible assets related to fixed and guaranteed variable fee

	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
Cost:		
Intangible assets recorded in accordance with IFRIC 12 (see note 'b' below)	1,534,528,416	1,534,528,416
Accumulated amortization:		
At the beginning of the period / year	23,173,047	-
Charge for the period / year	15,790,949	23,173,047
	<u>38,963,996</u>	<u>23,173,047</u>
Net book value	<u><u>1,495,564,420</u></u>	<u><u>1,511,355,369</u></u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

8. INTANGIBLE ASSETS (continued)

8.2 Intangible assets related to fixed and guaranteed variable fee (continued)

The agreement was, subsequently, novated by Saudi Trade and Export Development Company to RSGT (another subsidiary of the Group), effective from 22 Shawal 1428H (corresponding to 3 November 2007). The period of the Agreement originally was for 32 years. However, on 23 December 2019, RSGT, entered into a New Concession Agreement (the New Concession Agreement) with MAWANI whereby RSGT acquired rights to operate North Container Terminal in addition to the terminal operated under the BOT agreement, effective from 1 April 2020 (the effective date) for a period of 30 years from the effective date.

On the basis that the new concession falls under IFRIC 12 intangible asset model, then the previous rights to operate the terminal operated under the BOT agreement shall still represent an intangible asset under the new agreement with no derecognition of existing intangible assets. As a result:

- a) Certain items of property and equipment and their respective accumulated depreciation, which were previously owned by the Group and used for terminal operations (being classified as non-concession arrangement assets), were transferred to intangible assets during the year ended 31 December 2020 as they are now part of the concession arrangements as per the New concession Agreement.
- b) The New Concession Agreement stipulates payment of the fixed and guaranteed variable fee on the specified rates over the life of the agreement. These fees were recorded as intangible asset under the guidance of IFRIC 12 'Service Concession Arrangements', with a corresponding liability recognized as obligation under service concession arrangement during the year ended 31 December 2020 and measured in accordance with IFRS 9 "Financial Instruments". All other variable fees are charged to condensed consolidated statement of profit or loss as and when incurred.

9. CAPITAL WORK IN PROGRESS

The carrying amount of capital work in progress (CWIP) represent amounts paid to contractors and suppliers for the acquisition of the intangible assets and items of property, plant and equipment. Once complete, these assets and their carrying amount will be transferred to respective asset category. CWIP mainly comprise of Jeddah Logistic Hub and Jeddah Logistic park Projects of Tusdeer and work in progress in respect of port terminal operations of RSGT. During the six-month period additions of SR 24.844 million were made in CWIP of the Group.

10. GOODWILL

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

11. EQUITY-ACCOUNTED INVESTEEES

	30 June 2021 Unaudited SR	31 December 2020 Audited SR	30 June 2020 Unaudited SR
Balance at the beginning of the period/year	136,922,460	132,421,768	132,421,768
Share in profit of equity accounted investees, net	11,844,783	21,609,171	8,900,694
Share of actuarial losses of associates recognized in other comprehensive income	-	(2,082,512)	
Dividend received during the period / year	(937,421)	(15,025,967)	(5,000,463)
Balance at the end of the period/year	147,829,822	136,922,460	136,321,999

11.1 Equity-accounted investees

<i>Associates</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Effective shareholding percentage</i>		<i>Carrying amount</i>	
			<i>30 June 2021 Unaudited</i>	<i>31 December 2020 Audited</i>	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
International Water Distribution Company Limited (note a)	Water/waste works, water treatment and lease of water equipment	Kingdom of Saudi Arabia	50%	50%	88,401,575	84,044,946
Saudi Water and Environmental Services Company (note b)	Electrical, water and mechanical works and related operation and maintenance	Kingdom of Saudi Arabia	31.85%	31.85%	6,654,464	6,660,855
Saudi Al Jabr Talke Company Limited	Contracting, construction, operation and maintenance of factories and warehouses	Kingdom of Saudi Arabia	33.3%	33.3%	50,928,680	43,814,661
Xenmet SA, Vaduz (note c)	Trading, storage and brokerage of commodities	Principality of Liechtenstein	19%	19%	1,845,103	2,401,998
					147,829,822	136,922,460

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

11. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVOCI comprise of equity investment in shares of Growth Gate Capital Corporation B.S.C.. As of the statement of financial position date, management believes that the carrying amount of the investment approximates its fair value.

