NATURAL GAS DISTRIBUTION COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

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INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS
NATURAL GAS DISTRIBUTION COMPANY
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Natural Gas Distribution Company (the "Company")**, which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 financial statements section of our report. We are independent of the Company 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 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.

Other Matter

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on these financial statements on 19 Jumada Al-Akhirah 1442H (Corresponding to 01 February 2021).

INDEPENDENT AUDITOR'S REPORT ***(continued)***
NATURAL GAS DISTRIBUTION COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters

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

Revenue recognition	
Key audit matter	**How our audit addressed the key audit matter**
The Company applies IFRS 15 "Revenue from Contracts with Customers". The company generated revenues of SAR 89.5 million for the year ended 31 December 2021 (2020: SAR 89.2 million). - Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks by overstatement of revenue recognition to increase profitability. Therefore, revenue recognition was considered a key audit matter.	Our audit procedures included, among others, based on our judgement, the following: - Assessing the appropriateness of the Company's accounting policies related to revenue recognition, as well as the extent of compliance with the requirements of associated accounting standards. - Test the design and implementation of internal control procedures related to revenue recognition and their operating effectiveness, including anti-fraud control procedures. - Conducting analytical audit procedures for revenues, by comparing sales quantities and prices for the current year with the previous year, and determining whether there are any significant trends or fluctuations in light of our understanding of the current market conditions. - On a sample basis, test revenue transactions with the supporting documents to verify the occurrence of revenues and its recognition in the correct periods.
Refer to note (3) for the accounting policy.	

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INDEPENDENT AUDITOR'S REPORT *(continued)*
NATURAL GAS DISTRIBUTION COMPANY
(A Saudi Joint Stock Company)

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 financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

INDEPENDENT AUDITOR'S REPORT *(continued)*
NATURAL GAS DISTRIBUTION COMPANY
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

- 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 Company 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 Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 financial statements of the current year 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.

العظم والسديري وآل الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148
ترخيص رقم ١٤٨ ١١ ٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants

Salman B. Al Sudairy
License No. 283

21 Shaaban 1443H (24 March 2022)
Riyadh, Kingdom of Saudi Arabia

NATURAL GAS DISTRIBUTION COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	31 December 2021 SR	31 December 2020 SR
ASSETS			
NON CURRENT ASSETS			
Property and equipment	5	**71,186,820**	58,167,281
Intangible assets	6	**131,717**	131,250
TOTAL NON CURRENT ASSETS		**71,318,537**	58,298,531
CURRENT ASSETS			
Inventory	11	**24,409**	63,610
Trade receivables	7	**9,735,135**	9,409,891
Other debit balances	8	**422,903**	940,437
Other current financial assets	9	**5,504,901**	-
Cash and cash equivalents	10	**3,619,288**	6,683,253
TOTAL CURRENT ASSETS		**19,306,636**	17,097,191
TOTAL ASSETS		**90,625,173**	75,395,722
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	17	**50,000,000**	50,000,000
Statutory reserve	16	**3,242,373**	2,994,238
Retained earnings		**2,944,289**	3,291,692
TOTAL SHAREHOLDERS' EQUITY		**56,186,662**	56,285,930
LIABILITIES			
NON CURRENT LIABILITES			
Non-current portion of long-term loan	12	**8,709,054**	5,237,500
Employees' defined benefits obligations	18	**1,288,945**	1,076,166
TOTAL NON CURRENT LIABILITIES		**9,997,999**	6,313,666
CURRENT LIABILITIES			
Trade payables	13	**18,423,202**	6,504,882
Current portion of long-term loan	12	**3,590,000**	3,600,000
Other credit balances	14	**1,370,642**	1,612,634
Gas network maintenance provision	15	**749,298**	790,298
Zakat provision	19	**307,370**	288,312
TOTAL CURRENT LIABILITIES		**24,440,512**	12,796,126
TOTAL LIABILITIES		**34,438,511**	19,109,792
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**90,625,173**	75,395,722

Chief Financial Officer   Chief Executive Officer   Chairman

The accompanying notes form an integral part of these financial statements

NATURAL GAS DISTRIBUTION COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	*2021* SR	*2020* SR
Revenue		**89,591,285**	89,250,430
Cost of revenue	20	**(81,161,189)**	(79,700,844)
GROSS PROFIT		**8,430,096**	9,549,586
General and administration expenses	21	**(5,584,690)**	(4,864,764)
Other income	22	**94,432**	161,331
OPERATING PROFIT		**2,939,838**	4,846,153
Finance cost		**(151,115)**	(134,179)
PROFIT BEFORE ZAKAT		**2,788,723**	4,711,974
Zakat	19	**(307,370)**	(288,312)
NET PROFIT FOR THE YEAR		**2,481,353**	4,423,662
OTHER COMPREHENSIVE INCOME:			
Items that will not be subsequently reclassified to profit or loss:			
Re-measurement of employees' defined benefits obligations	18	**(80,621)**	147,899
OTHER COMPREHENSIVE (LOSS) \ INCOME FOR THE YEAR		**(80,621)**	147,899
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,400,732**	4,571,561
Earnings per share:			
Earnings per share based on the net profit for the year attributable to the shareholders of the Company	26	0.48	0.91

