



**THE NATIONAL SHIPPING
COMPANY OF SAUDI ARABIA**

(A Saudi Joint Stock Company)

**Condensed Consolidated Interim
Financial Statements (Unaudited)**

**and review report for the three-month period
and year ended 31 December 2022**

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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤
المركز الرئيسي في الرياض

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

To the Shareholders of The National Shipping Company of Saudi Arabia

Introduction

We have reviewed the accompanying 31 December 2022 condensed consolidated interim financial statements of The National Shipping Company of Saudi Arabia ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 December 2022;
- the condensed consolidated statement of profit or loss for the three-month period and year ended 31 December 2022;
- the condensed consolidated statement of other comprehensive income for the three-month period and year ended 31 December 2022;
- the condensed consolidated statement of changes in equity for the year ended 31 December 2022;
- the condensed consolidated statement of cash flows for the year ended 31 December 2022; 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.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (40,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة متقلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة تجاريزية محدودة بضمنها. جميع الحقوق محفوظة.



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

To the Shareholders of The National Shipping Company of Saudi Arabia (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 December 2022 condensed consolidated interim financial statements of The National Shipping Company of Saudi Arabia 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

Fahad Mubark Aldossari
License No: 469

Riyadh, 2 February 2023
Corresponding to 11 Rajab 1444H



THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed consolidated statement of financial position
As at 31 December 2022

	Note	31 December 2022 (Unaudited) SAR '000	31 December 2021 (Audited) SAR'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	13,960,421	13,949,152
Projects under construction	7	935,512	1,298,464
Right of use assets		420,412	515,721
Intangible assets		373,897	454,056
Equity accounted investees		1,575,117	1,497,605
Other non-current financial assets		64,205	42,880
TOTAL NON-CURRENT ASSETS		17,329,564	17,757,878
CURRENT ASSETS			
Inventories		511,198	479,858
Trade receivables and contract assets		2,069,025	1,383,509
Prepayments and other current assets		458,952	661,648
Investment in Murabaha fund at FVTPL		-	188,456
Cash and cash equivalents		2,529,358	1,178,269
TOTAL CURRENT ASSETS		5,568,533	3,891,740
TOTAL ASSETS		22,898,097	21,649,618
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	4,921,875	3,937,500
Statutory reserve	1	247,659	1,232,034
Share premium		1,489,103	1,489,103
Other reserves		34,403	186
Retained earnings		3,798,114	2,754,283
Equity attributable to equity holders of the Parent Company		10,491,154	9,413,106
Non-controlling interests		638,271	546,891
TOTAL EQUITY		11,129,425	9,959,997
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	8	8,537,438	4,548,020
Employees' end of service benefits		79,315	70,510
Lease liabilities		341,298	397,906
Derivative financial instruments		5,002	8,604
TOTAL NON-CURRENT LIABILITIES		8,963,053	5,025,040
CURRENT LIABILITIES			
Loans and borrowings	8	980,634	5,060,830
Lease liabilities		97,069	124,700
Trade and other payables		1,472,470	1,256,584
Provision for Zakat and income tax	11	255,446	222,467
TOTAL CURRENT LIABILITIES		2,805,619	6,664,581
TOTAL LIABILITIES		11,768,672	11,689,621
TOTAL EQUITY AND LIABILITIES		22,898,097	21,649,618


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 to 15 form an integral part of these condensed consolidated interim financial statements

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed consolidated statement of profit or loss
For the three-month period and year ended 31 December 2022

	For the three-month period ended		For the year ended	
	31 December		31 December	
	2022 (Unaudited) SAR'000	2021 (Unaudited) SAR'000	2022 (Unaudited) SAR'000	2021 (Audited) SAR'000
Revenue	2,717,504	1,546,536	8,582,580	5,351,075
Operating costs	(2,070,878)	(1,368,833)	(7,204,452)	(4,917,976)
Gross profit before bunker subsidy	646,626	177,703	1,378,128	433,099
Bunker subsidy	38,134	34,227	93,005	123,396
Gross profit	684,760	211,930	1,471,133	556,495
General and administrative expenses	(70,957)	(44,715)	(200,469)	(166,100)
(Provision)/ reversal on trade receivables and contract assets	(9,562)	(3,235)	25,609	(2,032)
Other income, net	155,832	9,331	197,017	36,465
Operating profit	760,073	173,311	1,493,290	424,828
Finance costs	(116,227)	(48,054)	(297,408)	(180,027)
Share of results of equity accounted investees	19,800	(1,338)	59,642	46,840
Profit before Zakat and income tax	663,646	123,919	1,255,524	291,641
Zakat and income tax	(36,617)	(17,677)	(92,927)	(58,009)
Profit for the period/ year	627,029	106,242	1,162,597	233,632
Profit for the period/ year attributable to:				
Equity holders of the Parent Company	578,121	91,977	1,040,909	192,433
Non-controlling interests	48,908	14,265	121,688	41,199
	627,029	106,242	1,162,597	233,632
Earnings per share (Saudi Riyal):				
Basic & diluted	9 1.17	0.19	2.11	0.39


