



**THE NATIONAL SHIPPING  
COMPANY OF SAUDI ARABIA**

**(A Saudi Joint Stock Company)**

**Consolidated Financial Statements  
and Independent Auditor's Report**

For the year ended 31 December 2020



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## Independent Auditor's Report

To the Shareholders of The National Shipping Company of Saudi Arabia

### Opinion

We have audited the consolidated financial statements of The National Shipping Company of Saudi Arabia ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# Independent Auditor's Report

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

Impairment assessment of Vessels	
<p>See note 4 to the consolidated financial statements for the accounting policy relating to impairment of non-financial assets and Note 6 to the consolidated financial statements for the related disclosures.</p>	
The key audit matter	How the matter was addressed in our audit
<p>The Group owns and operates 89 vessels (2019: 89 vessels) that are used in transportation activities. The carrying value of the vessels, which is shown as part of property and equipment, is SAR 14.2 billion (2019: SAR 14.7 billion) representing approximately 67% (2019: 71%) of total assets as at 31 December 2020.</p> <p>In accordance with IAS 36 "Impairment of assets", the Group is required to assess indicators of impairment on its vessels at each reporting date. In case such indicators are identified, recoverable amounts of such vessels are required to be determined.</p> <p>As part of the Group's process to review any indication of impairment of its vessels, management considers internal and external indicators of impairment, including but not limited to:</p> <ul style="list-style-type: none"> <li>- observable indications that the vessels' value have significantly declined;</li> <li>- significant changes with an adverse effect on the Group, in the technological, market, economic or legal environment in which the Group operates;</li> <li>- evidence of obsolescence or physical damage of the vessels;</li> <li>- significant changes with an adverse effect to the vessels, which includes the vessels becoming idle, plans to discontinue its operation and/or plans to dispose of vessels;</li> <li>- reassessment of the useful life of the vessels; and</li> <li>- operating losses incurred by the vessels.</li> </ul> <p>Hence, the evaluation of impairment indicators and the recoverable amount, where required, involves the exercise of significant judgment and has therefore been determined as a key audit matter.</p>	<p>We performed the following procedures in relation to the impairment indicators assessment of vessels:</p> <ul style="list-style-type: none"> <li>- Assessed the process followed by the Group for the assessment of impairment indicators and recoverable amounts, where required, during the year ended 31 December 2020;</li> <li>- Assessed the design and implementation, and tested the operating effectiveness of the controls implemented by the Group as part of the assessment of impairment indicators;</li> <li>- Assessed the physical condition of the Group's fleet of vessels by inspecting class certificates;</li> <li>- Inspected the vessels' inspection reports that are prepared by the External Technical Inspector which support the maintenance of vessels during the year;</li> <li>- Assessed the vessels' estimated useful life by inspecting the benchmarking report prepared by management that covers relevant industry information;</li> <li>- Assessed the adequacy of the Group's disclosures in respect of estimation of the useful life of vessels in the consolidated financial statements;</li> <li>- Confirmed the future plans for the vessels by inspecting the minutes of meetings of the Board of Directors; and</li> <li>- Inspected the operating profit and loss statement for the year for each vessel.</li> </ul>



# Independent Auditor's Report

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

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, Board of Directors, are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



# Independent Auditor's Report

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of The National Shipping Company of Saudi Arabia ("the Company") and its subsidiaries ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**For KPMG Al Fozan & Partners  
Certified Public Accountants**

**Fahad Mubark Aldossari**  
License No: 469



Date: 20 Rajab 1442H  
Corresponding to: 4 March 2021

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)  
Consolidated statement of financial position  
As at 31 December 2020  
(In thousands of Saudi Riyals)

	Note	2020	2019
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	14,208,720	14,717,099
Projects under construction	7	934,426	310,142
Right of use assets	18	151,143	29,440
Intangible assets	8	497,784	622,475
Equity accounted investees	9	1,342,874	1,242,132
Other non-current financial assets	10	63,149	17,545
<b>TOTAL NON-CURRENT ASSETS</b>		<b>17,198,096</b>	<b>16,938,833</b>
<b>CURRENT ASSETS</b>			
Inventories	11	287,721	411,255
Trade receivables and contract assets	12	1,035,350	1,869,684
Prepayments and other current assets	13	608,927	658,635
Cash and cash equivalents	14	1,975,214	798,189
<b>TOTAL CURRENT ASSETS</b>		<b>3,907,212</b>	<b>3,737,763</b>
<b>TOTAL ASSETS</b>		<b>21,105,308</b>	<b>20,676,596</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	15	3,937,500	3,937,500
Statutory reserve		1,232,034	1,074,923
Share premium		1,489,103	1,489,103
Other reserves		(18,306)	(12,208)
Retained earnings		3,349,350	2,722,849
<b>Equity attributable to equity holders of the Parent Company</b>		<b>9,989,681</b>	<b>9,212,167</b>
Non-controlling interests	31	508,755	464,704
<b>TOTAL EQUITY</b>		<b>10,498,436</b>	<b>9,676,871</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	16	8,073,530	8,386,678
Employees' end of service benefits	17	65,301	70,789
Lease liabilities		85,710	20,994
Deferred tax liabilities	20	-	57,558
Derivative financial instruments		10,400	7,553
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,234,941</b>	<b>8,543,572</b>
<b>CURRENT LIABILITIES</b>			
Loans and borrowings - current portion	16	827,833	1,141,768
Lease liabilities - current portion		62,530	2,632
Trade and other payables	19	1,257,509	1,128,415
Provision for zakat and income tax	20	224,059	183,338
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,371,931</b>	<b>2,456,153</b>
<b>TOTAL LIABILITIES</b>		<b>10,606,872</b>	<b>10,999,725</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>21,105,308</b>	<b>20,676,596</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)  
Consolidated statement of profit or loss  
For the year ended 31 December 2020  
(In thousands of Saudi Riyals)

	Note	2020	2019
Revenue	21	8,393,001	6,567,015
Operating costs	22	(6,320,554)	(5,374,186)
<b>Gross profit before bunker subsidy</b>		<b>2,072,447</b>	<b>1,192,829</b>
Bunker subsidy		49,342	234,168
<b>Gross profit</b>		<b>2,121,789</b>	<b>1,426,997</b>
General and administrative expenses	23	(172,340)	(154,063)
Provision on trade receivables and contract assets	12	(63,473)	(78,853)
Other (expenses) income, net	24	(20,043)	28,937
<b>Operating profit</b>		<b>1,865,933</b>	<b>1,223,018</b>
Finance costs	25	(253,583)	(463,724)
Share in results of equity accounted investees	9	96,802	(23,702)
<b>Profit before zakat and tax</b>		<b>1,709,152</b>	<b>735,592</b>
Zakat and income tax	20	(94,329)	(92,099)
<b>Profit for the year</b>		<b>1,614,823</b>	<b>643,493</b>
<b>Profit for the year attributable to:</b>			
Equity holders of the Parent Company		1,571,112	620,702
Non-controlling interests	31	43,711	22,791
		<b>1,614,823</b>	<b>643,493</b>
<b>Earnings per share (Saudi Riyal):</b>			
Basic	26	3.99	1.58
Diluted	26	3.99	1.58

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)  
Consolidated statement of comprehensive income  
For the year ended 31 December 2020  
(In thousands of Saudi Riyals)

	Note	2020	2019
<b>Profit for the year</b>		<b>1,614,823</b>	643,493
<b>Items that will not be reclassified to profit or loss</b>			
Re-measurement gain on employees' end of service benefits	17	1,342	1,084
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Equity accounted investees share of OCI	9	(7,100)	493
<b>Total comprehensive income for the year</b>		<b>1,609,065</b>	<b>645,070</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Parent Company		1,565,014	621,796
Non-controlling interests		44,051	23,274
<b>Total comprehensive income for the year</b>		<b>1,609,065</b>	<b>645,070</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)  
Consolidated statement of cash flows  
For the year ended 31 December 2020  
(In thousands of Saudi Riyals)