13. RIGHT OF USE ASSETS AND LEASE LIABILITIES

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

	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
Cost:		
At the beginning of the period / year	101,081,068	256,622,317
Lease contracts modification	-	(147,340,195)
Additions during the period/ year	7,236,826	4,552,274
Lease contract terminated during the period / year	-	(12,753,328)
	108,317,894	101,081,068
Depreciation:		
At the beginning of the period/year	(14,162,815)	(14,797,077)
Depreciation for the period/year	(2,719,553)	(6,866,680)
Depreciation for the period/year (capitalized in CWIP)	(172,113)	(351,917)
Relating to modified and terminated contract		7,852,859
	(17,054,481)	(14,162,815)
Net value at the end of period/ year	91,263,413	86,918,253

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

13. RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

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

	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
At the beginning of the period/year	91,631,727	247,016,438
Addition during the period/year	7,236,826	-
Lease contracts modification	-	(147,340,195)
Interest charge for the period/year	1,274,282	2,342,544
Unwinding of lease liability (capitalized in CWIP)	1,227,048	3,923,274
Payment of lease liabilities during the period/year	(7,188,875)	(9,402,420)
Disposals during the period/year	-	(4,907,914)
As the ended of the period/ year	<u>94,181,008</u>	<u>91,631,727</u>

The classification of lease liabilities is as follows:

	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
Current lease liabilities	10,897,788	7,033,955
Non-current lease liabilities	83,283,220	84,597,772
	<u>94,181,008</u>	<u>91,631,727</u>

14. CASH AND CASH EQUIVALENTS

	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
Cash in hand	271,113	234,090
Cash at banks (see note below)	342,706,411	336,299,837
Short term deposits	25,000,000	-
	<u>367,977,524</u>	<u>336,533,927</u>

14.1 Out of the total cash at bank balance, SR 0.63 million (31 December 2020: SR 0.88 million) was held with a commercial bank in respect of accumulated unclaimed dividends.

14.2 Short term deposits are placed with a commercial bank having original maturity of less than three months and yield financial income at prevailing market rates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

15. SHARE CAPITAL AND DIVIDEND

As at 30 June 2021, the authorised and paid up capital of the Group is divided into 81.6 million shares (31 December 2020: 81.6 million shares) of SR 10 each.

On 23rd Ramadan, 1442H (corresponding to 05 May 2021), the shareholders of the Company in their Annual General Meeting approved the dividend amounting to SR 65.28 million (SR 0.8 per share) (On 13 April 2020, dividend amounting to SR 48.96 million (SR 0.6 per share)). Dividend was paid in full during the period ended 30 June 2021.

16. LONG TERM LOANS AND BANK FACILITIES

	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
Long-term loans	769,166,294	736,333,242
Less: current portion	(111,940,699)	(70,670,666)
Non-current portion	<u>657,225,595</u>	<u>665,662,576</u>

- a) On 3 December 2007, RSGT (a subsidiary of the Company) entered into an Ijara arrangement with two local commercial banks to obtain a loan of SR 1,271 million. The Ijara facility was secured against the property and equipment of RSGT. The loan was to be repaid in semi-annual installments ending in December 2023. The loan carried special commission rate of SIBOR plus an agreed margin (see note(c) below).
- b) On 28 September 2016, RSGT entered into an Ijara arrangement with two local commercial banks to obtain a loan of SR 260 million for expansion of its existing berths. This facility was also secured against the port concession rights of RSGT. The loan was to be repaid in semi-annual installments ending in December 2023. The loan carried special commission rate of SIBOR plus an agreed margin (see note(c) below).
- c) During the year ended 31 December 2020, RSGT and the banks mutually agreed to amend the terms of the loan agreements above. These amendments, among others, included modification of the applicable rate from six months SIBOR to three months SIBOR, lowered the agreed margin, modified the repayment frequency from biannual to quarterly payment and extended the maturity period from year 2023 to 2030. The Ijara facilities are secured against property and equipment of RSGT. The modifications of the terms were assessed qualitatively and quantitatively in accordance with IFRS 9 "Financial Instruments" and, as a result, the management concluded that the changes in terms of agreement resulted in modification under the requirements of IFRS 9 "Financial Instruments". Accordingly, the modifications resulted in a day one gain of SR 31.96 million recorded in the statement of profit or loss as at the effective date of the modification of the terms of the loans (note 18). Un-amortised balance of the modification gain as at 30 June 2021 is of SR 25.26 million which will be amortised over the remaining period of the Ijara facility, using effective interest rate.
- d) The unamortized portion of the advance rentals (loan arrangement fee) and other fees paid to the banks amounting to SR 13.588 million are amortized over the remaining period of the Ijara facility, using effective interest rate approach.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

