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 nine-month periods ended 30 September 2021

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

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

Scope of review

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

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 September 2021 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 November 2021
Corresponding to 26 Rabi'I 1443H

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed consolidated statement of financial position
As at 30 September 2021

	Note	30 September 2021 (Unaudited) SAR '000	31 December 2020 (Audited) SAR'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	**13,705,840**	14,208,720
Projects under construction	7	**1,279,564**	934,426
Right of use assets		**539,655**	151,143
Intangible assets		**464,117**	497,784
Equity accounted investees		**1,485,076**	1,342,874
Other non-current financial assets		**44,503**	63,149
TOTAL NON-CURRENT ASSETS		**17,518,755**	17,198,096
CURRENT ASSETS			
Inventories		**449,658**	287,721
Trade receivables and contract assets		**1,276,551**	1,035,350
Prepayments and other current assets		**649,410**	608,927
Investment in Murabaha fund at FVTPL	10	**187,899**	–
Cash and cash equivalents		**1,665,674**	1,975,214
TOTAL CURRENT ASSETS		**4,229,192**	3,907,212
TOTAL ASSETS		**21,747,947**	21,105,308
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**3,937,500**	3,937,500
Statutory reserve		**1,232,034**	1,232,034
Share premium		**1,489,103**	1,489,103
Other reserves		**(12,797)**	(18,306)
Retained earnings		**2,662,306**	3,349,350
Equity attributable to equity holders of the Parent Company		**9,308,146**	9,989,681
Non-controlling interests		**532,882**	508,755
TOTAL EQUITY		**9,841,028**	10,498,436
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	8	**4,286,627**	8,073,530
Employees' end of service benefits		**67,581**	65,301
Lease liabilities		**417,668**	85,710
Derivative financial instruments	10	**8,604**	10,400
TOTAL NON-CURRENT LIABILITIES		**4,780,480**	8,234,941
CURRENT LIABILITIES			
Loans and borrowings - current portion	8	**4,800,091**	827,833
Lease liabilities - current portion		**121,041**	62,530
Trade and other payables		**1,999,605**	1,257,509
Provision for Zakat and income tax	11	**205,702**	224,059
TOTAL CURRENT LIABILITIES		**7,126,439**	2,371,931
TOTAL LIABILITIES		**11,906,919**	10,606,872
TOTAL EQUITY AND LIABILITIES		**21,747,947**	21,105,308

For

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 nine-month periods ended 30 September 2021

	Note	For the three-month period ended on 30 September		For the nine-month period ended on 30 September	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
		SAR'000	SAR'000	SAR'000	SAR'000
Revenue		1,320,581	1,510,296	3,804,539	7,124,909
Operating costs		(1,223,444)	(1,139,946)	(3,549,143)	(5,255,935)
Gross profit before bunker subsidy		97,137	370,350	255,396	1,868,974
Bunker subsidy		35,960	9,597	89,169	34,937
Gross profit		133,097	379,947	344,565	1,903,911
General and administrative expenses		(37,804)	(35,763)	(121,385)	(108,010)
(Provision)/ reversal on trade receivables and contract assets		(5,586)	(36,607)	1,203	(69,845)
Other income/ (expenses), net		867	(4,266)	27,134	(1,593)
Total operating profit		90,574	303,311	251,517	1,724,463
Finance costs		(46,837)	(51,755)	(131,973)	(207,650)
Share in results of equity accounted investees		(3,857)	30,574	48,178	87,113
Profit before Zakat and income tax		39,880	282,130	167,722	1,603,926
Zakat and income tax		(14,265)	41,134	(40,332)	(71,164)
Profit for the period		25,615	323,264	127,390	1,532,762
Profit for the period attributable to:					
Equity holders of the Parent Company		17,991	313,741	100,456	1,493,569
Non-controlling interests		7,624	9,523	26,934	39,193
		25,615	323,264	127,390	1,532,762
Earnings per share (Saudi Riyal):					
Basic and diluted	9	0.05	0.80	0.26	3.79

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 nine-month periods ended 30 September 2021