	Note	2020	2019
<b>OPERATING ACTIVITIES</b>			
Profit for the year		1,614,823	643,493
<b>Adjustments to reconcile profit for the year to net cash flows resulted from operating activities</b>			
Depreciation of property and equipment	6	1,015,199	968,041
Depreciation of right of use assets	18	27,237	10,818
Amortization/ derecognition of intangible assets	8	130,375	54,065
Provision on trade receivables and contract assets	12	63,473	78,853
Finance costs	25	253,583	463,724
Share in (profit)/ loss of equity accounted investees	9	(96,802)	23,702
Loss/ (gain) on disposal of property and equipment	24	3,590	(14,701)
Zakat and income tax	20	94,329	92,099
Employees' end of service benefits	17	12,723	13,625
		<b>3,118,530</b>	<b>2,333,719</b>
<b>Changes in operating assets and liabilities:</b>			
Inventories		123,534	(67,210)
Trade receivables and contract assets		792,917	(64,821)
Prepayments and other current assets		(129,751)	(167,443)
Receivables from finance lease		-	4,947
Trade and other payables		258,045	257,753
<b>Cash generated from operations</b>		<b>4,163,275</b>	<b>2,296,945</b>
Finance costs paid		(288,218)	(397,749)
Zakat and income tax paid	20	(95,401)	(89,616)
Employees' end of service benefits paid	17	(16,869)	(11,679)
<b>Net cash generated from operating activities</b>		<b>3,762,787</b>	<b>1,797,901</b>
<b>INVESTING ACTIVITIES</b>			
Additions of property and equipment	6	(212,593)	(125,500)
Projects under construction	7	(1,106,041)	(171,378)
Additions to intangible assets	8	(5,684)	(775)
Proceeds from disposal of property and equipment		183,940	176,015
Dividends received from equity accounted investees	9	85,227	-
Investment in equity accounted investees	9	(96,267)	-
Other non-current financial assets		(2,233)	(1,190)
<b>Net cash used in investing activities</b>		<b>(1,153,651)</b>	<b>(122,828)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings	16	689,225	580,000
Repayment of loans and borrowings		(1,324,418)	(1,258,817)
Dividends paid		(772,105)	(785,699)
Payment of lease liabilities		(24,813)	(5,174)
<b>Net cash used in financing activities</b>		<b>(1,432,111)</b>	<b>(1,469,690)</b>
Increase in cash and cash equivalents		1,177,025	205,383
Cash and cash equivalents at beginning of the year	14	798,189	592,806
<b>Cash and cash equivalents at end of the year</b>	14	<b>1,975,214</b>	<b>798,189</b>
<b>Significant non-cash transactions:</b>			
Projects under construction transferred to property and equipment	7	481,757	-
Bareboat transfer to property and equipment		-	106,162

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)  
Consolidated statements of changes in equity  
For the year ended 31 December 2020  
(In thousands of Saudi Riyals)

	Attributable to equity holders of the parent company					Total	Non-controlling interests	Total equity
	Share capital	Statutory reserve	Share premium	Other reserves	Retained earnings			
Balance as at 1 January 2019	3,937,500	1,012,852	1,489,103	(13,302)	2,951,718	9,377,871	441,430	9,819,301
Profit for the year	-	-	-	-	620,702	620,702	22,791	643,493
Other comprehensive income	-	-	-	1,094	-	1,094	483	1,577
Total comprehensive income for the year	-	-	-	1,094	620,702	621,796	23,274	645,070
Transferred to statutory reserve	-	62,071	-	-	(62,071)	-	-	-
Dividends (note 30)	-	-	-	-	(787,500)	(787,500)	-	(787,500)
<b>Balance as at 31 December 2019</b>	<b>3,937,500</b>	<b>1,074,923</b>	<b>1,489,103</b>	<b>(12,208)</b>	<b>2,722,849</b>	<b>9,212,167</b>	<b>464,704</b>	<b>9,676,871</b>
Balance as at 1 January 2020	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 year	-	-	-	-	1,571,112	1,571,112	43,711	1,614,823
Other comprehensive income	-	-	-	(6,098)	-	(6,098)	340	(5,758)
Total comprehensive income for the year	-	-	-	(6,098)	1,571,112	1,565,014	44,051	1,609,065
Transferred to statutory reserve	-	157,111	-	-	(157,111)	-	-	-
Dividends (note 30)	-	-	-	-	(787,500)	(787,500)	-	(787,500)
<b>Balance as at 31 December 2020</b>	<b>3,937,500</b>	<b>1,232,034</b>	<b>1,489,103</b>	<b>(18,306)</b>	<b>3,349,350</b>	<b>9,989,681</b>	<b>508,755</b>	<b>10,498,436</b>



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

# THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended 31 December 2020

## 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 is located in Olaya district, Olaya Towers (Tower B), Floors (12-15), P.O Box 5101, Riyadh, 1142, Kingdom of Saudi Arabia.

The Company, its subsidiaries and its equity accounted investees listed below (the “Group”) are primarily engaged in purchasing, sale and operating of vessels for the transportation of cargo, 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 of 31 December 2020 and 31 December 2019. The par value per share is SAR 10.

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

Subsidiary	Date of incorporation	Effective Ownership %		Principal Activity	Location
		2020	2019		
NSCSA Inc. - USA	1991	100	100	Company's ship agent	USA
Mideast Ship Management Limited (DMCC)	2010	100	100	Ships technical management	UAE
National Chemical Carriers Limited Co. (NCC)	1990	80	80	Petrochemicals transportation	KSA
Bahri Dry Bulk LLC (BDB)	2010	60	60	Dry bulk transportation	KSA
Bahri Bolloré Logistics (BBL)	2017	60	60	Logistic Services	KSA
Bahri Bunge Dry Bulk DMCC*	2017	36	36	Dry bulk transportation	UAE

\* The Group holds controlling equity ownership interest in Bahri Bunge Dry Bulk DMCC through its indirect shareholding in Bahri Dry Bulk LLC (BDB).

On 31 March 2020, the partners of Bahri Bunge Dry Bulk DMCC resolved to liquidate the Company. The legal process of liquidating Bahri Bunge Dry Bulk DMCC is not yet finalized.

The equity accounted investees whose financial information is incorporated in these financial statements are as follows:

Equity accounted investee	Date of incorporation	Effective Ownership %		Principal Activity	Location
		2020	2019		
Petredec Limited *	1980	30.3	30.3	Liquefied petroleum gas transportation	Singapore
International Maritime Industries Company	2017	19.9	19.9	Maritime industries	KSA

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

During August 2020, the Company entered into a joint venture (“JV”) agreement to establish the National Grain Company with the Saudi Agricultural and Livestock Investment Company (“SALIC”), The JV aims to build and establish a terminal for handling grain at Yanbu Commercial Port, to meet the future needs of the Kingdom of Saudi Arabia for major crops and cereals. The legal formalities are still under process.

# THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements – continued

For the year ended 31 December 2020

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

The Company operates through the following branches:

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

**Group's Fleet:** As at 31 December 2020, the Group operated by 89 owned vessels and 2 vessels under lease contract (31 December 2019: owned 89 vessels) operating in the following sectors:

**Crude oil transportation sector:** Consists of 46 vessels (31 December 2019: 48 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 2 vessels under lease contract (31 December 2019: 30 vessels) specialized tankers distributed as follows:

- 20 tankers that operate in the spot market.
- 5 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 2019: 6 vessels) operating on commercial lines between North America and Europe, and the Middle East and the Indian Subcontinent.

**Dry bulk transportation sector:** This sector is fully operated by BDB, and it owns 9 vessels (31 December 2019: 5 vessels) specialized in transporting dry bulk cargo, 5 of them are chartered to the Arabian Agricultural Services Company (ARASCO), and 4 vessels are operated in the spot market.

## 2. BASIS OF PREPARATION

### 2.1. Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

### 2.2. Preparation of financial statements

#### (i) Historical cost convention

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

- Derivative financial instruments 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 consolidated 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.

