



**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
and six-month periods ended 30 June 2022

INDEX**PAGE**

Independent auditor's report on review of condensed consolidated interim financial statements	1-2
Condensed consolidated statement of financial position	3
Condensed consolidated statement of profit or loss	4
Condensed consolidated statement of other comprehensive income	5
Condensed consolidated statement of cash flows	6
Condensed consolidated statement of changes in equity	7
Notes to the condensed consolidated interim financial statements	8-20



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

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 30 June 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 30 June 2022;
- the condensed consolidated statement of profit or loss for the three-month and six-month periods ended 30 June 2022;
- the condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2022;
- the condensed consolidated statement of changes in equity for the six-month period 30 June 2022;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 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.



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 30 June 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, 1 August 2022
Corresponding to 3 Muharram 1444H



THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed consolidated statement of financial position
As at 30 June 2022

	Note	30 June 2022 (Unaudited) SAR '000	31 December 2021 (Audited) SAR'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	13,986,409	13,949,152
Projects under construction	7	1,336,145	1,298,464
Right of use assets		441,611	515,721
Intangible assets		431,527	454,056
Equity accounted investees		1,671,336	1,497,605
Other non-current financial assets		56,504	42,880
TOTAL NON-CURRENT ASSETS		17,923,532	17,757,878
CURRENT ASSETS			
Inventories		655,101	479,858
Trade receivables and contract assets		1,976,202	1,383,509
Prepayments and other current assets		635,544	661,648
Investment in Murabaha fund at FVTPL		189,326	188,456
Cash and cash equivalents		849,364	1,178,269
TOTAL CURRENT ASSETS		4,305,537	3,891,740
TOTAL ASSETS		22,229,069	21,649,618
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	4,921,875	3,937,500
Statutory reserve		247,659	1,232,034
Share premium		1,489,103	1,489,103
Other reserves		40,533	186
Retained earnings		2,947,201	2,754,283
Equity attributable to equity holders of the Parent Company		9,646,371	9,413,106
Non-controlling interests		583,570	546,891
TOTAL EQUITY		10,229,941	9,959,997
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	8	4,769,955	4,548,020
Employees' end of service benefits		71,746	70,510
Lease liabilities		342,007	397,906
Derivative financial instruments		5,522	8,604
TOTAL NON-CURRENT LIABILITIES		5,189,230	5,025,040
CURRENT LIABILITIES			
Loans and borrowings-current portion	8	5,006,820	5,060,830
Lease liabilities-current portion		109,032	124,700
Trade and other payables		1,469,080	1,256,584
Provision for Zakat and income tax	11	224,966	222,467
TOTAL CURRENT LIABILITIES		6,809,898	6,664,581
TOTAL LIABILITIES		11,999,128	11,689,621
TOTAL EQUITY AND LIABILITIES		22,229,069	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 and six-month periods ended 30 June 2022

	For the three-month period ended on 30 June		For the six-month period ended on 30 June	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
	SAR'000	SAR'000	SAR'000	SAR'000
	Notes			
Revenue	1,993,280	1,294,759	3,572,352	2,483,958
Operating costs	(1,776,363)	(1,208,513)	(3,220,406)	(2,325,699)
Gross profit before bunker subsidy	216,917	86,246	351,946	158,259
Bunker subsidy	30,047	41,023	51,192	53,209
Gross profit	246,964	127,269	403,138	211,468
General and administrative expenses (Provision)/ reversal on trade receivables and contract assets	(43,640)	(41,855)	(82,963)	(83,581)
Other income, net	(6,034)	(6,786)	(9,641)	6,789
	4,526	20,948	10,345	26,267
Total operating profit	201,816	99,576	320,879	160,943
Finance costs	(54,772)	(42,789)	(90,243)	(85,136)
Share in results of equity accounted investees	27,667	2,882	38,869	52,035
Profit before zakat and income tax	174,711	59,669	269,505	127,842
Zakat and income tax	(19,657)	(13,176)	(39,908)	(26,067)
Profit for the period	155,054	46,493	229,597	101,775
Profit for the period attributable to:				
Equity holders of the Parent Company	128,019	38,908	192,918	82,465
Non-controlling interests	27,035	7,585	36,679	19,310
	155,054	46,493	229,597	101,775
Earnings per share (Saudi Riyal):				
Basic & diluted	9 0.26	0.08	0.39	0.17