	For the three-month period ended on 30 September		For the nine-month period ended on 30 September	
	2021 (Unaudited)	2020 (Unaudited)	**2021 (Unaudited)**	2020 (Unaudited)
Profit for the period	**25,615**	323,264	**127,390**	1,532,762
Items that will not be reclassified to profit or loss				
Re-measurement of employees' end of service benefits	**(25)**	(40)	**(75)**	48
Items that are or may be reclassified subsequently to profit or loss				
Equity accounted investees share of OCI	**(5,237)**	1,784	**5,584**	(511)
Total comprehensive income for the period	**20,353**	325,008	**132,899**	1,532,299
Total comprehensive income attributable to:				
Equity holders of the Parent Company	**12,729**	315,485	**105,965**	1,493,036
Non-controlling interests	**7,624**	9,523	**26,934**	39,263
Total comprehensive income for the period	**20,353**	325,008	**132,899**	1,532,299

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 nine-month period ended 30 September 2021

	Note	30 September 2021 (unaudited) SAR'000	30 September 2020 (unaudited) SAR'000
OPERATING ACTIVITIES			
Profit for the period		127,390	1,532,762
Adjustments to reconcile profit for the period to net cash flows resulted from operating activities			
Depreciation of property and equipment		774,061	752,293
Depreciation of right of use assets		76,172	4,793
Amortization/ derecognition of intangible assets		39,589	118,602
(Reversal)/ provision on trade receivables and contract assets		(1,203)	69,845
Finance costs		131,973	207,314
Share in profit of equity accounted investees		(48,178)	(87,113)
Unrealized gain from investment in Murabaha fund at FVTPL		(399)	-
(Gain)/ loss on disposal of property and equipment		(58)	3,578
Zakat and income tax		40,332	71,164
Employees' end of service benefits		7,422	6,093
		1,147,101	2,679,331
Changes in operating assets and liabilities:			
Inventories		(161,937)	134,167
Trade receivables and contract assets		(239,998)	774,478
Prepayments and other current assets		(430,582)	14,328
Trade and other payables		758,821	(77,525)
Cash generated from operating activities		1,073,405	3,524,779
Finance costs paid		(149,268)	(255,687)
Zakat and income tax paid		(58,689)	(94,191)
Employees' end of service benefits paid		(5,217)	(10,385)
Net cash generated from operating activities		860,231	3,164,516
INVESTING ACTIVITIES			
Additions of property and equipment		(272,637)	(123,562)
Projects under construction		(345,138)	(623,383)
Additions of intangible assets		(5,922)	(2,598)
Proceeds from disposal of property and equipment		1,514	183,799
Investment in equity accounted investees		(88,440)	(96,267)
Investment in Murabaha fund at FVTPL		(187,500)	-
Other non-current financial assets		15,667	-
Net cash used in investing activities		(882,456)	(662,011)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		731,925	371,411
Repayment of loans and borrowings		(544,983)	(973,038)
Dividends paid		(393,750)	(388,566)
Payment of lease liabilities		(77,700)	(9,351)
Non-controlling interests		(2,807)	-
Net cash used in financing activities		(287,315)	(999,544)
(Decrease)/ increase in cash and cash equivalents		(309,540)	1,502,961
Cash and cash equivalents at beginning of the period		1,975,214	798,189
Cash and cash equivalents at end of the period		1,665,674	2,301,150
Significant non-cash transactions:			
Projects under construction transferred to property and equipment		-	238,244
Declared dividends	12	393,750	393,750

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 nine-month period ended 30 September 2021

	Attributable to equity holders of the parent company							
	Share capital	Statutory reserve	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
					SAR '000			
Balance at beginning of 1 January 2020 (Audited)	3,937,500	1,074,923	1,489,103	(12,208)	2,722,849	9,212,167	464,704	9,676,871
Profit for the period	-	-	-	-	1,493,569	1,493,569	39,193	1,532,762
Other comprehensive income	-	-	-	(533)	-	(533)	70	(463)
Total comprehensive income for the period	-	-	-	(533)	1,493,569	1,493,036	39,263	1,532,299
Dividends (note 12)	-	-	-	-	(787,501)	(787,501)	-	(787,501)
Balance as at 30 September 2020 (unaudited)	3,937,500	1,074,923	1,489,103	(12,741)	3,428,917	9,917,702	503,967	10,421,669
Balance at beginning of 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	-	-	-	-	**100,456**	**100,456**	**26,934**	**127,390**
Other comprehensive income	-	-	-	**5,509**	-	**5,509**	-	**5,509**
Total comprehensive income for the period	-	-	-	**5,509**	**100,456**	**105,965**	**26,934**	**132,899**
Change in non-controlling interest	-	-	-	-	-	-	**(2,807)**	**(2,807)**
Dividends (note 12)	-	-	-	-	**(787,500)**	**(787,500)**	-	**(787,500)**
Balance as at 30 September 2021 (Unaudited)	**3,937,500**	**1,232,034**	**1,489,103**	**(12,797)**	**2,662,306**	**9,308,146**	**532,882**	**9,841,028**