16. LONG TERM LOANS AND BANK FACILITIES (continued)

- e) During the year ended 31 December 2020, RSGT obtained a facility with sanctioned limit of SR 750 million towards its consolidation and expansion works. Out of which SR 70 million was drawn as of the date of the condensed consolidated interim statement of financial position. RSGT pays an agreed commitment fee on the undrawn balance and an agreed profit payable at SIBOR plus a margin on the drawn balance. The commitment fee paid has been deferred and amortised as part of effective interest rate on the basis that a full draw down of the loan is expected to occur in future years. The loan will be repaid in quarterly instalments starting from 2023 and ending in 2033. The loan is secured against assets relating to the consolidation and expansion works.

- f) The current and non-current portion of the loans of RSGT as at the period end is as follows:

	30 June 2021 Unaudited SR	31 December 2020 Audited SR
Long-term loans	725,180,710	731,461,973
Less: current portion	(70,169,328)	(68,899,295)
Non-current portion	<u>655,011,382</u>	<u>662,562,678</u>

- g) During 2016, Kindasa entered into an agreement for a long-term facility with a local bank for SR 24 million to finance the construction of a new water desalination facility. The loan carries commission at commercial rates (SIBOR plus an agreed margin) and is repayable in quarterly instalments commencing one year after the first drawdown. The loan is secured by secondary mortgage over Kindasa's property and equipment. As at 30 June 2021, Kindasa has cumulatively drawn down SR 8.5 million out of total facility of SR 24 million.

	30 June 2021 Unaudited SR	31 December 2020 Audited SR
Long-term loan	3,985,584	4,871,269
Less: current portion	(1,771,371)	(1,771,371)
Non-current portion	<u>2,214,213</u>	<u>3,099,898</u>

- h) During the six-month period ended 30 June 2021 SISCO obtained a short term Financing facility with sanctioned limit of SR 40 million which was completely drawn as of 30 June 2021. SISCO pays profit at an agreed margin on the drawn balance. The loan is repayable in November 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

17. LONG TERM PROVISIONS

	<i>30 June 2021 Unaudited SR</i>	<i>31 December 2020 Audited SR</i>
Provision for dismantling cost	1,860,850	1,821,257
Others	147,744	162,967
	<u>2,008,594</u>	<u>1,984,224</u>

18. FINANCE COST, NET

	<i>For the three- month period ended 30 June 2021 Unaudited SR</i>	<i>For the three-month period ended 30 June 2020 Unaudited SR</i>	<i>For the six- month period ended 30 June 2021 Unaudited SR</i>	<i>For the six- month period ended 30 June 2020 Unaudited SR</i>
Gain on modification of loan agreement (note 16 (c))	-	-	-	31,959,301
Finance cost on obligations under service concession arrangement	(42,068,982)	(42,190,797)	(84,177,727)	(42,190,797)
Finance cost on term loans	(8,076,008)	(9,280,413)	(16,625,111)	(20,863,125)
Others	(719,084)	38,400	(1,384,451)	122,358
	<u>(50,864,074)</u>	<u>(51,432,810)</u>	<u>(102,187,289)</u>	<u>(30,972,263)</u>

19. OTHER INCOME, NET

	<i>For the three-month period ended 30 June 2021 Unaudited SR</i>	<i>For the three-month period ended 30 June 2020 Unaudited SR</i>	<i>For the six- month period ended 30 June 2021 Unaudited SR</i>	<i>For the six- month period ended 30 June 2020 Unaudited SR</i>
Reversal of provision for asset replacement cost	-	75,165,205	-	75,165,205
Gain or (loss) on disposal of property, plant and equipment	(34,641)	(3,497,515)	(11,575)	(3,497,515)
Reversals of provision no longer needed	-	-	5,727,740	3,386,373
Others	1,559,988	639,841	2,169,068	4,094,410
	<u>1,525,347</u>	<u>72,307,531</u>	<u>7,885,233</u>	<u>79,148,473</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