Chief Financial Officer



Chief Executive Officer



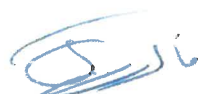
Authorized Board Member

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 and six-month periods ended 30 June 2022

	For the three-month period ended on 30 June		For the six-month period ended on 30 June	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Profit for the period	155,054	46,493	229,597	101,775
Items that will not be reclassified to profit or loss				
Re-measurement of employees' end of service benefits	55	(25)	110	(50)
Items that are or may be reclassified subsequently to profit or loss				
Equity accounted investees share of OCI	28,300	3,937	40,237	10,821
Total comprehensive income for the period	183,409	50,405	269,944	112,546
Total comprehensive income attributable to:				
Equity holders of the Parent Company	156,374	42,820	233,265	93,236
Non-controlling interests	27,035	7,585	36,679	19,310
Total comprehensive income for the period	183,409	50,405	269,944	112,546



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 six-month period ended 30 June 2022

	30 June 2022 (unaudited) SAR'000	30 June 2021 (unaudited) SAR'000
OPERATING ACTIVITIES		
Profit for the period	229,597	101,775
Adjustments to reconcile profit for the period to net cash flows resulted from operating activities		
Depreciation of property and equipment	552,453	511,432
Depreciation of right of use assets	62,758	42,211
Amortization/ derecognition of intangible assets	24,435	27,762
Provision/(reversal) on trade receivables and contract assets	9,641	(6,789)
Finance costs	90,243	85,136
Share in profit of equity accounted investees	(38,869)	(52,035)
Unrealized gain from investment in Murabaha fund at FVTPL	(870)	(32)
Loss/ (gain) on disposal of property and equipment	110	(58)
Zakat and income tax	39,908	26,067
Employees' end of service benefits	6,285	5,125
	975,691	740,594
Changes in operating assets and liabilities:		
Inventories	(175,243)	(114,299)
Trade receivables and contract assets	(602,334)	105,905
Prepayments and other current assets	29,711	(483,300)
Trade and other payables	178,831	378,074
Cash generated from operating activities	406,656	626,974
Finance costs paid	(93,300)	(87,141)
Zakat and income tax paid	(37,409)	(57,879)
Employees' end of service benefits paid	(4,939)	(6,407)
Net cash generated from operating activities	271,008	475,547
INVESTING ACTIVITIES		
Acquisition of property and equipment	(78,060)	(205,772)
Additions of intangible assets	(1,906)	(1,764)
Proceeds from disposal of property and equipment	48	1,493
Projects under construction	(549,489)	(189,170)
Investment in equity accounted investees	(94,625)	(25,000)
Investment in Murabaha fund at FVTPL	-	(187,500)
Other non-current financial assets	4,156	10,236
Net cash used in investing activities	(719,876)	(597,477)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	754,727	330,810
Repayment of loans and borrowings	(590,409)	(372,424)
Dividends paid	-	(393,750)
Payment of lease liabilities	(44,355)	(47,514)
Non-controlling interests	-	(2,807)
Net cash from/ (used in) financing activities	119,963	(485,685)
Decrease in cash and cash equivalents	(328,905)	(607,615)
Cash and cash equivalents at beginning of the period	1,178,269	1,975,214
Cash and cash equivalents at end of the period	849,364	1,367,599

Significant non-cash transactions:

Projects under construction transferred to property and equipment

511,808


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 statements of changes in equity