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.

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 capital consists of 393,750,000 shares as at 30 September 2021 and 31 December 2020. The par value per share is SAR 10.

The subsidiary companies' whose financial information are incorporated into these condensed consolidated interim financial statements are as follows:

Subsidiary	Date of incorporation	Effective Ownership % 2021	2020	Principal Activity	Location
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
Bahri Bunge Dry Bulk DMCC (Bunge)*	2017	**–**	36	Dry bulk transportation	UAE

* On 31 March 2020, the partners of Bahri Bunge Dry Bulk DMCC resolved to liquidate Bunge. On 18 May 2021, the liquidation process was completed and accordingly Bunge has been dissolved.

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 % 2021	2020	Principal Activity	Location
Petredec 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**	–	Packing and storage of grain	KSA

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

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 register was issued on 31 March 2021.

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 September 2021, the Group operated by 89 owned vessels and 6 vessels under lease contract (31 December 2020: 89 owned vessels and 2 vessels under lease contract) operating in the following sectors:

Crude oil transportation sector: Consists of 46 vessels (31 December 2020: 46 vessels) out of which, 41 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 28 vessels and 6 vessels under lease contract (31 December 2020: owns 28 vessels and 2 vessels under lease contract) specialized tankers distributed as follows:
- 26 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 2020: 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 2020: 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 have been prepared in accordance with IAS 34 interim financial reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Group's last annual Consolidated Financial Statements as at and for the year ended 31 December 2020 ("last annual Financial Statements"). The condensed consolidated interim financial statements do not include all of the information required for a complete set of IFRS 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 Financial Statements. The interim results may not be an indicator of the annual results of the Group

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 September 2021, the Group's current liabilities exceeds its current assets by SAR 2,897 million (31 December 2020: Nil). However, management and Board of Directors are confident that the Group will meet its obligations as and when they fall due with a combination of profit generation and financing plan. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

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 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:

- 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 Group has consistently applied the accounting policies to all periods presented in these condensed consolidated interim financial statements. 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, the management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2021 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. Revenue from Contracts with Customers

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15 and is given below:

Step 1 – Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met;

Step 2 – Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer;

Step 3 – Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties;

Step 4 – Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 – Recognize revenue when (or as) the entity satisfies a performance obligation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2. Revenue from Contracts with Customers (continued)

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

-The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date;
-The Group's performance creates or enhances as asset that the customer controls as the asset is created or enhanced;
-The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is recognized when a customer obtains control of the services.

Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms
Time Charter arrangement	In case of time charter arrangement, the Group measures its progress towards complete satisfaction of the performance obligation using a time-based measure. Further, because the Group charge a fixed amount for each day of service provided, the Group has a right to invoice the customer in the amount that corresponds directly with the value of the Group's performance completed to date. Revenue is recognized based on percentage of completion.
Voyage charter	In case of voyage charter arrangement including liner, revenue for shipping services is recognized over time as the customer benefits from the service received as it is being performed. The Group identifies the performance obligation as the transport of goods from load port to discharge port. Thus, revenue is evenly accrued from the point of loading through to the point of completed discharge based upon the voyage days to the period end date as a proportion of the expected total days of the voyage.
Logistics revenue	Logistics revenue excluding liner primarily comprises order fulfilment and transportation services. Logistics revenue is recognised at the point in time when the services are rendered to the customer and the customer acknowledges the same.