20. ZAKAT AND INCOME TAX

Parent Company

During the period, the Parent Company received an offer by the Zakat Tax and Customs Authority (“ZATCA”) Settlement Committee to pay SR 8 million as a full and final settlement against zakat and tax for years from 2002 to 2013. Management of the Parent Company confirmed their acceptance to the ZATCA Settlement Committee and, simultaneously, requested to adjust SR 3.9 million already paid by the Parent Company for those years. The ZATCA had adjusted the settlement SADAD invoice of SR 8 million by reflecting SR 3.9 million already paid. During the six month period ended 30 June 2021 the Company paid the net due amount of SR 4.1 million and finalised the zakat assessment up to year 2013.

Furthermore, the ZATCA has also raised assessments for the years 2014 to 2015 and year 2016 to 2018 with an additional liability of SR 0.47 million and SR 1.4 million respectively. The Company accepted and paid the imposition of Zakat amounting to SR 0.47 million and SR 1.4 million during six month period ended 30 June 2021 and finalized the assessment up to the year 2018.

The Parent Company has filed its Zakat returns for the years up to 31 December 2020. Up to the date of these condensed consolidated interim financial statements, ZATCA is yet to raise the assessment for the year 2019 and 2020.

Subsidiaries

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

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

RSPD has filed its Zakat and income tax returns with ZATCA up to the year 2020. RSPD has received an assessment for year 2018 which was accepted under protest. Up to the date of this report, ZATCA is yet to raise assessments for the years from 2009 through 2017 and 2019 to 2020.

Saudi Trade and Export Development Company Limited (“the Subsidiary”)

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

Support Services Operation Company Limited (“the Subsidiary”)

The Subsidiary has finalized its Zakat assessments with ZATCA for the years from 2007 to 2008 and for 2018 and has filed its Zakat returns up to 2020. ZATCA has not raised the assessment for the years from 2009 to 2017 and for the year 2019 and 2020.

Kindasa Water Service Company (“the Subsidiary”)

The Subsidiary has finalized its Zakat assessments with ZATCA up to 2008 and has filed its Zakat returns up to 2020. Up to the date of these condensed consolidated interim financial statements, ZATCA is yet to raise the assessment for the years from 2009 to 2020.

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)
For the three-month and six-month period ended 30 June 2021

21. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Name	Relationship	Nature of transactions	Amount of transactions			
			Three-month period ended		Six-month period ended	
			30 June 2021	30 June 2020	30 June 2021	30 June 2020
			Unaudited SR	Unaudited SR	Unaudited SR	Unaudited SR
International Water Distribution Company Limited	Associate	Sales of goods and services	16,956,234	15,038,706	33,394,821	30,779,175
		Services rendered	189,750	173,250	379,500	346,500
		Expenses incurred on behalf of the Group	-	-	(4,362)	(10,088)
		Expenses incurred on behalf of the associate	30,111	45,333	62,282	83,640
Arabian Bulk Trade Limited	Affiliate	Lease of land and warehouses	2,843	1,410	(1,237)	1,410
Ambro Limited	Affiliate	Purchase of goods and services	(15,400)	(22,079)	(53,696)	(35,635)
Saudi Cable Company	Affiliate	Lease of land and warehouses	11,921	20,000	43,726	20,000
Al Jabr Talke Company Limited	Associate	Services rendered	46,000	182,882	69,000	323,891
		Dividend received	-	-	-	5,000,463
		Expenses incurred on behalf of an Associate	252,539		264,925	1,218
Saudi Water and Environmental Services Company Limited	Associate	Sales of goods and services	993,221	1,682,647	1,667,265	3,125,110
Xenel Industries Limited	Shareholder	Payment made on behalf of the shareholder	70,299	66,924	137,923	142,881
		Expenses incurred on behalf of the Group	(1,800)	36,000	(10,195)	(52,495)
Aecom Arabia Limited	Affiliate	Purchase of goods and services	-	(45,000)	-	(45,000)
Al Karam Fedics Services Company	Affiliate	Purchase of goods and services	(4,826,056)	(4,565,453)	(9,557,096)	(8,255,594)
Haji Abdullah Ali Reza & Co. Limited - General Technical Division	Affiliate	Purchase of goods and services	-	(68,718)	-	(604,506)