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes 1 to 15 form an integral part of these condensed consolidated interim financial statements

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed consolidated statement of other comprehensive income
For the three-month period and year ended 31 December 2022

	For the three-month period ended 31 December		For the year ended 31 December	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Audited)
	SAR'000	SAR'000	SAR'000	SAR'000
Profit for the period/ year	627,029	106,242	1,162,597	233,632
Items that will not be reclassified to profit or loss				
Re-measurement of employees' end of service benefits	(2,895)	(1,140)	(2,730)	(1,215)
Items that are or may be reclassified subsequently to profit or loss				
Equity accounted investees-share of OCI	1,269	13,867	36,881	19,451
Total comprehensive income for the period/ year	625,403	118,969	1,196,748	251,868
Total comprehensive income attributable to:				
Equity holders of the Parent Company	576,561	104,960	1,075,126	210,925
Non-controlling interests	48,842	14,009	121,622	40,943
Total comprehensive income for the period/ year	625,403	118,969	1,196,748	251,868



Chief Financial Officer






Chief Executive Officer



Authorized Board Member

The accompanying notes 1 to 15 form an integral part of these condensed consolidated interim financial statements

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed consolidated statement of cash flows
For the year ended 31 December 2022

	31 December 2022 (Unaudited) SAR'000	31 December 2021 (Audited) SAR'000
OPERATING ACTIVITIES		
Profit for the year	1,162,597	233,632
Adjustments to reconcile profit for the year to net cash flows from operating activities		
Depreciation of property and equipment	1,122,842	1,042,938
Depreciation of right of use assets	124,499	108,493
Amortization/ derecognition of intangible assets	84,931	47,282
(Reversal)/ provision on trade receivables and contract assets	(25,609)	2,032
Finance costs	297,408	180,027
Share of results of equity accounted investees	(59,642)	(46,840)
Realized/ unrealized gain from investment in Murabaha fund at FVTPL	(1,523)	(956)
Gain on disposal of property and equipment	(159,840)	(58)
Zakat and income tax	92,927	58,009
Employees' end of service benefits	14,246	11,544
	<u>2,652,836</u>	<u>1,636,103</u>
Working capital adjustments:		
Inventories	(31,340)	(192,137)
Trade receivables and contract assets	(659,907)	(350,191)
Prepayments and other current assets	203,193	(53,477)
Trade payables and other liabilities	120,644	10,247
Cash from operating activities	<u>2,285,426</u>	<u>1,050,545</u>
Finance costs paid	(227,622)	(177,858)
Zakat and income tax paid	(59,948)	(59,601)
Employees' end of service benefits paid	(8,171)	(7,550)
Net cash from operating activities	<u>1,989,685</u>	<u>805,536</u>
INVESTING ACTIVITIES		
Additions of property and equipment	(225,496)	(222,727)
Additions of projects under construction	(1,080,084)	(924,683)
Additions of intangible assets	(4,772)	(3,554)
Proceeds from disposal of property and equipment	694,261	60
Investment in equity accounted investee	(94,625)	(88,440)
Dividend received from equity accounted investees	113,636	-
Proceeds of sale/(investment) in Murabaha fund at FVTPL	189,979	(187,500)
Other non-current financial assets	14,661	18,818
Net cash used in investing activities	<u>(392,440)</u>	<u>(1,408,026)</u>
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	4,999,128	1,450,349
Repayment of loans and borrowings	(5,090,403)	(742,106)
Dividends paid	-	(787,500)
Payment of lease liabilities	(127,561)	(112,391)
Net change in non-controlling interest	(27,320)	(2,807)
Net cash used in financing activities	<u>(246,156)</u>	<u>(194,455)</u>
Increase/ (decrease) in cash and cash equivalents	1,351,089	(796,945)
Cash and cash equivalents at beginning of the year	1,178,269	1,975,214
Cash and cash equivalents at end of the year	<u>2,529,358</u>	<u>1,178,269</u>
Significant non-cash transactions:		
Projects under construction transferred to property and Equipment	1,443,036	560,645
Right of use assets	29,190	473,071
		