In certain revenue arrangement, the Group is entitled for certain kind of variable benefits or obliged to pay for certain obligations (majorly demurrages) which is contingent upon occurrence or non-occurrence of specified event. While determining the transaction price, the management estimate the transaction price which is highly probable of being recovered and not subject to reversal. These variable benefits are not included in the initial assessment of the transaction price as the Group is entitled to them only on occurrence.

4.3. Financial Instruments

i- Recognition and initial measurement

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3. Financial Instruments (continued)

ii- Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at Fair Value Through Profit and Loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized Cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at Fair Value through Other Comprehensive Income (FVOCI)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The financial assets at amortized cost consist of trade receivables and contract assets, other non-current financial assets, other current financial assets and cash and cash equivalents.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Financial Instruments (continued)

Financial Liabilities – Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Impairment of non-derivative financial assets

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group recognizes loss allowances for ECLs on financial assets measured at amortized cost and contract assets. The Group measures loss allowances at an amount equal to lifetime ECLs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3. Financial Instruments (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 4 years past due from government and 2 years past due from commercial customers;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment

Allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss.

4.4. Cash and cash equivalents

Cash and cash equivalents in the condensed consolidated statement of financial position comprise cash at banks, short-term deposits, and murabaha with original maturity of three months or less, which are subject to an insignificant risk of changes in value.

4.5. Inventories

Inventories consisting of bunker fuel, lubricating oils and other supplies. Inventories are measured at the lower of cost or net realizable value. Cost of the used inventories are measured by using the First-in-First-out method including bunker inventory.

Cost includes the net purchase price (after trade discounts) and any shipping, transportation, insurance, custom duties and other direct expenses related to the acquisition of the inventory.

4.6. Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects (qualified assets) if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the condensed consolidated statement of profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Property and equipment	Useful lives (in years)
Buildings and improvements	3 to 20
Fleet and equipment	6 to 25
Containers and trailers	5 to 12
Furniture and fixtures	10
Tools and office equipment	4
Motor vehicles	4 to 5
Computer's equipment	4 to 6
Containers yard equipment	4 to 10

If an item of property and equipment comprises individual components for which different depreciation methods or rates are appropriate, then each component is depreciated separately. A separate component may either be a physical component or a non-physical component that represents a major inspection or overhaul (such as dry docking of vessels).

For recognition of the Group's vessels, first dry-docking costs are considered as a major component of a vessel which are recorded as a separate asset and depreciated separately. Subsequent dry-docking costs are capitalized as a separate asset and depreciated over the years until the next scheduled dry docking. Dry docking assets that are left undepreciated during another dry-docking operation are charged to the condensed consolidated statement of profit or loss during the period in which such operation is commenced.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the condensed consolidated statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Spare parts and capitalized machines, meeting the definition of property and equipment, are accounted as per the principles of IAS 16.

4.7. Projects under constructions

Projects under constructions includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

4.8. Intangible assets

Intangible assets are measured at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the estimated useful lives. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably. Intangible assets useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful life and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the useful life or amortization method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite life is recognized in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset. Intangible assets mainly represent software and long-term substantial evaluation of transportation contracts, which are amortized over period of 4 to 17 years.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9. Equity accounted investees

An equity accounted investee is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A Joint venture is an arrangement in which the Group have joint control, whereby the Group has rights to net assets to the arrangement, rather than right to its assets and obligations for its liabilities.

Interests in associates and joint venture are accounted using the equity method. They are initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the equity accounted investees. When the Group's share of losses of an equity accounted investees exceeds the Group's interest in that equity accounted investees (which includes any long-term interests that, in substance, form part of the Group's net investment in the equity accounted investees), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the equity accounted investees. If the equity accounted investees subsequently report profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An equity accounted investee is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the equity accounted investees, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in condensed consolidated Statement of profit or loss in the period in which the investment is acquired. When a Group entity transacts with an equity accounted investees of the Group, profits or losses resulting from the transactions with the associate are recognised in the Group's condensed consolidated interim financial statements only to the extent of interests in the equity accounted investees that are not related to the Group.