For the six-month period ended 30 June 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 as 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 period	-	-	-	-	82,465	82,465	19,310	101,775	
Other comprehensive income	-	-	-	10,771	-	10,771	-	10,771	
Total comprehensive income for the period	-	-	-	10,771	82,465	93,236	19,310	112,546	
Net change in non-controlling interest	-	-	-	-	-	-	(2,807)	(2,807)	
Dividends (note 12)	-	-	-	-	(393,750)	(393,750)	-	(393,750)	
Balance as at 30 June 2021 (Unaudited)	3,937,500	1,232,034	1,489,103	(7,535)	3,038,065	9,689,167	525,258	10,214,425	
Balance as 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 period	-	-	-	-	192,918	192,918	36,679	229,597	
Other comprehensive income	-	-	-	40,347	-	40,347	-	40,347	
Total comprehensive income for the period	-	-	-	40,347	192,918	233,265	36,679	269,944	
Transferred from statutory reserve to share capital (note 1)	984,375	(984,375)	-	-	-	-	-	-	
Balance as at 30 June 2022 (Unaudited)	4,921,875	247,659	1,489,103	40,533	2,947,201	9,646,371	583,570	10,229,941	



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
For the six-month period ended 30 June 2022

1. THE COMPANY, ITS SUBSIDIARIES AND ITS 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 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, sale and operating of vessels for the transportation of cargo, and agencies for maritime shipping companies, cargo clearance and coordination for transport and storage on board vessels, and all of the 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 lands, properties inside or outside the Kingdom, ownership of shares in other existing companies or merges with them and participates 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 30 June 2022 is divided into 492,188 thousand shares (31 December 2021 SAR 3,937,500,000 divided into 393,750 thousand 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 “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
National Chemical Carriers Company Limited (NCC)	1990	80	80	Petrochemical transportation	KSA
Bahri Dry Bulk Company (BDB)	2010	60	60	Dry bulk transportation	KSA
Bahri Bolloré Logistics Company (BBL)	2017	60	60	Logistic Services	KSA

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		
Petreddec 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) The Group’s share in Petreddec Limited results for the financial period is recorded as per latest financial statements prepared by Petreddec. The difference between the latest financial statements prepared by Petreddec and the Group’s condensed consolidated interim financial statements is two months. The fiscal year of Petreddec starts on 1 September and ends on 31 August of each Gregorian year.

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

Notes to the condensed consolidated interim financial statements (continued)
For the six-month period ended 30 June 2022

1. THE COMPANY, ITS SUBSIDIARIES AND ITS 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 operated 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's Fleet:

As at 30 June 2022, the Group operated by 93 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 47 vessels (31 December 2021: 47 vessels) out of which, 42 very large crude carriers (VLCCs) are operating in the spot market. The Group also owns 5 product tankers, managed commercially by NCC.

Chemical's transportation sector: This sector is fully operated by NCC, it owns 31 vessels and 6 vessels under lease contract (31 December 2021: owns 28 vessels and 6 vessels under lease contract) specialized tankers distributed as follows:

- 29 tankers operate in the spot market.
- 3 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 and 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 full set of annual consolidated financial statements and should therefore be read in conjunction with the Group's 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's 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 the condensed consolidated interim financial statements (continued)
For the six-month period ended 30 June 2022

2. BASIS OF PREPARATION (CONTINUED)

2.1 Statement of Compliance (continued)

The Group issued a Sukuk amounting to SAR 3,900 million in 2015 which is due to mature on 30 July 2022 and therefore has been re-classified under current liabilities in these condensed consolidated interim financial statements. Accordingly, as at 30 June 2022, the Group's current liabilities exceeds its current assets by SAR 2,504 million (31 December 2021: SAR 2,773 million). However, management are confident that the Group will meet its obligations as and when they fall due with a combination of profit generation and a financing plan. Further, subsequent to the period end the Group completed the issuance and offering of a local Sukuk with a nominal value amounted to SAR 3.9 billion (refer to note 14). Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

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 and investments in Murabaha fund 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. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement 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 of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, unrealized income and expenses and cash flows relating to transactions are eliminated in full on consolidation.