Chief Financial Officer	Chief Executive Officer	Authorized Board Member

The accompanying notes 1 to 15 form an integral part of these condensed consolidated interim financial statements.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)

Condensed consolidated statement of changes in equity
For the year ended 31 December 2022

	Attributable to equity holders of the Parent Company						Non-controlling interests	Total equity
	Share capital	Statutory reserve	Share premium	Other reserves	Retained earnings	Total		
	SAR '000							
Balance at 1 January 2021 (Audited)	3,937,500	1,232,034	1,489,103	(18,306)	3,349,350	9,989,681	508,755	10,498,436
Profit for the year	-	-	-	-	192,433	192,433	41,199	233,632
Other comprehensive income	-	-	-	18,492	-	18,492	(256)	18,236
Total comprehensive income for the year	-	-	-	18,492	192,433	210,925	40,943	251,868
Net change in non-controlling interest	-	-	-	-	-	-	(2,807)	(2,807)
Dividends (note 12)	-	-	-	-	(787,500)	(787,500)	-	(787,500)
Balance at 31 December 2021 (Audited)	3,937,500	1,232,034	1,489,103	186	2,754,283	9,413,106	546,891	9,959,997
Balance at 1 January 2022 (Audited)	3,937,500	1,232,034	1,489,103	186	2,754,283	9,413,106	546,891	9,959,997
Profit for the year	-	-	-	-	1,040,909	1,040,909	121,688	1,162,597
Other comprehensive income	-	-	-	34,217	-	34,217	(66)	34,151
Total comprehensive income for the year	-	-	-	34,217	1,040,909	1,075,126	121,622	1,196,748
Transfer from statutory reserve to share capital (note 1)	984,375	(984,375)	-	-	-	-	-	-
Acquisition of non-controlling interest (note 1)	-	-	-	-	2,922	2,922	(30,242)	(27,320)
Balance at 31 December 2022 (Unaudited)	4,921,875	247,659	1,489,103	34,403	3,798,114	10,491,154	638,271	11,129,425



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes 1 to 15 form an integral part of these condensed consolidated interim financial statements.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the three-month period and year ended 31 December 2022

1. THE COMPANY, ITS SUBSIDIARIES AND BUSINESS DESCRIPTION

The National Shipping Company of Saudi Arabia (the “Company” or “Bahri” or “Parent Company”), a Saudi Joint Stock Company, was established under the Royal Decree No. M/5 dated 12 Safar 1398H (corresponding to 21 January 1978) and registered under Commercial Registration No. 1010026026 dated 1 Dhul Hijjah 1399H (corresponding to 22 October 1979) issued in Riyadh. The Company’s head office is located in Olaya district, Olaya Towers (Tower B), Floors 12-15, P.O Box 5101, Riyadh, 1142, Kingdom of Saudi Arabia.

The Company and its subsidiaries listed below (the “Group”) are primarily engaged in purchasing, selling and operating vessels for the coordination of transport & storage on board vessels, transportation of cargo, cargo clearance, agencies for maritime shipping companies and all marine transport activities. The Group performs its operations through four distinct segments which are crude oil transportation, chemicals transportation, logistics and dry bulk transportation. The Group is also engaged in the ownership of land, properties inside or outside the Kingdom, ownership of shares in other existing companies or merging with them and participating with others in establishing companies with similar activities or complementary activities.

The Company’s share capital amounting to SAR 4,921,875,000 as at 31 December 2022 is divided into 492,187,500 shares (31 December 2021: SAR 3,937,500,000 divided into 393,750,000 shares) with a par value of SAR 10 each.

Based on a resolution passed at the Extraordinary General Assembly in its meeting held on 15 Shawwal 1443H (corresponding to 16 May 2022), the capital of the Company was increased from SAR 3,937,500,000 to SAR 4,921,875,000 by transferring SAR 984,375,000 from the “statutory reserve” account to the “share capital” account.