4.10. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - ✓ the Group has the right to operate the asset; or
  - ✓ the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10. Leases (continued)

Group as a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight- line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11. Classification of assets and liabilities to "current" and "non-current"

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

4.12. Foreign currency transaction

The Group's condensed consolidated interim financial statements are presented in Saudi Riyals rounded to the nearest thousand, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the condensed consolidated interim financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the condensed consolidated interim financial statements reporting date for the Group. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognized in OCI until the disposal of the net investment, at which time they are reclassified to condensed consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or condensed consolidated interim statement of profit or loss, respectively).

4.13. Foreign currency translation

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyal at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to condensed interim consolidated statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14. Zakat and Income Tax

The Company and its subsidiaries in the Kingdom of Saudi Arabia are subject to regulations issued by Zakat, Tax and Customs Authority ("ZATCA') in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakat profit or the Zakat base. The Management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in the Zakat returns with respect to any Zakat differences. Zakat is charged to the condensed consolidated statement of profit or loss. Additional Zakat liability, if any, related to prior years' assessments arising from ZATCA are accounted for in the period in which the final assessments are finalized.

For subsidiaries outside the Kingdom of Saudi Arabia, income tax is provided for in accordance with the regulations applicable in the respective countries and is charged to the condensed consolidated statement of profit or loss. Provision is made for withholding tax on payments to non-resident parties and is charged to the condensed consolidated statement of profit or loss. Moreover, certain shareholders of the Group are subject to income tax, which is recognized as an expense in the condensed consolidated statement of profit or loss.

4.15. Borrowing costs

Borrowing costs are directly attributed to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

4.16. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or Cash Generating Unit (CGU's) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17. Cash dividends to the shareholders

The Group recognizes a liability to make cash distributions to the shareholders when the distribution is authorized, and the distribution is no longer at the discretion of the Group. As per the Companies Regulations of Saudi Arabia, a distribution is authorized when it is approved by the shareholders or when interim dividends are approved by the Board of Directors. A corresponding amount is recognized directly in equity.

4.18. Employees' end of service benefits

The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

i. *Short-term employee benefits*
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

ii. *Defined benefit plans*
Provision is made for amounts payable to employees under the Saudi Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee on a going concern basis. The cost of providing benefits is determined using the projected unit credit method as amended by IAS 19. Remeasurements, comprising of actuarial gains and losses, excluding amounts included in interest on the defined benefit liability are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent years.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs.

Interest is calculated by applying the discount rate to the defined benefit liability. The Group recognises the following changes in the defined benefit obligation under 'operating costs', and 'general and administration expenses' in the statement of profit or loss:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- interest expense or income

4.19. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the condensed consolidated statement of profit or loss net of any reimbursement.

4.20. Contingent assets and liabilities

Contingent assets are not recognized in the condensed consolidated interim financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the condensed consolidated interim financial statements; it is disclosed unless the outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.21. Earnings per share – EPS

The Group determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. For The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period; a reasonable approximation of the weighted average is adequate in many circumstances.

Diluted EPS amounts are calculated by dividing the profit attributable to equity shareholders of the Parent by the weighted average number of equity shares outstanding during the period plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

4.22. Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must transfer 10% of the profit each year to the statutory reserve until it has built a reserve equal to 30% of the share capital. This reserve is not available for distribution to the shareholders of the Company.

4.23. Bunker subsidy

Bunker subsidy is recognized when all attached conditions is complied with and it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The Group recognizes unconditional government subsidy related to bunker purchase in condensed consolidated interim statement of profit or loss as bunker subsidy income.

4.24. Segment reporting

A reporting segment is a component of the Group that engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operation segments' operating results are reviewed regularly by the Group's chief operating decision makers about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Group is organized into business units based on their operations and has the following reportable segments:

- Transportation of oil
- Transportation of chemicals
- Logistics
- Transportation of dry bulk, and
- Head office and others

The Group's management reviews the above segments for quantitative thresholds as well as criteria for presenting the revenues and expenses for the segments at the end of every reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.25. New Standards, Amendment to Standards and Interpretations:

There are no new standards issued, however, the adoption of the following amendments to the existing standards had no significant financial impact on the condensed consolidated interim financial statements of the Group on the current or prior periods and is expected to have no significant effect in future periods:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19 - Rent Concessions (Amendment to IFRS 16)

4.26. Standards issued and not yet effective

The following pronouncements are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements and is expected to have no significant effect in future periods.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts.
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)

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 September:

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30 September 2021(Unaudited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Revenue	2,189,104	840,942	586,844	177,913	9,736	3,804,539
Operating cost	(2,059,006)	(818,839)	(579,411)	(87,373)	(4,514)	(3,549,143)
Bunker subsidy	80,822	468	7,879	-	-	89,169
Gross profit	210,920	22,571	15,312	90,540	5,222	344,565
General and administrative expenses	(10,555)	(10,594)	(16,034)	(7,035)	(77,167)	(121,385)
Reversal/ (provision) for impairment of trade receivables and contract assets	962	(1,326)	1,750	(183)	-	1,203
Other income/ (expenses), net	13,156	4,147	8,042	338	1,451	27,134
Finance costs	(84,129)	(21,925)	(6,481)	(9,781)	(9,657)	(131,973)
Share in result of equity accounted Investees	-	-	-	-	48,178	48,178
Profit/ (loss) before zakat & income tax	130,354	(7,127)	2,589	73,879	(31,973)	167,722

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.

5. OPERATING SEGMENTS (continued)

SAR'000

30 September 2020 (Unaudited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Revenue	5,326,174	974,056	732,300	93,045	(666)	7,124,909
Operating cost	(3,688,608)	(790,395)	(730,942)	(51,787)	5,797	(5,255,935)
Bunker subsidy	27,629	1,424	5,884	-	-	34,937
Gross profit	1,665,195	185,085	7,242	41,258	5,131	1,903,911
General and administrative expenses	(10,296)	(10,604)	(17,291)	(4,818)	(65,001)	(108, 010)
(Provision)/ reversal on trade receivables and contract assets	1,835	(35,622)	(38,205)	2,147	-	(69,845)
Other income/ (expenses), net	10,710	(12,447)	3,454	(248)	(3,062)	(1,593)
Finance costs	(136,981)	(27,524)	(11,555)	(8,479)	(23,111)	(207,650)
Share in results of equity accounted investees	-	-	-	-	87,113	87,113
Profit/ (loss) before zakat & income tax	1,530,463	98,888	(56,355)	29,860	1,070	1,603,926

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 September 2021 (Unaudited)	**Transportation of oil**	**Transportation of chemicals**	**Logistics**	**Transportation of dry bulk**	**Head office and Others**	**Total**
Property and Equipment	**9,271,842**	**2,283,721**	**1,168,476**	**958,762**	**23,039**	**13,705,840**
Total assets	**11,238,668**	**3,803,179**	**2,512,659**	**1,083,665**	**3,109,776**	**21,747,947**
Total liabilities	**6,673,517**	**2,207,375**	**864,604**	**625,132**	**1,536,291**	**11,906,919**

SAR'000

31 December 2020 (Audited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Property and equipment	9,598,704	2,383,166	1,216,741	984,719	25,390	14,208,720
Total assets	11,333,034	3,067,141	2,257,351	1,065,851	3,381,931	21,105,308
Total liabilities	6,527,528	1,458,524	775,716	675,221	1,169,883	10,606,872

6. PROPERTY AND EQUIPMENT

SAR'000

30 September 2021 (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 2021	64,187	21,612,256	10,380	12,428	5,004	3,201	29,677	14,433	21,751,566
Additions/ transfers	1,168	269,024	442	57	–	125	1,821	–	272,637
Disposals	–	–	(557)	(90)	(126)	(250)	(1,113)	(169)	(2,305)
At 30 September 2021	65,355	21,881,280	10,265	12,395	4,878	3,076	30,385	14,264	22,021,898
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 period	1,688	768,468	402	511	232	908	1,590	262	774,061
Disposals	–	–	(115)	(88)	(126)	(125)	(226)	(169)	(849)
At 30 September 2021	46,937	8,207,029	6,745	8,530	4,359	1,900	26,365	14,193	8,316,058
Net book value:									
At 30 September 2021	18,418	13,674,251	3,520	3,865	519	1,176	4,020	71	13,705,840