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**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 consolidated 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 financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, unrealised 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 consolidated statement of profit or loss;

Reclassifies the Group's share of components previously recognized in consolidated statement of other comprehensive income to 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.

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**4. SIGNIFICANT ACCOUNTING POLICIES**

The Group has consistently applied the accounting policies to all periods presented in these consolidated 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 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 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

**4.2. Revenue from Contracts with Customers**

The Group recognises revenue from contracts with customers based on five-steps 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.

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## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.2. Revenue from Contracts with Customers (continued)

The Group satisfies a performance obligation and recognises 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 an 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 recognised when a customer obtains control of the services.

Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms
<b>Time Charter arrangement</b>	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 charges 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.
<b>Voyage charter</b>	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.
<b>Logistics revenue</b>	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 arrangements, 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 estimates 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.

#### 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 under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.3. Financial Instruments (continued)

#### ii-Classification and measurement of financial assets and financial liabilities (continued)

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.

<b>Financial assets at Fair Value Through Profit and Loss (FVTPL)</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Debt investments at Fair Value through Other Comprehensive Income (FVOCI)</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at Fair Value through Other Comprehensive Income (FVOCI)</b>	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 amortised cost consist of trade receivables and contract assets, other non-current financial assets, other current financial assets and cash and cash equivalents.

#### Financial Liabilities – Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortised 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 recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.3. Financial Instruments (continued)**

**Derecognition**

**Financial assets**

The Group derecognises 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 recognised 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 derecognised.

**Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises 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 recognised 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 realise 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 recognised 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 recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets. The Group measures loss allowances at an amount equal to lifetime ECLs.

**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 semi-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 reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.3. Financial Instruments (continued)

#### Presentation of impairment

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

### 4.4. Cash and cash equivalents

Cash and cash equivalents in the 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 if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

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

<b>Property and equipment</b>	<b>Useful lives (in years)</b>
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 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 consolidated statement of profit or loss during the period in which such operation is commenced.

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## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.6. Property and equipment (continued)

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 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 at year end 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 recognised 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.

### 4.9. 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.

Under the equity method, an equity accounted investee is initially recognised in the 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 investee. When the Group's share of losses of an equity accounted investee exceeds the Group's interest in that an equity accounted investee (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 investee. If the equity accounted investee subsequently reports 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 investee, 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 equity accounted investee's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in consolidated Statement of profit or loss in the period in which the investment is acquired.

When a Group entity transacts with an equity accounted investee of the Group, profits or losses resulting from the transactions with the equity accounted investees are recognised in the Group's consolidated financial statements only to the extent of interests in the equity accounted investee that are not related to the Group.

# THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

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## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

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.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.10. Leases (continued)**

**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.

**4.11. Classification of assets and liabilities to “current” and “non-current”**

The Group present 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 consolidated 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 consolidated 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 consolidated 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 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 consolidated statement of Profit or Loss, respectively).

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 consolidated statement of profit or loss.

**4.14. Zakat and income tax**

The Company and its subsidiaries in the Kingdom of Saudi Arabia are subject to regulations issued by the General Authority of Zakat and Tax ("GAZT") 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 based on Zakat base. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and annually evaluates positions taken in the Zakat returns with respect to any Zakat differences. Zakat is charged to the consolidated statement of profit or loss. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.

For subsidiaries outside Kingdom of Saudi Arabia, income tax is provided for in accordance with the regulations applicable in the respective countries and is charged to the consolidated statement of profit or loss. Provision is made for withholding tax on payments to non-resident parties and is charged to the consolidated statement of profit or loss.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**4.15. Borrowing costs**

Borrowing costs are directly attributed to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial year 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 year in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

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## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 asset's 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 asset's 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.

The following criteria are also applied in assessing impairment of specific assets:

- Goodwill is tested for impairment in the reporting period and when circumstances indicate that the carrying value may be impaired.
- Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

### 4.17. Cash dividends to 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 Company. As per the company's regulations of Saudi Arabia, a distribution is authorized when it is approved by the shareholders or when interim dividends are approved by the General Assembly. 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 net 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 year in which they occur. Remeasurements are not reclassified to profit or loss in subsequent years.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.18. Employees end of service benefits (continued)**

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 cost', 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 consolidated statement of profit or loss net of any reimbursement.

**4.20. Contingent assets and liabilities**

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable. An assessment is made at each reporting date to recognize contingent liabilities which are probable obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Group.

**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 year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year 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 year; 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 year 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 Group must transfer 10% of the net income in 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 consolidated statement of profit or loss as bunker subsidy income.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 year.

**4.25. Amendment in standards and standards issued but not yet effective**

**Amendment in standards**

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

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

**Pronouncements issued and not yet effective**

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

- 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).

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**5. OPERATING SEGMENTS**

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

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

31 December 2020	Transportation of oil	Transportation of Chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Revenue	6,090,912	1,241,950	918,847	137,374	3,918	8,393,001
Operating cost	(4,261,516)	(1,053,292)	(926,270)	(79,434)	(42)	(6,320,554)
Bunker subsidy	38,915	1,984	8,443	-	-	49,342
Gross profit	1,868,311	190,642	1,020	57,940	3,876	2,121,789
General and administrative expenses	(13,728)	(14,189)	(23,210)	(7,067)	(114,146)	(172,340)
Provision on trade receivables and contract assets	(28,894)	(24,611)	(11,728)	1,739	21	(63,473)
Other (expenses) income, net	9,154	(27,309)	539	(255)	(2,172)	(20,043)
Finance cost	(169,182)	(33,163)	(14,029)	(11,179)	(26,030)	(253,583)
Share in a result of an equity accounted investees	-	-	-	-	96,802	96,802
Profit before zakat & income tax	1,665,661	91,370	(47,408)	41,178	(41,649)	1,709,152

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.

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5. OPERATING SEGMENTS (continued)

31 December 2019	Transportation of oil	Transportation of Chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Revenue	3,959,202	1,105,142	1,069,270	420,053	13,348	6,567,015
Operating cost	(3,160,678)	(945,798)	(918,242)	(354,295)	4,827	(5,374,186)
Bunker subsidy	211,715	12,040	10,413	-	-	234,168
Gross profit	1,010,239	171,384	161,441	65,758	18,175	1,426,997
General and administrative expenses	-	(1,025)	(4,075)	(16,034)	(132,929)	(154,063)
Provision on trade receivables and contract assets	3,248	(20,314)	(58,754)	(3,033)	-	(78,853)
Other income (expenses), net	22,833	(5,317)	794	1,074	9,553	28,937
Finance cost	(260,272)	(62,783)	(24,706)	(30,446)	(85,517)	(463,724)
Share in a result of an equity accounted investees	-	-	-	-	(23,702)	(23,702)
Profit before zakat & income tax	776,048	81,945	74,700	17,319	(214,420)	735,592

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5. OPERATING SEGMENTS (continued)

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

31 December 2020	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
31 December 2019	Transportation of oil	Transportation of Chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
Property and equipment	10,208,530	2,682,764	1,281,148	513,563	31,094	14,717,099
Total assets	12,653,030	3,177,135	2,290,810	833,568	1,722,053	20,676,596
Total liabilities	6,621,473	1,645,276	879,465	481,719	1,371,792	10,999,725

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**6. PROPERTY AND EQUIPMENT**