The subsidiaries whose financial information are incorporated into these condensed consolidated interim financial statements are as follows:

Subsidiary	Date of incorporation	Effective Ownership %		Principal Activity	Location
		2022	2021		
NSCSA Inc. – USA	1991	100	100	Company's ship agent	USA
Mideast Ship Management Limited (JLT)	2010	100	100	Ships technical management	UAE
Bahri Logistics Company*	2017	100	60	Logistics services	KSA
National Chemical Carriers Company limited (NCC)	1990	80	80	Petrochemical transportation	KSA
Bahri Dry Bulk Company (BDB)	2010	60	60	Dry bulk transportation	KSA

*On 18 August 2022, the Group acquired an additional 40% of Bahri Logistics Company (Previously: Bahri Bolloré Logistics Company) increasing its ownership to 100%.

The equity accounted investee companies’ financial information incorporated in these condensed consolidated interim financial statements are as follows:

Equity accounted investees	Date of incorporation	Effective Ownership %		Principal Activity	Location
		2022	2021		
Petredec Pte. Limited (note a)	1980	30.3	30.3	Liquefied petroleum gas transportation	Singapore
International Maritime Industries Company	2017	19.9	19.9	Maritime industries	KSA
National Grain Company (note b)	2021	50	50	Packing and storage of grain	KSA

a) During 2022, Petredec Pte. Limited (“Petredec”) changed its year end from 31 August to 31 December. The Group share of Petredec results for the financial period are recorded as per the latest financial statements prepared by Petredec. The difference between the latest financial statements prepared by Petredec and the Group condensed consolidated interim financial statements is two months.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA (A Saudi Joint Stock Company)

Notes to interim condensed consolidated financial statements For the three-month period and year ended 31 December 2022

1. THE COMPANY, ITS SUBSIDIARIES AND BUSINESS DESCRIPTION (CONTINUED)

b) During August 2020, the Company entered into a joint venture (“JV”) agreement to establish the National Grain Company with United Farmers Investment Company (“UFIC”). The JV aims to build and establish a terminal for handling grains at Yanbu Commercial Port, to meet the future needs of the Kingdom of Saudi Arabia for major crops and cereals. The legal formalities were finalized and the commercial registration certificate was issued on 18 Shaaban 1442 (corresponding to 31 March 2021). The JV has not yet commenced operations.

The Company operates through the following branches:

Trade Name	Registration No.	Registration Date	City
The National Shipping Company of Saudi Arabia	1010026026	23/10/1979	Riyadh
The National Shipping Company of Saudi Arabia	4030033402	21/2/1982	Jeddah
The National Shipping Company of Saudi Arabia	2050013881	30/7/1983	Dammam
The National Shipping Company of Saudi Arabia	2055001309	25/7/1984	Jubail
The National Shipping Company of Saudi Arabia	JLT-65807	06/12/2010	Dubai
The National Shipping Company of Saudi Arabia	F06135	26/08/2016	New Delhi

Group Fleet:

As at 31 December 2022, the Group operated 92 owned vessels and 6 vessels under lease contract (31 December 2021: 90 owned vessels and 6 vessels under lease contract) operating in the following sectors:

Crude oil transportation sector: Consists of 42 vessels (31 December 2021: 47 vessels) out of which 37 very large crude carriers (VLCCs) are operating in the spot market. The Group also owns 5 product tankers managed commercially by NCC.

Chemicals transportation sector: This sector is fully operated by NCC. It owns 35 vessels and 6 vessels under lease contract (31 December 2021: owned 28 vessels and 6 vessels under lease contract). Specialized tankers distributed as follows:

- 29 tankers operate in the spot market.
- 7 tankers are chartered to the International Shipping and Transportation Co. Ltd., a subsidiary of Saudi Basic Industries Corporation (“SABIC”) and 5 product tankers are chartered to ARAMCO.

Logistics sector: This sector consists of 6 RoCon vessels (31 December 2021: 6 RoCon vessels) operating on commercial lines between North America, Europe, Middle East, the Indian Subcontinent and Asia.

Dry bulk transportation sector: This sector is fully operated by BDB and it owns 9 vessels (31 December 2021: 9 vessels) specialized in transporting dry bulk cargo. 5 of them are chartered to the Arabian Agricultural Services Company (ARASCO) and 4 vessels are operating in the spot market.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

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

The condensed consolidated interim financial statements do not include all of the information and disclosures required in a full set of annual consolidated financial statements and should therefore be read in conjunction with the last annual consolidated financial statements for the year ended 31 December 2021 (“last annual consolidated financial statements”). However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Group financial position and performance since the last annual consolidated financial statements. The interim results may not be an indicator of the annual results of the Group.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)

Notes to interim condensed consolidated financial statements
For the three-month period and year ended 31 December 2022

2. BASIS OF PREPARATION (CONTINUED)

2.2. Preparation of condensed consolidated interim financial statements

(i) Historical cost convention

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for:

- Derivative financial instruments, unquoted equity shares and Investment in Murabaha fund which are measured at fair value.
- Employees' end of service benefits are recognized at the present value of future obligations using the projected unit credit method.