6. PROPERTY AND EQUIPMENT (continued)

SAR'000

31 December 2020 (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 2020	64,174	21,765,154	10,937	12,925	4,385	932	28,618	14,433	21,901,558
Additions/ transfers	13	689,722	–	225	664	2,269	1,457	–	694,350
Disposals	–	(842,620)	(557)	(722)	(45)	–	(398)	–	(844,342)
At 31 December 2020	64,187	21,612,256	10,380	12,428	5,004	3,201	29,677	14,433	21,751,566
Accumulated depreciation									
At 1 January 2020	41,162	7,087,240	6,546	7,871	4,150	895	23,013	13,582	7,184,459
Charge for the year	4,087	1,006,566	469	808	148	222	2,381	518	1,015,199
Disposals	–	(655,245)	(557)	(572)	(45)	–	(393)	–	(656,812)
At 31 December 2020	45,249	7,438,561	6,458	8,107	4,253	1,117	25,001	14,100	7,542,846
Net book value:									
As at 31 December 2020	18,938	14,173,695	3,922	4,321	751	2,084	4,676	333	14,208,720

* During 2020, four new vessels were received and capitalized amounting to SAR 481 million which transferred from projects under constructions.

7. PROJECTS UNDER CONSTRUCTIONS

The Company signed a contract on 18 September 2019 to build the first VLCC with the International Maritime Industries Company and in cooperation with Hyundai Samho Heavy Industries for a total amount of SAR 371 million. Subsequent to the period end, the carrier was received on 28th of October 2021.

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 total cost of SAR 760 million, for supplying desalinated water from floating mobile stations to the desalination plants tanks. The construction commenced from January 2020 and the operation is expected to commence during the first 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 first quarter of 2022 until the first quarter of 2023.

The balance of projects under constructions as at period ended 30 September 2021 consist of:

- SAR 664 million relating to 11 vessels under construction (31 December 2020: SAR 466 million for 11 vessels),
- SAR 540 million for Arrow project (31 December 2020: SAR 372 million),
- Other projects with balance of SAR 76 million (31 December 2020: SAR 96 million).

8. LOANS AND BORROWINGS

	Note	**30 September 2021 (Unaudited) SAR '000**	31 December 2020 (Audited) SAR'000
Sukuk	8.1	**3,900,000**	3,900,000
Murabaha loans	8.2	**5,204,237**	4,999,139
Commercial loans	8.3	**36,312**	54,469
Total loans and borrowings		**9,140,549**	8,953,608
Less: Total current portion		**(4,800,091)**	(827,833)
Non-current loans and borrowings		**4,340,458**	8,125,775
Less: prepaid financing		**(53,831)**	(52,245)
Net non-current loans and borrowings		**4,286,627**	8,073,530
Short-term loans	8.4	**–**	–
Current portion of long-term loans		**4,800,091**	827,833
Loans and borrowings - Current Liabilities		**4,800,091**	827,833
Loans and borrowings - Non-Current Liabilities		**4,286,627**	8,073,530
		9,086,718	8,901,363

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 1444H (corresponding to 30 July 2022) accordingly the Sukuk has been reclassified to current liabilities effective from this reporting period.

8.2. Murabaha borrowings

The Group utilized existing long-term loans during the period ended 30 September 2021 amounting to SAR 732 million (31 December 2020: SAR 499 million). Loans are secured by promissory notes and mortgages against vessels. These loans are repayable over 10 years on quarterly or semi-annual basis. The loans carry commission at normal commercial rates. Balance of loans against which profit to be paid based on LIBOR as at 30 September 2021 is SAR 2,275 million (31 December 2020: SAR 2,165 million) and balance of loans against which profit to be paid based on SIBOR at the end of 30 September 2021 is SAR 2,929 million (31 December 2020: SAR 2,834 million). Balance in prepaid financing account related to Murabaha loans at the end of 30 September 2021 is SAR 53 million (31 December 2020: SAR 52 million).

8. LOANS AND BORROWINGS (continued)

8.3. Commercial borrowings

The Group did not obtain any additional commercial loans during period ended 30 September 2021 (31 December 2020: Nil). The existing loan is secured by mortgages against vessels. This loan is repayable over 10 years on semi-annual basis carrying special commission at LIBOR plus normal commercial margin. Balance of the loan against which profit to be paid based on LIBOR as of 30 September 2021 are SAR 36 million (31 December 2020: SAR 54 million).