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

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:

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

Notes to the condensed consolidated interim financial statements (continued)
For the six-month period ended 30 June 2022

3. BASIS OF CONSOLIDATION (CONTINUED)

- 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;

Reclassifies the Group's share of components previously recognized in condensed consolidated statement of other comprehensive income to condensed consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2021. Certain comparative figures have been reclassified to conform to the current period presentation.

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 the 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. Revision 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 remain largely unaffected by the outbreak and as such the Group continues to operate while considering the health and safety of the workforce. The management of the Group continues to closely monitor the COVID-19 situation although at this point of time, management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2022 or beyond. There is no change in estimates and judgements required as a result of COVID-19 assessments 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 number of amendments to standards which are effective from 1 January 2022 and has been explained in 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 six-month period ended 30 June 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 period ended 30 June:

	SAR'000					
30 June 2022 (Unaudited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Revenue	2,041,550	797,003	582,867	145,709	5,223	3,572,352
Operating cost	(1,844,760)	(715,911)	(596,489)	(67,688)	4,442	(3,220,406)
Bunker subsidy	43,421	1,990	5,781	-	-	51,192
Gross profit	240,211	83,082	(7,841)	78,021	9,665	403,138
General and administrative expenses (Provision)/ reversal on trade receivables and contract assets	(6,928)	(6,315)	(11,109)	(4,447)	(54,164)	(82,963)
Other income, net	(9,683)	2,206	(2,470)	323	(17)	(9,641)
Finance costs	1,992	765	5,198	104	2,286	10,345
Share in result of equity accounted investees	(64,334)	(24,195)	(5,044)	(1,750)	5,080	(90,243)
Profit/ (loss) before Zakat & income tax	-	-	-	-	38,869	38,869
	161,258	55,543	(21,266)	72,251	1,719	269,505

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

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 June 2022

5. OPERATING SEGMENTS (continued)

30 June 2021 (Unaudited)						SAR'000
	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Revenue	1,434,784	536,648	396,591	110,296	5,639	2,483,958
Operating cost	(1,329,847)	(516,958)	(417,753)	(56,694)	(4,447)	(2,325,699)
Bunker subsidy	47,218	2,658	3,333	-	-	53,209
Gross profit	152,155	22,348	(17,829)	53,602	1,192	211,468
General and administrative expenses	(7,050)	(7,034)	(10,701)	(4,388)	(54,408)	(83,581)
Reversal/ (provision) on trade receivables and contract assets	920	(1,633)	6,929	573	-	6,789
Other income, net	12,395	4,051	7,782	267	1,772	26,267
Finance costs	(57,753)	(8,939)	(4,561)	(7,312)	(6,571)	(85,136)
Share in results of equity accounted investees	-	-	-	-	52,035	52,035
Profit/ (loss) before Zakat & income tax	100,667	8,793	(18,380)	42,742	(5,980)	127,842

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)
For the six-month period ended 30 June 2022

5. OPERATING SEGMENTS (continued)

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

	SAR'000					
30 June 2022	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Property and equipment	9,216,681	2,705,925	1,118,226	924,983	20,594	13,986,409
Total assets	11,613,800	4,842,700	2,479,816	1,196,472	2,096,281	22,229,069
Total liabilities	6,579,267	3,196,455	1,053,932	630,506	538,968	11,999,128
						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

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (continued)