<b>31 December 2020</b>	<b>Buildings and improvements</b>	<b>Fleet and equipment</b>	<b>Containers and trailers</b>	<b>Furniture and fixtures</b>	<b>Tools and office equipment</b>	<b>Motor vehicles</b>	<b>Computer equipment</b>	<b>Containers yard equipment</b>	<b>Total</b>
<b>Cost</b>									
<b>At 1 January 2020</b>	<b>64,174</b>	<b>21,765,154</b>	<b>10,937</b>	<b>12,925</b>	<b>4,385</b>	<b>932</b>	<b>28,618</b>	<b>14,433</b>	<b>21,901,558</b>
Additions/ transfers*	13	689,722	-	225	664	2,269	1,457	-	694,350
Disposals	-	(842,620)	(557)	(722)	(45)	-	(398)	-	(844,342)
<b>At 31 December 2020</b>	<b>64,187</b>	<b>21,612,256</b>	<b>10,380</b>	<b>12,428</b>	<b>5,004</b>	<b>3,201</b>	<b>29,677</b>	<b>14,433</b>	<b>21,751,566</b>
<b>Accumulated depreciation</b>									
<b>At 1 January 2020</b>	<b>41,162</b>	<b>7,087,240</b>	<b>6,546</b>	<b>7,871</b>	<b>4,150</b>	<b>895</b>	<b>23,013</b>	<b>13,582</b>	<b>7,184,459</b>
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)
<b>At 31 December 2020</b>	<b>45,249</b>	<b>7,438,561</b>	<b>6,458</b>	<b>8,107</b>	<b>4,253</b>	<b>1,117</b>	<b>25,001</b>	<b>14,100</b>	<b>7,542,846</b>
<b>Net book value:</b>									
<b>As at 31 December 2020</b>	<b>18,938</b>	<b>14,173,695</b>	<b>3,922</b>	<b>4,321</b>	<b>751</b>	<b>2,084</b>	<b>4,676</b>	<b>333</b>	<b>14,208,720</b>

\* During 2020, four new vessels and other equipment were received and capitalized amounting to SAR 481 million which was transferred from projects under construction (note 7).

- Certain vessels and tankers of the Group under fleet and equipment with a carrying value of SAR 8.1 billion at 31 December 2020, are pledged against some long-term loans.

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**6. PROPERTY AND EQUIPMENT (continued)**

31 December 2019	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 2019	61,631	22,341,513	12,376	12,431	4,216	1,131	26,705	14,433	22,474,436
Additions/ transfers	2,664	226,388	12	495	175	6	1,922	-	231,662
Disposals	(121)	(802,747)	(1,451)	(1)	(6)	(205)	(9)	-	(804,540)
At 31 December 2019	64,174	21,765,154	10,937	12,925	4,385	932	28,618	14,433	21,901,558
Accumulated depreciation									
At 1 January 2019	36,032	6,770,273	7,529	7,108	3,992	1,008	20,645	13,058	6,859,645
Charge for the year	5,251	958,405	468	764	160	92	2,377	524	968,041
Disposals	(121)	(641,438)	(1,451)	(1)	(2)	(205)	(9)	-	(643,227)
At 31 December 2019	41,162	7,087,240	6,546	7,871	4,150	895	23,013	13,582	7,184,459
Net book value:									
As at 31 December 2019	23,012	14,677,914	4,391	5,054	235	37	5,605	851	14,717,099

- Certain vessels and tankers of the Group under fleet and equipment with a carrying value of SAR 8.4 billion at 31 December 2019, are pledged against some long-term loans.

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**7. PROJECTS UNDER CONSTRUCTIONS**

The movement in projects under constructions is as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	<b>310,142</b>	138,764
Additions	<b>1,106,041</b>	171,378
Transferred to property and equipment	<b>(481,757)</b>	-
Ending balance	<b><u>934,426</u></b>	<u>310,142</u>

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 second half of the year 2021.

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 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. The carrier is expected to be received during the year 2021.

The balance of projects under constructions as at year ended 31 December 2020 consist of:

- SAR 466 million relating to 11 vessels under construction (31 December 2019: SAR 289 million for 5 vessels),
- SAR 372 million for Arrows project (31 December 2019: Nil),
- Other projects with balance of SAR 96 million (31 December 2019: SAR 21 million).

BDB signed contracts on 25 August 2017 with Hyundai Samho Heavy Industries to build 4 bulk cargo carriers for a total amount of SAR 472 million (USD126). All 4 vessels were received and capitalized during 2020.

**8. INTANGIBLE ASSETS**

Intangible assets majorly represent software and the long-term substantial evaluation of transportation contracts, which resulted from purchasing the operations and assets of Vela Company (a subsidiary of ARAMCO) in 2014. The value of those intangible assets is amortized over the estimated total average remaining useful life of the purchased vessels.

	<u>2020</u>	<u>2019</u>
<b>Cost</b>		
Opening balance	<b>940,705</b>	939,930
Addition	<b>5,684</b>	775
Derecognition	<b>(118,988)</b>	-
Ending balance	<b><u>827,401</u></b>	<u>940,705</u>
<b>Accumulated amortization</b>		
Opening balance	<b>318,230</b>	264,165
Charge for the year	<b>130,375</b>	54,065
Derecognition	<b>(118,988)</b>	-
Ending balance	<b><u>329,617</u></b>	<u>318,230</u>
<b>Net book value</b>	<b><u>497,784</u></b>	<u>622,475</u>

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**9. EQUITY ACCOUNTED INVESTEEES**

The balance of equity accounted investees as at 31 December contains investments in the following companies:

	Note	<u>2020</u>	<u>2019</u>
Petreddec Limited	9.1	<b>1,169,954</b>	1,094,767
International Maritime Industries Company (IMI)	9.2	<b>172,920</b>	147,365
		<b><u>1,342,874</u></b>	<u>1,242,132</u>

The group's share in results of equity accounted investees as at 31 December is as follows:

	Note	<u>2020</u>	<u>2019</u>
Share of profit/ (loss) in Petreddec Limited	9.1	<b>167,514</b>	(2,068)
Share of loss in IMI	9.2	<b>(70,712)</b>	(21,634)
		<b><u>96,802</u></b>	<u>(23,702)</u>

**9.1. Petreddec Limited**

The movement of investment in Petreddec Limited as at 31 December is as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	<b>1,094,767</b>	1,096,342
Dividends received during the year	<b>(85,227)</b>	-
Share of:		
Profit/ (loss) for the year	<b>167,514</b>	(2,068)
Other comprehensive (loss) income for the year	<b>(7,100)</b>	493
Ending balance	<b><u>1,169,954</u></b>	<u>1,094,767</u>

The table reconciles the summarized financial information to the carrying amount of the Group's interest in Petreddec as at 31 October:

	<u>31 October 2020</u>	<u>31 October 2019</u>
Current assets	<b>3,220,474</b>	2,873,881
Non-current assets	<b>6,783,255</b>	5,941,195
Current liabilities	<b>(2,132,374)</b>	(2,039,806)
Non-current liabilities	<b>(4,233,365)</b>	(3,394,202)
Net assets before non-controlling interest	<b>3,637,990</b>	3,381,068
Non-controlling interest	<b>(38,116)</b>	(29,308)
<b>Net assets</b>	<b><u>3,599,874</u></b>	<u>3,351,760</u>
Group's share in net assets (30.30%)	<b>1,090,871</b>	1,015,684
Goodwill	<b>79,083</b>	79,083
<b>Carrying amount of investment in equity accounted investees</b>	<b><u>1,169,954</u></b>	<u>1,094,767</u>
Revenue	<b>15,206,100</b>	19,850,260
Profit (loss) before non-controlling interest	<b>537,152</b>	(5,305)
Non-controlling interest	<b>(7,932)</b>	109
<b>Total comprehensive income (loss) for the year</b>	<b><u>529,220</u></b>	<u>(5,196)</u>
<b>Group's share of total comprehensive income (loss) (30.30%)</b>	<b><u>160,414</u></b>	<u>(1,575)</u>

The equity accounted investees have SAR 638 million contingent liabilities and capital commitments as at 31 October 2020 (31 October 2019: SAR 1.5 billion).

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**9. EQUITY ACCOUNTED INVESTEEES (continued)**

**9.2. International Maritime Industries Company**

International Maritime Industries Company (IMI) was established in KSA with capital of SAR 1,107 million between the Company, ARAMCO, Hyundai Heavy Industries (South Korean Company) and Lamprell Power Company Limited (a UAE-based Company). The Group's share in the established Company represents 19.9%.