(ii) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. BASIS OF CONSOLIDATION

The Company and its subsidiaries are referred to collectively as the "Group". Subsidiaries are entities controlled by the Group. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

When necessary, adjustments are made to the condensed consolidated interim financial statements to bring the accounting policies of the subsidiaries in line with the Group accounting policies. All intra-group assets and liabilities, income and expenses and cash flows relating to transactions are eliminated in full on consolidation.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

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

If the Group loses control over a subsidiary, it:

- De-recognizes the assets and liabilities of the subsidiary;
- De-recognizes the carrying amount of any non-controlling interest;
- De-recognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the condensed consolidated statement of profit or loss;

The Company, its subsidiaries and equity accounted investees have the same reporting periods except Petredec as explained in note 1.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)

Notes to interim condensed consolidated financial statements
For the three-month period and year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2021.

4.1. Significant accounting judgments, estimates and assumptions

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Therefore, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments, which are significant to the condensed consolidated interim financial statements:

- Impairment assessment of vessels;
- Measurement of defined benefit obligations; key actuarial assumptions
- Measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted average loss rate.

The ongoing outbreak of the coronavirus disease (COVID-19) was declared a pandemic by the World Health Organization in March 2020. The shipping demand for oil and chemicals globally remains largely unaffected by the outbreak and as such the Group continues to operate while considering the health and safety of the workforce. Whilst there has been a significant decrease in world-wide infections due to the increase in the vaccinated population and reduced severity of the COVID-19 virus, management continues to closely monitor the operations and liquidity position on regular basis and at this point of time, is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations. Accordingly, in the opinion of management, no change in estimates and judgements are required in these condensed consolidated interim financial statements.

4.2. New Standards, Amendment to Standards and Interpretations:

There are no new standards issued, however, there are a number of amendments to standards which are effective from 1 January 2022 and are explained in the Group annual consolidated financial statements, but they do not have a material effect on the Group's condensed consolidated interim financial statements.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)
For the three-month period and year ended 31 December 2022

5. OPERATING SEGMENTS

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different services and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return and level of capital investment – and have different marketing strategies.

a) The following schedule illustrates the Group's activities according to the operating segments for the year ended 31 December:

	SAR'000					
31 December 2022 (Unaudited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Revenue	5,119,215	2,058,097	1,099,161	296,388	9,719	8,582,580
Operating costs	(4,381,332)	(1,615,716)	(1,051,522)	(153,520)	(2,362)	(7,204,452)
Bunker subsidy	76,717	3,390	12,898	-	-	93,005
Gross profit	814,600	445,771	60,537	142,868	7,357	1,471,133
General and administrative expenses	(13,882)	(13,434)	(22,153)	(10,820)	(140,180)	(200,469)
Reversal/ (provision) on trade receivables and contract assets	11,247	(1,038)	15,068	348	(16)	25,609
Other income, net	157,852	22,008	9,791	1,918	5,448	197,017
Finance costs	(198,297)	(68,095)	(15,575)	(12,255)	(3,186)	(297,408)
Share of results of equity accounted investees	-	-	(3,484)	-	63,126	59,642
Profit/ (loss) before Zakat and income tax	771,520	385,212	44,184	122,059	(67,451)	1,255,524

The Group's vessels are deployed throughout the world and are not concentrated in certain geographical areas. The Group's management does not consider the geographical distribution of the group's operations to be relevant for their internal management analysis and therefore no geographical segment information has been disclosed.

All operating segment results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and assess the performance of segments, for which discrete financial information is available.

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5. OPERATING SEGMENTS (continued)

31 December 2021 (Audited)						SAR'000
	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Revenue	3,102,459	1,174,764	808,805	253,485	11,562	5,351,075
Operating costs	(2,875,607)	(1,138,584)	(782,812)	(117,252)	(3,721)	(4,917,976)
Bunker subsidy	109,777	1,677	11,942	-	-	123,396
Gross profit	336,629	37,857	37,935	136,233	7,841	556,495
General and administrative expenses	(14,039)	(14,760)	(21,568)	(9,570)	(106,163)	(166,100)
(Provision) /reversal on trade receivables and contract assets	(357)	(1,916)	281	(40)	-	(2,032)
Other income, net	18,590	4,626	6,030	337	6,882	36,465
Finance costs	(114,300)	(31,086)	(8,806)	(12,129)	(13,706)	(180,027)
Share of results of equity accounted investees	-	-	-	-	46,840	46,840
Profit/(loss) before Zakat and income tax	226,523	(5,279)	13,872	114,831	(58,306)	291,641