For the six-month period ended 30 June 2022

6. PROPERTY AND EQUIPMENT

	SAR'000								
30 June 2022 (Unaudited)	Building and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Containers yard 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	-	589,136	-	46	6	-	680	-	589,868
Disposals	(2,017)	-	(43)	(3,558)	(2,819)	-	(8,661)	-	(17,098)
At 30 June 2022	63,337	22,982,356	10,222	8,890	2,065	3,076	22,655	14,264	23,106,865
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	1,294	548,674	233	382	157	603	1,108	2	552,453
Disposals	(1,859)	-	(43)	(3,558)	(2,819)	-	(8,661)	-	(16,940)
At 30 June 2022	47,545	9,021,711	7,072	5,622	1,775	2,769	19,767	14,195	9,120,456
Net book value:									
At 30 June 2022	15,792	13,960,645	3,150	3,268	290	307	2,888	69	13,986,409

* During 2022, 3 new vessels were received, and other projects were completed and capitalized amounting to SAR 512 million which transferred from projects under constructions.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (continued)
For the six-month period ended 30 June 2022

6. PROPERTY AND EQUIPMENT (continued)

	SAR'000								
31 December 2021 (Audited)	Building and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Containers yard equipment	Total
Cost									
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:									
As 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 transferred from projects under constructions.

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

Notes to the condensed consolidated interim financial statements (continued)
For the six-month period ended 30 June 2022

7. PROJECTS UNDER CONSTRUCTIONS

The movement in projects under constructions is as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Beginning balance	1,298,464	934,426
Additions	549,489	924,683
Transferred to property and equipment	(511,808)	(560,645)
Ending balance	1,336,145	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 2022.

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.

8. LOANS AND BORROWINGS

	Note	30 June 2022 (Unaudited) SAR ‘000	31 December 2021 (Audited) SAR‘000
Sukuk	8.1	3,900,000	3,900,000
Murabaha loans	8.2	5,926,169	5,646,195
Commercial loans	8.3	-	18,156
Total loans and borrowings		9,826,169	9,564,351
Less: total current portion		(5,006,820)	(4,963,330)
Non-current loans and borrowings		4,819,349	4,601,021
Less: prepaid financing		(49,394)	(53,001)
Net non-current loans and borrowings		4,769,955	4,548,020
Short-term loans	8.4	-	97,500
Current portion of long-term loans		5,006,820	4,963,330
Loans and borrowings - Current Liabilities		5,006,820	5,060,830
Loans and borrowings - Non-Current Liabilities		4,769,955	4,548,020
		9,776,775	9,608,850

8.1. Sukuk

On 14 Shawwal 1436H (corresponding to 30 July 2015), the Company completed the issuance and offering of local Sukuk denominated in Saudi Riyal for public offering with nominal value amounted 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 1 Muharram 1444 (corresponding to 30 July 2022) and accordingly the Sukuk has been reclassified to current liabilities (see note 2.1). Further, subsequent to the period end the Group completed the issuance and offering of a local Sukuk with a nominal value amounted to SAR 3.9 billion (refer to note 14)

8.2. Murabaha borrowings

The Group obtained Murabaha long term loans during the period ended 30 June 2022 for a total of SAR 755 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 quarterly or semi-annual basis and a repayment of SAR 475 million was made for the period ended 30 June 2022 (31 December 2021: SAR 724 million). The loans carry commission at normal commercial rates. Balance of loans against which profit to be paid is based on LIBOR as of 30 June 2022 equivalent to SAR 1,916 million (31 December 2021: SAR 2,149 million) and balance of loans against which profit to be paid based on SIBOR at the end of 30 June 2022 totaled to SAR 4,010 million (31 December 2021: SAR 3,497 million). Balance in prepaid financing account related to Murabaha loans at the end of 30 June 2022 is SAR 49 million (31 December 2021: SAR 53 million).

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

Notes to the condensed consolidated interim financial statements (continued)
For the six-month period ended 30 June 2022

8. LOANS AND BORROWINGS (continued)

8.3. Commercial borrowings

The Group did not obtain any commercial long-term loan during period ended 30 June 2022 (31 December 2021: Nil). The loan was fully repaid and total repayment against commercial borrowings during the period ended 30 June 2022 is SAR 18 million (31 December 2021: SAR 18 million).