The movement of investment in IMI as at 31 December is as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	147,365	168,999
Additional paid in capital	96,267	-
Share in results of equity accounted investees	(70,712)	(21,634)
Ending balance	<u>172,920</u>	<u>147,365</u>

The table reconciles the summarized financial information to the carrying amount of the Group's interest in IMI as at 31 December:

	<u>2020</u>	<u>2019</u>
Current assets	1,799,895	435,686
Non-current assets	879,450	518,419
Current liabilities	(814,114)	(210,776)
Non-current liabilities	(908,681)	(2,801)
<b>Net assets</b>	<u>956,550</u>	<u>740,528</u>
Group's share in net assets (19.9%)	<u>172,920</u>	<u>147,365</u>
<b>Carrying amount of investment in equity accounted investees</b>	<u>172,920</u>	<u>147,365</u>
Revenue	<u>586,084</u>	<u>1,898</u>
<b>Total comprehensive loss for the year</b>	<u>(259,046)</u>	<u>(108,713)</u>
<b>Group's share of total comprehensive loss (19.9%)</b>	<u>(70,712)</u>	<u>(21,634)</u>

**10. OTHER NON-CURRENT FINANCIAL ASSETS**

The balance of other non-current financial assets includes the derivatives is as follow:

	<u>2020</u>	<u>2019</u>
Non-current trade receivables	47,266	-
Derivatives	8,466	10,128
Equity securities at FVOCI	7,334	7,334
Investment in government bonds	83	83
	<u>63,149</u>	<u>17,545</u>

**11. INVENTORIES**

The balance of inventory, located on the vessels, is as follow:

	<u>2020</u>	<u>2019</u>
Fuel	238,096	360,707
Lubricant	42,440	43,943
Others	7,185	6,605
	<u>287,721</u>	<u>411,255</u>

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**12. TRADE RECEIVABLES AND CONTRACT ASSETS**

Trade receivable and contract assets include the following items:

	<u>2020</u>	<u>2019</u>
Trade receivables	670,301	1,109,396
Due from related parties (note 27)	395,564	562,388
	<u>1,065,865</u>	<u>1,671,784</u>
Contract assets (unbilled revenue)	165,432	330,821
	<u>1,231,297</u>	<u>2,002,605</u>
Less: Provision on trade receivables and contract assets (note a)	(195,947)	(132,921)
Trade receivables and contract assets, net	<u>1,035,350</u>	<u>1,869,684</u>

a- The movement of provision on trade receivables and contract assets is as follows:

	<u>2020</u>	<u>2019</u>
Opening balance	132,921	54,068
Change for the year	63,473	78,853
Write-off	(447)	-
Ending balance	<u>195,947</u>	<u>132,921</u>

b- The aging of trade receivables and contract assets is as follows:

	<u>2020</u>	<u>2019</u>
Less than 6 months	697,964	1,488,183
From 6 months to 12 months	281,882	155,383
More than 12 months	251,451	243,270
<b>Total trade receivables and contract assets</b>	<u>1,231,297</u>	<u>1,886,836</u>

Included in trade receivables amounts due from Government entities amounting to SAR 297 million as at 31 December 2020 (2019: SAR 591 million). These amounts represent 29% of the net trade receivables as at 31 December 2020 (31 December 2019: 34%). 59% of the amounts due for more than 12 months are amounts due from Government entities.

**13. PREPAYMENTS AND OTHER CURRENT ASSETS**

The balance of prepayments and other current assets includes the following:

	<u>2020</u>	<u>2019</u>
Advances to suppliers	225,857	231,231
Recoverable bunker cost	135,032	161,348
Insurance claims	83,661	79,310
Prepaid expenses	76,869	139,709
Refundable deposits	15,779	2,230
Employees advances	11,104	17,176
Others	60,625	27,631
	<u>608,927</u>	<u>658,635</u>

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**14. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents represent bank balances, cash, investments in Murabaha and short-term deposits.  
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise of the following:

	<u>2020</u>	<u>2019</u>
Bank balances and cash	<b>458,040</b>	245,840
Murabaha and short-term deposits (Note 14.1)	<b>1,517,174</b>	552,349
<b>Cash and cash equivalents in consolidated statement of cash flows</b>	<b><u>1,975,214</u></b>	<u>798,189</u>

**14.1 Murabaha and Short-Term Deposits**

Murabaha and short-term deposit comprise of the following:

	<u>2020</u>	<u>2019</u>
Murabaha and short - term deposits in USD	<b>960,762</b>	408,861
Murabaha and short - term deposits in Saudi Riyals	<b>556,412</b>	143,488
	<b><u>1,517,174</u></b>	<u>552,349</u>

Murabaha and short-term deposit yield finance income at prevailing market rates.

**15. SHARE CAPITAL**

The Company's share capital is comprised of 393,750 thousand shares issued and fully paid with a par value of SAR 10 per share. Total authorized, issued, and outstanding share capital is SAR 3,937,500,000 as at 31 December 2020 and 31 December 2019.

**16. LOANS AND BORROWINGS**

	Note	<u>2020</u>	<u>2019</u>
Sukuk	16.1	<b>3,900,000</b>	3,900,000
Murabaha borrowings	16.2	<b>4,999,139</b>	5,338,020
Commercial borrowings	16.3	<b>54,469</b>	90,781
<b>Total sukuk and long-term borrowings</b>		<b>8,953,608</b>	9,328,801
Less: Total current portion		<b>(827,833)</b>	(881,768)
<b>Non-current sukuk and long-term borrowings</b>		<b>8,125,775</b>	8,447,033
Less: prepaid financing		<b>(52,245)</b>	(60,355)
<b>Net non-current sukuk and long-term borrowings</b>		<b><u>8,073,530</u></b>	<u>8,386,678</u>
Short-term borrowings	16.4	-	260,000
Current portion of long-term borrowings		<b>827,833</b>	881,768
<b>Loans and borrowings - Current Liabilities</b>		<b>827,833</b>	1,141,768
<b>Loans and borrowings - Non-Current Liabilities</b>		<b><u>8,073,530</u></b>	<u>8,386,678</u>
		<b><u>8,901,363</u></b>	<u>9,528,446</u>

**16.1 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).

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**16. LOANS AND BORROWINGS (continued)**

**16.2 Murabaha borrowings**

The Group utilized existing long-term loans during the year ended 31 December 2020 amounting to SAR 499 million (31 December 2019: SAR 45 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 31 December 2020 is SAR 2,165 million (31 December 2019: SAR 2,555 million) and balance of loans against which profit to be paid based on SIBOR at the end of 31 December 2020 is SAR 2,834 million (31 December 2019: SAR 2,783 million). Balance in prepaid financing account related to Murabaha loans at the end of 31 December 2020 is SAR 52 million (31 December 2019: SAR 60 million).

**16.3 Commercial borrowings**

The Group did not obtain any additional long-term loan during year ended 31 December 2020 (31 December 2019: 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 at 31 December 2020 are SAR 54 million (31 December 2019: SAR 91 million).

**16.4 Short Term Borrowings**

The Group obtained a short-term loan during year ended 31 December 2020 amounting to SAR 190 million (31 December 2019: SAR 535 million). The total repayment against short term loans during the period ended 31 December 2020 is SAR 450 million (31 December 2019: SAR 371 million). The existing loans were utilized to meet working capital requirements during the year.

**16.5 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 borrowings if these covenants are not met.

**17. EMPLOYEES' BENEFITS**

The Group has a post-employment defined benefit plan for its own employees. The benefits are required by Saudi Arabia labour law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the labour law of Kingdom of Saudi Arabia.