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5. OPERATING SEGMENTS (continued)

b) The following schedule illustrates the distribution of the Group's assets and liabilities according to the operating segments:

31 December 2022 (Unaudited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	SAR '000
						Total
Property and equipment	8,513,430	3,435,307	1,086,510	904,129	21,045	13,960,421
Total assets	10,885,763	5,507,061	2,338,049	1,262,808	2,904,416	22,898,097
Total liabilities	5,963,743	3,536,470	955,261	652,425	660,773	11,768,672
						SAR '000
31 December 2021 (Audited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Property and equipment	9,520,210	2,307,678	1,151,513	947,381	22,370	13,949,152
Total assets	11,546,408	4,080,855	2,375,722	1,139,398	2,507,235	21,649,618
Total liabilities	6,459,985	2,485,103	1,098,856	644,427	1,001,250	11,689,621

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6. PROPERTY AND EQUIPMENT

	SAR*000								
31 December 2022 (Unaudited)	Buildings and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Container yards - equipment	Total
Cost									
At 1 January 2022	65,354	22,393,220	10,265	12,402	4,878	3,076	30,636	14,264	22,534,095
Additions/ transfers*	801	1,663,837	1,799	561	13	-	1,521	-	1,668,532
Disposals	(2,017)	(1,331,976)	(101)	(3,621)	(2,923)	(160)	(9,519)	-	(1,350,317)
At 31 December 2022	64,138	22,725,081	11,963	9,342	1,968	2,916	22,638	14,264	22,852,310
Accumulated depreciation									
At 1 January 2022	48,110	8,473,037	6,882	8,798	4,437	2,166	27,320	14,193	8,584,943
Charge for the period	2,474	1,115,693	681	818	275	910	1,988	3	1,122,842
Disposals	(1,860)	(797,716)	(101)	(3,618)	(2,923)	(160)	(9,518)	-	(815,896)
At 31 December 2022	48,724	8,791,014	7,462	5,998	1,789	2,916	19,790	14,196	8,891,889
Net book value:									
At 31 December 2022	15,414	13,934,067	4,501	3,344	179	-	2,848	68	13,960,421

* During 2022, 9 new vessels were received, and other projects were completed and capitalized amounting to SAR 1,443 million which was transferred from projects under constructions.

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6. PROPERTY AND EQUIPMENT (continued)

31 December 2021 (Audited)	Buildings and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Container yards - equipment	Total	SAR'000
At 1 January 2021	64,187	21,612,256	10,380	12,428	5,004	3,201	29,677	14,433	21,751,566	
Additions/ transfers*	1,167	780,964	-	64	-	-	1,177	-	783,372	
Disposals	-	-	(115)	(90)	(126)	(125)	(218)	(169)	(843)	
At 31 December 2021	65,354	22,393,220	10,265	12,402	4,878	3,076	30,636	14,264	22,534,095	
Accumulated depreciation										
At 1 January 2021	45,249	7,438,561	6,458	8,107	4,253	1,117	25,001	14,100	7,542,846	
Charge for the year	2,861	1,034,476	539	779	310	1,174	2,537	262	1,042,938	
Disposals	-	-	(115)	(88)	(126)	(125)	(218)	(169)	(841)	
At 31 December 2021	48,110	8,473,037	6,882	8,798	4,437	2,166	27,320	14,193	8,584,943	
Net book value:										
At 31 December 2021	17,244	13,920,183	3,383	3,604	441	910	3,316	71	13,949,152	

* During 2021, a new vessel was received, and other projects were completed and capitalized amounting to SAR 561 million which was transferred from projects under constructions.

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7. PROJECTS UNDER CONSTRUCTION

The movement in projects under construction is as follows:

	31 December 2022 (Unaudited)	31 December 2021 (Audited)
Beginning balance	1,298,464	934,426
Additions	1,080,084	924,683
Transferred to property and equipment	(1,443,036)	(560,645)
Ending balance	935,512	1,298,464

The Company signed an agreement on 17 December 2019 with Saline Water Conversion Corporation (“Arrows project”) for the construction of 3 floating stations for water desalination with a total cost of SAR 760 million, for supplying desalinated water from floating mobile stations to the desalination plants tanks. The construction commenced in January 2020 and the operation is expected to commence during the second half of the year 2023.