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from related parties

	30 June 2021 Unaudited SR	31 December 2020 Audited SR
International Water Distribution Company Limited	11,920,696	11,280,411
Saudi Water and Environmental Services Company Limited	989,083	249,996
Xenel Industries Limited	548,693	420,964
Al Jabr Talke Company Limited	23,000	23,000
Saudi Cable Company Limited	278,194	234,469
Arabian Bulk Trade Limited	2,843	74,293
Aecom Arabia Limited	-	-
	13,762,509	12,283,133

c) Due to a related party

	30 June 2021 Unaudited SR	31 December 2020 Audited SR
Al Karam Fedics Services Company	(1,353,200)	-
Haji Abdullah Ali Reza & Co. Limited - General Technical Division	-	(36,605)
	(1,353,200)	(36,605)

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

	Three-months period ended 30 June 2021 Unaudited SR	Three-months period ended 30 June 2020 Unaudited SR	Six-months period ended 30 June 2021 Unaudited SR	Six-months period ended 30 June 2020 Unaudited SR
Short-term employee benefits	2,184,000	4,746,000	8,242,720	9,165,125
Post-employment benefits	105,888	109,222	211,043	223,087
	2,289,888	4,855,222	8,453,763	9,388,212

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	<i>Three- months period ended 30 June 2021 Unaudited SR</i>	<i>Three-months period ended 30 June 2020 Unaudited SR</i>	<i>Six-months period ended 30 June 2021 Unaudited SR</i>	<i>Six-months period ended 30 June 2020 Unaudited SR</i>
Meeting attendance fees	200,000	210,000	408,000	330,000
Other remuneration	1,212,500	3,737,500	2,062,500	3,737,500
	1,412,500	3,947,500	2,470,500	4,067,500

22. COMMITMENTS AND CONTINGENCIES

At 30 June 2021, the Group's bankers have issued letters of guarantee amounting to SR 149.0 million (31 December 2020: SR 156.3 million) against which cash margin of SR 5.4 million (31 December 2020: SR 2.77 million) was deposited.

As at 30 June 2021, the Group has commitments for capital work in progress amounting to SR 36.6 million (31 December 2020: SR 4.8 million) mainly relating to new logistic hub and park construction project and new desalination plant construction and development project.

23. BUSINESS SEGMENTS

The Group has the following main business segments:

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

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

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

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 six-month period ended 30 June:

SAUDI INDUSTRIAL SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

23. BUSINESS SEGMENTS (continued)

	Reportable Segments			Total	Unallocated	Total
	<i>Port development and operations</i>	<i>Logistic parks and support services</i>	<i>Water desalination and distribution</i>			
	-----SR 000'(Unaudited)-----					
30 June 2021						
External revenues	411,849	50,677	48,406	510,932	-	510,932
Inter-segment revenue	-	-	(486)	(486)	-	(486)
Segment revenue	411,849	50,677	47,920	510,446		510,446
Direct costs	187,141	30,755	34,592	252,488	-	252,488
Inter-segment direct costs	(486)	-	-	(486)	-	(486)
Segment cost	186,655	30,755	34,592	252,002	-	252,002
Segment gross profit	225,194	19,922	13,328	258,444	-	258,444
Profit attributable to shareholders of the Parent	46,544	3,993	1,875	52,412	2,336	54,748
Segment assets	3,574,732	410,195	191,817	4,176,744	242,517	4,419,261
Segment liabilities	2,496,201	106,428	31,256	2,633,885	52,990	2,686,875

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

23. BUSINESS SEGMENTS (continued)

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

24. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(continued)

For the three-month and six-month period ended 30 June 2021

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

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

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

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

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

Group's Level 3 financial assets comprise investment in unquoted investee company.

There were no transfers between level 1 and level 3 during the six-month period 30 June 2021 (31 December 2020: nil). There were no financial assets or financial liabilities classified under level 2.

There were no changes in valuation techniques during the period.

As at 30 June 2021, the financial assets of the Group comprised of trade receivables and other receivables, due from related parties, cash and cash equivalents which are recorded at amortised cost and investment in equity securities which is recorded at fair value and the Group's financial liabilities include loans and bank facilities, obligation under service concession agreement, trade payables and other liabilities and derivative financial instruments.

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

25. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised to issue by the Board of Directors on 11 August 2021, corresponding to 3 Muharram 1443H