	<u>2020</u>	<u>2019</u>
<b>Opening balance</b>	<b>70,789</b>	69,927
Current service cost	<b>10,852</b>	10,965
Interest cost	<b>1,871</b>	2,660
Total cost charged for the year	<b>12,723</b>	13,625
Benefits paid	<b>(16,869)</b>	(11,679)
Re-measurement gain on defined benefit plans	<b>(1,342)</b>	(1,084)
<b>Ending balance</b>	<b><u>65,301</u></b>	<u>70,789</u>

The significant assumptions used in determining employees' end of service benefit for the Group's plans are shown below:

	<u>2020</u>	<u>2019</u>
Discount rate	<b>1.18%</b>	3.00%
Withdrawal rate – for the first two years of service	<b>12.50%</b>	12.50%
Withdrawal rate – third year of service and above	<b>12.50%</b>	12.50%
Future salaries increase - for the first three years	<b>3.68%</b>	5.50%
Future salaries increase - fourth year and after	<b>3.68%</b>	5.50%

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**17. EMPLOYEES' BENEFITS (continued)**

A quantitative sensitivity analysis for significant assumptions on the defined benefit plans are shown below:

	<u>2020</u>	<u>2019</u>
Discount rate		
0.5 % increase	(1,991)	(1,953)
0.5% decrease	2,114	2,068
Withdrawal rate		
10% increase	(890)	(846)
10% decrease	1,004	954
Future salary increases		
1% increase	4,426	4,459
1% decrease	(4,213)	(4,059)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit plans as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The sensitivity analyses may not be representative of an actual change in the defined benefit plans as it is unlikely that changes in assumptions would occur in isolation from one another.

**18. LEASES**

**Leases in which the Group is a lessee**

The Group mainly leases its head office, administrative buildings, and vessels.

Information about leases for which the Group is a lessee is presented below:

**i. Right-of-use assets**

	<u>2020</u>	<u>2019</u>
Balance at 1 January	29,440	40,258
Additions	148,940	-
Depreciation charge for the year	(27,237)	(10,818)
<b>Balance at 31 December</b>	<b>151,143</b>	<b>29,440</b>

**ii. Lease liabilities**

	<u>2020</u>	<u>2019</u>
Non-current	85,710	20,994
Current	62,530	2,632
	<b>148,240</b>	<b>23,626</b>

**iii. Amounts recognised in consolidated statement of profit or loss**

	<u>2020</u>	<u>2019</u>
Interest on lease liabilities	488	278
Expenses relating to short-term leases	10,030	7,682

**19. TRADE AND OTHER PAYABLES**

	<u>2020</u>	<u>2019</u>
Due to related parties (note 27)	447,099	115,769
Trade payables	410,352	526,177
Accrued expenses	296,818	352,842
Unclaimed dividend	64,995	49,601
Others	38,245	84,026
	<b>1,257,509</b>	<b>1,128,415</b>

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**20. ZAKAT AND INCOME TAX**

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

The breakup of zakat and income tax charge for the year is as follows:

	<b>2020</b>	2019
Zakat and income tax	<b>155,342</b>	58,052
Deferred tax charged	<b>7,000</b>	34,047
Reversal of deferred tax*	<b>(68,013)</b>	-
Ending balance	<b>94,329</b>	92,099

The movement in the provision for zakat and income tax is as follows:

	<b>2020</b>	2019
Opening balance	<b>183,338</b>	214,902
Provided for the year	<b>155,342</b>	58,052
Payments during the year	<b>(95,401)</b>	(89,616)
Reclassified to other payables	<b>(19,220)</b>	-
Ending balance	<b>224,059</b>	183,338

The movement in the provision for deferred tax is as follows:

	<b>2020</b>	2019
Opening balance	<b>57,558</b>	23,511
Provided for the year	<b>7,000</b>	34,047
Reversal*	<b>(68,013)</b>	-
Reclassified to other current assets	<b>3,455</b>	-
Ending balance	<b>-</b>	57,558

\*Pursuant to Royal Decree M\153 amending Article 2(a) of the Saudi Arabian Income Tax Law, shares in the Kingdom of Saudi Arabia's resident listed companies held, directly or indirectly, by oil and hydrocarbon producing companies are subject to Zakat rather than income tax. Accordingly, this has resulted in reversal of deferred tax liabilities of SAR 68 million relating to Saudi Aramco's owned interest in the Company.

**Zakat and tax status of the Parent and its wholly owned subsidiaries**

The Company has filed its zakat returns up to 2019 and obtained the zakat certificate, however, no assessment has been received from GAZT for the year 2019.

The Company has received the final assessment for the years 2015 to 2017, claiming additional zakat differences of SAR 67.8 million despite closing the mentioned years previously through the fast track initiative. The Company submitted an appeal against GAZT assessment and awaiting their response.

GAZT has raised the zakat assessment for the year 2018 claiming additional zakat differences of SAR 27.9 million. The Company has submitted an appeal against the assessment, GAZT has partially accepted the appeal and issued a revised assessment which has been escalated to the General Secretariat of Tax Committees ("GSTC") by the Company and awaiting their response. The Company believes that adequate provision has been made against any potential zakat and tax liabilities.

**Zakat and tax status for National Chemical Carriers Company (NCC)**

NCC has submitted its zakat returns for all fiscal years up to 2019 to the General Authority of Zakat and Tax (the "GAZT"), zakat assessments have been agreed with the General Authority of Zakat and Tax ("GAZT") for all the years up to 2004. NCC has received the zakat assessment for the years from 2005 to 2008 claiming additional payments of SAR 4.4 million. Further to an appeal, NCC received a revised assessment claiming additional liability of SAR. 2.8M. NCC has filed an appeal with the Higher Appeal Committee and awaiting their feedback. NCC has also received the zakat assessment for the years from 2009 to 2012 claiming additional payments of SAR 46.8 million. NCC has paid the additional claim and closed the years with GAZT.

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**20. ZAKAT AND INCOME TAX (continued)**

**Zakat and tax status for National Chemical Carriers Company (NCC) (continued)**

NCC has also received the zakat assessment for the year 2018 and submitted its appeal with GAZT then transferred the appeal to GSTC and awaiting their feedback.

NCC did not receive from GAZT the zakat assessments for the years from 2013 to 2017 and 2019. NCC believes that adequate provisions have been made against any potential zakat and tax liabilities.

**Zakat and Tax status for Bahri Dry Bulk (BDB)**

BDB submitted its zakat and tax returns for the years up to 2019. The GAZT has not issued any zakat assessments since 2010 (date of incorporation). BDB believes that adequate provisions have been made against any potential zakat and taxes liabilities.

**Zakat and tax status for Bahri Bollore (BBL)**

BBL submitted its Zakat/Tax returns for the years up to 2019 and finalized the assessment of year 2018 with GAZT.

**21. REVENUE**

	<u>2020</u>	<u>2019</u>
Spot	5,159,280	4,223,949
Charter hire	1,805,616	764,895
Freight forwarding	832,800	728,735
Time Charter	423,932	556,555
Others	171,373	292,881
	<u>8,393,001</u>	<u>6,567,015</u>

**22. OPERATING EXPENSES**

	<u>2020</u>	<u>2019</u>
Ship running expenses	1,913,173	1,153,832
Fuel & lubricants	1,266,226	1,529,085
Depreciation and amortization	956,200	872,561
Employees' salaries and benefits	647,833	581,798
Freight forwarding expenses	453,114	113,980
Ports and Agencies charge	437,999	476,895
Repairs and maintenance	410,800	354,662
Other operating expenses	235,209	291,373
	<u>6,320,554</u>	<u>5,374,186</u>

**23. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2020</u>	<u>2019</u>
Employees' salaries and benefits	121,889	110,333
Professional, legal and consultation fees	13,289	11,734
Marketing and communication	6,444	8,971
Rent	10,030	7,682
Maintenance	7,108	6,319
Depreciation	4,870	5,974
Others	8,710	3,050
	<u>172,340</u>	<u>154,063</u>

**24. OTHER (EXPENSES) INCOME, NET**

	<u>2020</u>	<u>2019</u>
(Loss)/ gains on disposal of property and equipment	(3,590)	14,701
Finance income	1,324	8,594
Donations	(9,997)	-
Others	(7,780)	5,642
	<u>(20,043)</u>	<u>28,937</u>

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**25. FINANCE COSTS**

	<u>2020</u>	<u>2019</u>
Murabaha financing	<b>143,090</b>	245,734
Saudi Riyal sukuk	<b>101,877</b>	146,506
Drivatives re-valuation	<b>6,741</b>	67,822
Commercial loans	<b>1,387</b>	3,384
Lease liabilities	<b>488</b>	278
	<b><u>253,583</u></b>	<u>463,724</u>

**26. EARNINGS PER SHARE**

	<u>2020</u>	<u>2019</u>
Profit for the year attributable to equity holders of the Parent Company	<b>1,571,112</b>	620,702
Weighted average number of ordinary shares outstanding during the year	<b>393,750,000</b>	393,750,000
Earnings per share – basic	<b>3.99</b>	1.58
Earnings per share – diluted	<b>3.99</b>	1.58

**27. RELATED PARTIES**

The Group transacts with related parties in the ordinary course of its activities, as many of the Group's transactions and arrangements are based on signed agreements between the Group and those companies. The balances are unsecured, interest-free, and repayable on demand unless otherwise stated.