NCC signed contracts on 20 August 2020 with Hyundai Mipo Dockyard Company Limited to build 10 chemical tankers for a total amount of SAR 1,538 million. All tankers are expected to be delivered in batches, starting from the second quarter of 2022 until the second quarter of 2023. As per the agreed schedule 9 vessels were received during 2022.

8. LOANS AND BORROWINGS

	Note	31 December 2022 (Unaudited) SAR ‘000	31 December 2021 (Audited) SAR ‘000
Sukuk	8.1	3,900,000	3,900,000
Murabaha loans	8.2	5,670,575	5,646,195
Commercial loans	8.3	-	18,156
Total loans and borrowings		9,570,575	9,564,351
Less: total current portion		(980,634)	(4,963,330)
Non-current loans and borrowings		8,589,941	4,601,021
Less: prepaid financing		(52,503)	(53,001)
Net non-current loans and borrowings		8,537,438	4,548,020
Short-term loans	8.4	-	97,500
Current portion of long-term loans		980,634	4,963,330
Loans and borrowings - Current Liabilities		980,634	5,060,830
Loans and borrowings - Non-Current Liabilities		8,537,438	4,548,020
		9,518,072	9,608,850

8.1. Sukuk

On 6 Dhul-Hijjah 1443H (corresponding to 5 July 2022), the Company completed the issuance and offering of a local Sukuk denominated in Saudi Riyal for public offering with nominal value amounting to SAR 3,900 million, and a nominal value of SAR 1 million for each Suk. The Sukuk issuance bears a variable rate of return at SIBOR plus a predetermined margin, payable semi-annually. The Sukuk is due to mature at par value on its expiry date of 27 Safar 1451H (corresponding to 5 July 2029). The group repaid the previous Sukuk on its due date on 31 July 2022.

8.2. Murabaha borrowings

The Group obtained Murabaha long term loans during the year ended 31 December 2022 for a total of SAR 1,099 million (31 December 2021: SAR 1,353 million). Loans are secured by promissory notes and mortgages against vessels. These loans are repayable over 10 years on a quarterly or semi-annual basis and a repayment of SAR 1,075 million was made for the year ended 31 December 2022 (31 December 2021: SAR 706 million). The loans carry commission at normal commercial rates. The balance of loans against which profit is to be paid based on LIBOR as of 31 December 2022 is equivalent to SAR 1,522 million (31 December 2021: SAR 2,149 million) and the balance of loans against which profit is to be paid based on SIBOR as of 31 December 2022 totaled to SAR 4,148 million (31 December 2021: SAR 3,497 million). The balance in the prepaid financing account related to Murabaha loans at the end of 31 December 2022 is SAR 52.5 million (31 December 2021: SAR 53 million).

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8. LOANS AND BORROWINGS (continued)

8.3. Commercial borrowings

The Group did not obtain any commercial long-term loan during the year ended 31 December 2022 (31 December 2021: nil). The loan was fully repaid and the total repayment against commercial borrowings during the year ended 31 December 2022 was SAR 18 million (31 December 2021: SAR 36 million).

8.4. Short term borrowings

The Group did not obtain any short-term loan during the year ended 31 December 2022 (31 December 2021: SAR 97.5 million). The total repayment against short term loans during the year ended 31 December 2022 is SAR 97.5 million (31 December 2021: nil). This loan was utilized to meet working capital requirements during the year.

8.5. Covenants

Borrowing agreements include covenants mainly related to maintaining certain ratios of leverage and debt to equity ratio. Under the terms of these agreements, lenders are entitled to demand immediate repayment of loans if these covenants are not met.

9. EARNINGS PER SHARE

	For the three- month period ended 31 December 2022 (Unaudited)	For the three- month period ended 31 December 2021 (Unaudited)	For the year ended 31 December 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Profit for the period/ year (SAR 000')	578,121	91,977	1,040,909	192,433
Average number of shares outstanding during the period/ year (000')	492,188	492,188	492,188	492,188
Earnings per share - basic and diluted (Saudi Riyals)	1.17	0.19	2.11	0.39

The basic and diluted earnings per share is calculated by dividing the profit of the period for ordinary shareholders of the parent company by the weighted average number of ordinary shares in place during the year. The calculation of the basic and diluted earnings per share for the three-month period and year ended 31 December 2022 and 31 December 2021 was adjusted retrospectively based on the number of shares issued after the increase of the company's capital shares to 492,188 thousand shares (note 1).