8.4. Short term borrowings

The Group did not obtain any short-term loan during period ended 30 September 2021 (31 December 2020: SAR 190 million). The total repayment against short term loans during the period ended 30 September 2021 is Nil (31 December 2020: SAR 450 million). The existing loans were utilized to meet working capital requirements during the period.

8.5. Covenants

Borrowing's 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 September		For the nine-month period ended on 30 September	
	2021	2020	**2021**	2020
	SAR'000	SAR'000	**SAR'000**	SAR'000
Profit for the period (SAR 000')	**17,991**	313,741	**100,456**	1,493,569
Average number of share outstanding during the period	**393,750**	393,750	**393,750**	393,750
Earnings per share - Basic and Diluted (Saudi Riyals)	**0.05**	0.80	**0.26**	3.79

Earnings per share is calculated based on the number of shares outstanding during the three-moth and nine-month periods ended 30 September 2021 and 30 September 2020 amounting to 393.75 million shares.

10. FINANCIAL INSTRUMENTS

Fair values of financial instruments

	30 Septmber 2021 (Unaudited)			
	Qouted prices in the active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant Unobservable inputs (Level 3)**	**Total**
	SAR'000	**SAR'000**	**SAR'000**	**SAR'000**
FVOCI – equity instrument:				
Investment in Murabaha fund at FVTPL	**187,899**	–	–	**187,899**
Unquoted equity shares	–	–	**7,334**	**7,334**
Derivatives measured at fair value through statement of Profit or Loss				
CAP commission option				
Assets	–	**5,575**	–	**5,575**
Liabilities	–	**8,604**	–	**8,604**

10. FINANCIAL INSTRUMENTS (continued)

	31 December 2020 (Audited)			
	Qouted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
	SAR'000	SAR'000	SAR'000	SAR'000
FVOCI – equity instrument:				
Unquoted equity shares	–	–	7,334	7,334
Derivatives measured at fair value through statement of Profit or Loss				
CAP commission option				
Assets	–	8,466	–	8,466
Liabilities	–	10,400	–	10,400

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 2020 and obtained the Zakat certificate, however, no assessment has been received from ZATCA for the said year.

The Company has received the final assessment 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. 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 assessments and ZATCA has partially accepted the appeal and issued revised assessments which have been escalated by the Company to the General Secretariate of Tax Committees ("GSTC") and a response is awaited. The Company believes that adequate provision has been made against any potential Zakat and tax liabilities.

12. DIVIDENDS

The General Assembly of the shareholders of the Company approved in its meeting held on 20th April 2020 the distribution of cash dividends of SAR 394 million to the shareholders for the 2nd half of the financial year ended 31 December 2019, amounted to SAR 1 per share. These dividends have been paid on 10th of May 2020.

The Board of Directors decided in its meeting held on 21st of September 2020 to distribute cash dividends of SAR 394 million to the shareholders for the 1st half of the financial year 2020 amounted to SAR 1 per share. These dividends have been paid on 22nd of October 2020.

The General Assembly of the shareholders of the Company approved in its meeting held on 26th April 2021 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.

The Board of Directors decided in its meeting held on 21st of September 2021 to distribute cash dividends of SAR 394 million to the shareholders for the 1st half of the financial year 2021 amounted to SAR 1 per share. Subsequent to the period ended 30 September 2021, these dividends have been paid on 24th of October 2021.

13. CAPITAL COMMITMENTS

The Group's capital commitment related to ships under construction and the purchase of property and equipment was SAR 1,578 million as of 30 September 2021 (31 December 2020: SAR 1,795 million).

The Group signed an agreement on 30 May 2017 with Saudi Arabian Oil Company (ARAMCO), Hyundai Heavy Industries Ltd. (South Korea) and Lamprell Power Company Limited (UAE) 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 to SAR 2.625 billion (USD 700 million) of the project cost. As of 30 September 2021, the injected capital from partners was SAR 1.846 billion (USD 492.2 million). The ownership in IMI is as follows; ARAMCO (50.1%), The National Shipping Company of Saudi Arabia (19.9%), Lamprell Power Company Limited (20%), and Hyundai Heavy Industries (10%). 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.

14. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events for period ended 30 September 2021 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 25 Rabi' al-Awwal 1443H (corresponding to 31 October 2021).