Operating revenues that generated from related parties as follows:

	<u>2020</u>	<u>2019</u>
ARAMCO and its subsidiaries - <i>shareholder</i>	<b>3,806,407</b>	2,239,962
SABIC and its subsidiaries - affiliate	<b>460,894</b>	597,569
Saudi Electricity Company - affiliate	<b>180,001</b>	20,112
Arabian Agricultural Services Company (ARASCO) - affiliate	<b>113,030</b>	106,959

Related party balances included in trade receivables (note 12) is as follows:

	<u>2020</u>	<u>2019</u>
ARAMCO and its subsidiaries	<b>344,400</b>	468,191
SABIC and its subsidiaries	<b>30,155</b>	59,220
Saudi Electricity Company	<b>21,002</b>	30,898
Arabian Agricultural Services Company (ARASCO)	<b>7</b>	4,079
	<b><u>395,564</u></b>	<u>562,388</u>

Long-term loans and payables due to related parties is as follows:

	<u>2020</u>	<u>2019</u>
Loan from Public Investment fund (PIF) – <i>shareholder</i>	<b>183,844</b>	265,156
ARAMCO and its subsidiaries (note 19)	<b>447,099</b>	115,769

Compensation of key management personnel:

	<u>2020</u>	<u>2019</u>
Salaries and compensations	<b>23,259</b>	12,073
End of service award	<b>2,493</b>	613
Total compensation	<b><u>25,752</u></b>	<u>12,686</u>

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28. FINANCIAL INSTRUMENTS

28.1. Financial Assets

	Note	2020	2019
<b>Financial assets at fair value</b>			
<b>Derivatives not designated as hedging instruments:</b>			
CAP commission options	10	8,466	10,128
<b>Financial assets at fair value through OCI</b>			
Unquoted equity shares	10	7,334	7,334
<b>Total financial assets at fair value</b>		<b>15,800</b>	<b>17,462</b>
<b>Financial assets at amortized cost</b>			
Other non-current financial assets	10	47,349	83
Trade receivables and contract assets	12	1,035,350	1,869,684
Other current financial assets		150,811	163,578
Cash and cash equivalent	14	1,975,214	798,189
<b>Total financial assets at amortized cost</b>		<b>3,208,724</b>	<b>2,831,534</b>
<b>Total financial assets</b>		<b>3,224,524</b>	<b>2,848,996</b>

28.2. Financial Liabilities

	Note	2020	2019
<b>Financial liabilities at fair value</b>			
Derivative financial instruments		10,400	7,553
<b>Financial liabilities at amortized cost</b>			
Loans and borrowings	16	8,901,363	9,528,446
Trade and other payables	19	1,257,509	1,012,646
Lease liabilities		148,240	23,626
<b>Total financial liabilities at amortized cost</b>		<b>10,307,112</b>	<b>10,564,718</b>
<b>Total financial liabilities</b>		<b>10,317,512</b>	<b>10,572,271</b>

28.3. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in an arm's length transaction. Financial instruments comprised of financial assets and financial liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has derivative financial instruments consisting of commission rate options agreements to hedge against fluctuations in commission rates. The loss from revaluation of these agreements is recognized in the consolidated statement of profit or loss (note 25).

The fair value hierarchy is as follows:

	2020			
	Quoted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
<b>FVOCI – equity instrument:</b>				
Unquoted equity shares	-	-	7,334	7,334
<b>Derivatives measured at fair value through statement of profit or loss</b>				
CAP commission option				
Assets	-	8,466	-	8,466
Liabilities	-	10,400	-	10,400

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**28. FINANCIAL INSTRUMENTS (continued)**

**28.3. Fair values of financial instruments (continued)**

	2019			Total
	Quoted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	
<b>FVOCI – equity instrument:</b>				
Unquoted equity shares	-	-	7,334	7,334
<b>Derivatives measured at fair value through statement of profit or loss</b>				
CAP commission option				
Assets	-	10,128	-	10,128
Liabilities	-	7,553	-	7,553

Management believes that the fair value of other assets and liabilities approximate to their carrying values.

**28.4. Financial Risk Management**

The Group's activities expose it to a variety of financial risks, including market risk (comprised of currency risk, price risk, commission rate risk, credit risk and liquidity risk). The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The financial instruments in the consolidated statement of financial position are comprised primarily of cash and cash equivalent, other non-current financial assets, trade receivables and contract assets, loans and borrowings, trade and other payables, lease liabilities, derivative financial instruments.

Financial assets and liabilities are netted together and shown as a net amount, if the Group has the legal right to do so and the intention is to either settle on the net or recognize the assets and liabilities simultaneously. Higher management monitors the financial risk management department. The most important types of risk are summarized below:

**28.4.1. Credit risk**

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to manage its credit risk by dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow-ups. The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from governments and commercial customers.

Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics- governments and commercial.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020 and 2019:

	<b>Weighted average loss rate</b>		<b>Gross carrying amount</b>		<b>Impairment allowance</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Less than 6 months	2%	1%	697,964	1,488,183	15,182	14,720
From 6 months to 12 months	2%	9%	281,882	155,383	5,782	14,287
More than 12 months	55%	43%	251,451	243,270	174,981	103,914
<b>Total</b>			<b>1,231,297</b>	<b>1,886,836</b>	<b>195,945</b>	<b>132,981</b>

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**28. FINANCIAL INSTRUMENTS (continued)**

**28.4. Financial Risk Management (continued)**

**28.4.1. Credit risk (continued)**

**Cash and cash equivalents**

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis.

Limits are designed to minimize risk concentration and decrease financial loss through the inability of the counterparty to make the payments. The maximum exposure to credit risk for the components of the consolidated statement of financial position is the carrying amounts shown in (note 28) except for financial guarantees and derivative financial instruments.

**28.4.2. Liquidity risk**

Liquidity risk represents the Group's difficulties in providing funds to meet commitments associated with financial instruments. The Group's liquidity risk management policy is to ensure that sufficient liquidity and financing are available to meet its liabilities when due.

The amounts in the table below represent contractual undiscounted cash flows:

	2020					
	Carrying amount	Total	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years
Long term borrowings	5,001,363	5,053,608	166,344	661,489	2,871,842	1,353,933
Sukuk	3,900,000	3,900,000	-	-	3,900,000	-
Lease liabilities	148,240	162,135	-	64,414	93,573	4,148
Trade and other payables	1,257,509	1,257,509	65,842	1,191,667	-	-
Derivative financial instrument	8,604	10,088	638	846	6,770	1,834
	<u>10,315,716</u>	<u>10,383,340</u>	<u>232,824</u>	<u>1,918,416</u>	<u>6,872,185</u>	<u>1,359,915</u>
	2019					
	Carrying amount	Total	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years
Short term borrowings	260,000	260,000	260,000	-	-	-
Long term borrowings	5,368,446	5,428,801	189,309	692,460	3,389,674	1,157,358
Sukuk	3,900,000	3,900,000	-	-	3,900,000	-
Lease liabilities	23,626	28,638	-	-	16,173	12,465
Trade and other payables	1,012,646	1,012,646	683,457	329,189	-	-
Derivative financial instrument	7,553	10,770	301	381	7,145	2,943
	<u>10,572,271</u>	<u>10,640,855</u>	<u>1,133,067</u>	<u>1,022,030</u>	<u>7,312,992</u>	<u>1,172,766</u>

The Group has unutilized credit facilities of SAR 2,350 million as at 31 December 2020 (31 December 2019: SAR 2,019 million) to meet liquidity requirements.