10. FINANCIAL INSTRUMENTS

Fair values of financial instruments

	31 December 2022 (Unaudited)			
	Quoted prices in the active market (Level 1) SAR'000	Significant observable inputs (Level 2) SAR'000	Significant Unobservable inputs (Level 3) SAR'000	Total SAR'000
FVOCI – equity instrument:				
Unquoted equity shares	-	-	11,899	11,899
Financial instruments measured at FVTPL				
CAP commission option				
Assets	-	46,691	-	46,691
Liabilities	-	5,002	-	5,002

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10. FINANCIAL INSTRUMENTS (continued)

	31 December 2021 (Audited)			Total SAR'000
	Quoted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	
	SAR'000	SAR'000	SAR'000	
FVOCI – equity instrument:				
Unquoted equity shares	-	-	7,334	7,334
Financial instruments measured at FVTPL				
Investment in Murabaha fund at FVTPL	188,456	-	-	188,456
CAP commission option				
Assets	-	7,102	-	7,102
Liabilities	-	8,604	-	8,604

11. ZAKAT AND INCOME TAX

The Company's Zakat is based on the financial statements of the Company and its wholly owned subsidiaries, in accordance with the Zakat, Tax and Customs Authority ("ZATCA") regulations. The Company and its other subsidiaries file their Zakat and tax returns separately.

The Company has filed its Zakat returns up to 2021 and obtained the Zakat certificate for the year 2021.

ZATCA issued the Zakat assessments for the years 2015 to 2017, claiming additional Zakat of SAR 67.8 million despite closing the mentioned years previously through the fast-track initiative. The Company has submitted an appeal against the assessment and ZATCA has rejected the appeal, accordingly, the Company escalated the appeal to the General Secretariat of Tax Committees ("GSTC"). The Committee for Resolution of Tax Violations and Disputes "CRTVD" has issued its decision in the appeal with partial acceptance. The Company has escalated the appeal to the Appellate Committee for Tax Violations and Disputes Resolution "ACTVDR" and is awaiting their response.

ZATCA issued the Zakat assessment for the year 2018 claiming additional Zakat of SAR 27.9 million. The Company has submitted an appeal against the assessment and ZATCA has partially accepted the appeal and issued a revised assessment which has been escalated by the Company to the GSTC. The CRTVD has issued its decision in the appeal with partial acceptance. The Company has escalated the appeal to the ACTVDR and is awaiting their response.

12. DIVIDENDS

The Board of Directors decided in its meeting held on 28 January 2021 to recommend to the General Assembly of the Company the distribution of cash dividends of SAR 394 million to the shareholders for the 2nd half of the financial year ended 31 December 2020 amounting to SAR 1 per share. These dividends have been paid on 9 May 2021.

The Board of Directors decided in its meeting held on 21 September 2021 to distribute cash dividends of SAR 394 million to the shareholders for the 1st half of the financial year 2021 amounting to SAR 1 per share. These dividends have been paid on 24 October 2021.

13. CAPITAL COMMITMENTS

The Group's capital commitment related to ships under construction and the purchase of property and equipment was SAR 221 million as of 31 December 2022 (31 December 2021: SAR 1,207 million).

The Group signed an agreement on 30 May 2017 with Saudi Arabian Oil Company (ARAMCO) and other partners to enter into a partnership for the establishment, development and operation of a maritime yard in Ras Al Khair City named International Maritime Industries Company (IMI). The partners injections will total SAR 2.625 billion (USD 700 million) of the project cost. As of 31 December 2022, the injected capital from the partners was SAR 2.285 billion (USD 609.2 million). The ownership in IMI is as follows; ARAMCO (40.1%), The National Shipping Company of Saudi Arabia (19.9%), Maritime offshore Limited (Lamprell) (20%), and Korea Shipbuilding & offshore Engineering Company Ltd (20%). The Group has signed an offtake agreement for at least 75% of its commercial vessel needs over a period of 10 years from the start date of the project, equivalent to 52 vessels, including oil tankers "VLCC" subject to commercial terms and conditions.

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14. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events for the period/ year ended 31 December 2022 that would have a material impact on the financial position and performance of the Group as reflected in these condensed consolidated interim financial statements.

15. DATE OF AUTHORIZATION

These condensed consolidated interim financial statements were authorized for issuance on 8 Rajab 1444H (corresponding to 30 January 2023).