8.4. Short term borrowings

The Group did not obtain any short-term loan during period ended 30 June 2022 (31 December 2021: SAR 97.5 million). The total repayment against short term loans during the period ended 30 June 2022 is SAR 97.5 million (31 December 2021: Nil). The existing loans were utilized to meet working capital requirements during the period.

8.5. Covenants

Borrowings' 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 on 30 June 2022	For the three- month period ended on 30 June 2021	For the six- month period ended on 30 June 2022	For the six- month period ended on 30 June 2021
Profit for the period (SAR 000')	128,019	38,908	192,918	82,465
Average number of share outstanding during the period	492,188	492,188	492,188	492,188
Earnings per share - Basic and Diluted (Saudi Riyals)	0.26	0.08	0.39	0.17

The basic and diluted profit per share is calculated by dividing the profit of the year for ordinary shareholders of the parent company by the weighted average number of ordinary shares in place during the period. The calculation of the basic and diluted profit per share for the three-month and six-month periods ended 30 June 2022 and 30 June 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

	30 June 2022 (Unaudited)			Total SAR'000
	Quoted prices in the active market (Level 1) SAR'000	Significant observable inputs (Level 2) SAR'000	Significant Unobservable inputs (Level 3) SAR'000	
FVOCI – equity instrument:				
Unquoted equity shares	-	-	11,899	11,899
Financial instruments measured at FVTPL				
Investment in Murabaha fund at FVTPL	189,326	-	-	189,326
CAP commission option				
Assets	-	27,965	-	27,965
Liabilities	-	5,522	-	5,522

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

Notes to the condensed consolidated interim financial statements (continued)
For the six-month period ended 30 June 2022

10. FINANCIAL INSTRUMENTS (continued)

	31 December 2021 (Audited)			Total SAR'000
	Quoted prices in the active market (Level 1) SAR'000	Significant observable inputs (Level 2) SAR'000	Significant Unobservable inputs (Level 3) 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 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.

The Company has received the final 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 assessments and further escalated the appeal to the General Secretariate of Tax Committees ("GSTC") and a response is awaited.

In addition, ZATCA raised 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 revised assessment which has been escalated by the Company to the GSTC. The Committee for Resolution of Tax Violations and Disputes "CRTVD" within GSTC has issued its decision by adjusting the assessment. The company has further escalated the appeal to Appellate Committee for Tax Violations and Disputes Resolution "ACTVDR" and awaiting their response. Management believes that adequate provision has been made against any potential Zakat and tax liabilities.

12. DIVIDENDS

The Board of Directors decided in its meeting held on 28th of 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 amounted to SAR 1 per share. These dividends have been paid on 9th of May 2021.

13. CAPITAL COMMITMENTS

The Group's capital commitment related to ships under construction and the purchase of property and equipment was SAR 710 million as of 30 June 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 maritime yard in Ras Al Khair City named International Maritime Industries Company (IMI). The partners injections will total SAR 2.985 billion (USD 700 million) of the project cost. As of 30 June 2022, the injected capital from partners was SAR 2.146 billion (USD 572.2 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.

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

Notes to the condensed consolidated interim financial statements (continued)
For the six-month period ended 30 June 2022

14. SUBSEQUENT EVENTS

On 6 Dhul-Hijjah 1443H (corresponding to 5 July 2022), the Group completed the issuance and offering of local Sukuk denominated in Saudi Riyal by way of private placement with a nominal value amounted to SAR 3.9 billion, and a nominal value of SR 1 million for each Sukuk, due for repayment on 5 July 2029.

In the opinion of management, except for the above event, there have been no significant subsequent events for period ended 30 June 2022 that would have material impact on the financial position 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 2 Muharram 1444H (corresponding to 31 July 2022).