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## 28. FINANCIAL INSTRUMENTS (continued)

### 28.4. Financial Risk Management (continued)

#### 28.4.3. Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

#### Currency risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried in Saudi Riyal, United States Dollar, and United Arab Emirates Dirham. The Group's management believes that currency risk is not significant since the exchange rate of Saudi Riyal is pegged against those currencies.

#### Commission rate risk

Commission rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market commission rates. The Group is subject to commission rate risk on its commission rate bearing assets and liabilities, including bank deposits and loans. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates. The Group had executed CAP commission options to hedge the fluctuation in the commission rates.

#### Sensitivity analysis for variable rate financial instruments

The following table demonstrates the sensitivity of income to reasonably possible changes in commission rate on Sukuk and long-term borrowings, with all variables held constant.

	<u>2020</u>	<u>2019</u>
<b>Profit rate</b>		
Increase by 100 base points	<b>89,536</b>	97,502
Decrease by 100 base points	<b>(89,536)</b>	(97,502)

#### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, whether those changes are due to factors related to the instrument or its source, or which affect all instruments traded in the market. The Group diversifies its investment portfolio to manage price risk arising from its equity investments.

#### 28.4.4 Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a debt ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Sukuk and long-term borrowings, trade and other payables, lease liabilities, less cash and short-term deposits.

	<u>2020</u>	<u>2019</u>
Loans and borrowings (note 16)	<b>8,953,608</b>	9,328,801
Trade and other payables (note 19)	<b>1,257,509</b>	1,128,415
Lease liabilities (note 18)	<b>148,240</b>	23,626
Less: Cash and cash equivalent (note 14)	<b>(1,975,214)</b>	(798,189)
<b>Net Debt</b>	<b>8,384,143</b>	9,682,653
Total equity	<b>10,498,436</b>	9,676,871
<b>Total capital</b>	<b>10,498,436</b>	9,676,871
<b>Capital and net debt</b>	<b>18,882,579</b>	19,359,524
Gearing ratio	<b>44%</b>	50%

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**29. CAPITAL COMMITMENTS AND CONTINGENCIES**

**Capital commitments**

The Group’s capital commitment related to ships under construction and the purchase of property and equipment was SAR 1,795 million as at 31 December 2020 (31 December 2019: SAR 575 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 31 December 2020, the injected capital from partners was SAR 1.591 billion (USD 424 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.

**Contingencies**

The Group has outstanding bank letters of guarantee for SAR 344 million as at 31 December 2020 (31 December 2019: SAR 287 million) issued for the Group’s normal course of business.

The Group is involved in legal litigation claims in the ordinary course of business, and there are some claims which are under the process of final settlement. The Group’s management does not expect that these claims will have a material adverse effect on the Group’s consolidated financial statements.

**Operating lease– Group as a lessor**

The Group, as a lessor, lease certain vessels to a related party based on time charter agreement. The future amounts receivable under this lease agreement are as follow:

	<u>2020</u>	<u>2019</u>
Within one year	<b>359,968</b>	438,549
After one year but not more than five years	<b>949,752</b>	1,028,848
More than five years	<b>65,549</b>	304,961
	<b><u>1,375,269</u></b>	<b><u>1,772,358</u></b>

Income from time charter agreements under operating lease amounted to SAR 424 million for the year ended 31 December 2020 (31 December 2019: SAR 557 million).

**30. DIVIDENDS**

The General Assembly of the shareholders of the Company approved in its meeting held on 14 April 2019 the distribution of cash dividends of SAR 591 million to the shareholders for the financial year ended 31 December 2018, amounted to SAR 1.5 per share and represented 15% of the share par value. These dividends have been paid on 28<sup>th</sup> April 2019.

The Board of Directors decided in its meeting held on 26<sup>th</sup> of September 2019 to distribute cash dividends of SAR 197 million to the shareholders for the 1st half of the financial year 2019 amounted to SAR 0.5 per share. These dividends have been paid on 15<sup>th</sup> of October 2019.

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

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## 30. DIVIDENDS (continued)

The Board of Directors decided in its meeting held on 21<sup>st</sup> 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 22<sup>nd</sup> of October 2020.

## 31. NON-CONTROLLING INTERESTS IN SUBSIDIARIES

Set out below is summarized financial information for each subsidiary that has non-controlling interests, shown in note 1:

2020	National Chemical Carrier Company Limited	Bahri Dry Bulk LLC & its subsidiary	Bahri Bolloré Logistics	Total
Non-controlling interest Percentage	20%	40%	40%	
Non-current assets	2,825,359	997,428	634	3,823,421
Current assets	241,782	68,423	125,744	435,949
Non-current liabilities	(924,133)	(590,979)	(4,353)	(1,519,465)
Current liabilities	(534,390)	(87,049)	(49,287)	(670,726)
Net assets	<u>1,608,618</u>	<u>387,823</u>	<u>72,738</u>	<u>2,069,179</u>
Non-controlling interests relating to the subsidiary	-	2,808	-	2,808
Net assets attributable to non-controlling interests	<u>321,723</u>	<u>157,937</u>	<u>29,095</u>	<u>508,755</u>
Revenue	1,241,950	137,374	337,513	1,716,837
Profit	76,725	37,981	31,139	145,845
Non-controlling interests relating to the subsidiary	-	719	-	719
Profit attributable to non-controlling interests	<u>15,345</u>	<u>15,911</u>	<u>12,455</u>	<u>43,711</u>
2019	National Chemical Carrier Company Limited	Bahri Dry Bulk LLC & its subsidiary	Bahri Bolloré Logistics	Total
Non-controlling interest Percentage	20%	40%	40%	
Non-current assets	2,683,145	733,146	-	3,416,291
Current assets	493,990	102,957	106,108	703,055
Non-current liabilities	(1,035,332)	(400,182)	(4,731)	(1,440,245)
Current liabilities	(609,944)	(86,117)	(60,465)	(756,526)
Net assets	<u>1,531,859</u>	<u>349,804</u>	<u>40,912</u>	<u>1,922,575</u>
Non-controlling interests relating to the subsidiary	-	2,045	-	2,045
Net assets attributable to non-controlling interests	<u>306,372</u>	<u>141,967</u>	<u>16,365</u>	<u>464,704</u>
Revenue	1,105,142	420,053	160,959	1,686,154
Profit	55,679	9,201	10,911	75,791
Non-controlling interests relating to the subsidiary	-	3,611	-	3,611
Profit attributable to non-controlling interests	<u>11,136</u>	<u>7,291</u>	<u>4,364</u>	<u>22,791</u>

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**32. CHANGE IN ACCOUNTING ESTIMATE**

During 2020, the Group reviewed the estimated useful life and residual value of its oil fleet. Accordingly, the Board resolved to reduce the useful life of its oil fleet from 25 years to 22 years; and reflect the changes prospectively. The effect on depreciation charge has been reflected in the consolidated statement of profit or loss for the year ended 31 December 2020 and has an impact of SAR 61 million relating to additional depreciation charge.

**33. SUBSEQUENT EVENTS**

The Board of Directors decided in its meeting held on 28<sup>th</sup> 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 2<sup>nd</sup> half of the financial year ended 31 December 2020 amounted to SAR 1 per share.

In the opinion of management, except the above there have been no significant subsequent events since the year ended 31 December 2020 that would have material impact on the consolidated statement of financial position of the Group as part of these consolidated financial statements.

**34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors has approved the consolidated financial statements for the year ended 31 December 2020 on their meeting held on 16 Rajab 1442H (corresponding to 28 February 2021).