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes form an integral part of these financial statements

NATURAL GAS DISTRIBUTION COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	Share Capital SR	Statutory Reserve SR	Consensual reserve SR	Retained Earnings SR	Total Shareholders' Equity SR
As at January 1, 2020		25,000,000	12,500,000	10,000,000	9,214,369	56,714,369
Calling up of remaining share capital	1	25,000,000	(10,000,000)	(10,000,000)	(5,000,000)	-
Net profit for the year		-	-	-	4,423,662	4,423,662
Other comprehensive income for the year		-	-	-	147,899	147,899
Total comprehensive income for the year					4,571,561	4,571,561
Transfer to statutory reserve		-	494,238	-	(494,238)	-
Dividends	23	-	-	-	(5,000,000)	(5,000,000)
As at December 31, 2020		**50,000,000**	**2,994,238**	-	**3,291,692**	**56,285,930**
Net profit for the year		-	-	-	**2,481,353**	**2,481,353**
Other comprehensive loss for the year		-	-	-	**(80,621)**	**(80,621)**
Total comprehensive income for the year		-	-	-	**2,400,732**	**2,400,732**
Transfer to statutory reserve		-	**248,135**	-	**(248,135)**	-
Dividends	23	-	-	-	**(2,500,000)**	**(2,500,000)**
As at December 31, 2021		**50,000,000**	**3,242,373**	-	**2,944,289**	**56,186,662**

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes form an integral part of these financial statements

NATURAL GAS DISTRIBUTION COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES	**SR**	SR
Profit before zakat	**2,788,723**	4,711,974
Adjustments:		
Depreciation and amortization	**5,662,455**	4,674,829
Provision for expected credit losses	**1,748**	-
Current service cost of employee benefit obligations	**171,806**	185,158
Finance cost	**151,115**	134,179
Finance income	**(46,783)**	(148,190)
Gain from sale of property and equipment	**(118)**	-
Changes in:		
Inventory	**39,201**	(24,884)
Trade receivables	**(326,992)**	(689,748)
Other debit balances	**522,547**	(236,354)
Other current financial assets	**(5,504,901)**	-
Trade payables	**11,918,320**	(52,641)
Other credit balances	**(241,992)**	(519,456)
Gas network maintenance provision	**(41,000)**	(94,834)
Cash from operating activities	**15,094,129**	7,940,033
Employees' defined benefits obligations paid	**(59,095)**	(162,330)
Zakat paid	**(288,312)**	(295,116)
Finance cost paid	**(131,668)**	(99,711)
Interest received	**41,770**	121,147
Net cash from operating activities	**14,656,824**	7,504,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	**(17,534,880)**	(6,720,985)
Additions to intangible assets	**(16,000)**	-
Proceeds from sale of property and equipment	**2,162**	-
Net cash used in investing activities	(17,548,718)	(6,720,985)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term loan	**5,927,929**	-
Repayment of long-term loan	**(3,600,000)**	-
Dividends paid	**(2,500,000)**	(5,000,000)
Net cash used in financing activities	(172,071)	(5,000,000)
Decrease in cash and cash equivalents	**(3,063,965)**	(4,216,962)
Cash and cash equivalents balance at 1 January	**6,683,253**	10,900,215
Cash and cash equivalents balance at 31 December	**3,619,288**	6,683,253
Non-cash transactions:		
Amortized project costs	**1,133,625**	406,375
Transfer to statutory reserve	**248,135**	494,238
Calling up of remaining share capital	-	25,000,000

Chief financial officer | Chief executive officer | Chairman

1) ORGANIZATION AND ACTIVITIES

Natural Gas Distribution Company was established as a limited liability company and registered in Commercial Register No. 1010160762 on 20 Jumada Al Awwal 1421H (Corresponding to August 20, 2000G) issued in Riyadh with a capital of SR 15 million. On 20 Dhu al-Qa'dah 1430H (Corresponding to November 16, 2009G), the partners unanimously decided to approve the transformation of the Company from a limited liability company to a closed joint stock company and an increase in its capital from SR 15 million to SR 50 million divided into 5 million ordinary shares, the value of each share SR 10, and the paid increase in the share capital amounted to SR 10 million out of the original increase of SR 35 million, which was paid out of the consensual reserve. The Company was registered as a closed joint stock company on 19 Safar 1431H (corresponding to February 3, 2010).
On 1 Muharram 1442H (corresponding to August 20, 2020G), the Extraordinary General Assembly agreed to recall the remaining SR 25 million of the Company's share capital. The share capital increase was covered from capitalization of SR 10 million from the consensual reserve account, SR 5 million from the retained earnings account and SR 10 million from the statutory reserve account, so that the issued and paid-up capital becomes SR 50 million (note 17), and the Extraordinary General Assembly also approved the direct listing of the Company's shares in the parallel market "Nomu".

On 18 Shaaban 1442H (corresponding to March 31, 2021G), the approval of the Capital Market Authority was announced to register the Company's shares for the purpose of direct listing in the parallel market. On 14 Ramadan 14 1442H (corresponding to April 26, 2021G), the registration document was published and announced by the financial advisor on Saudi Exchange "Tadawul" to make it available to qualified investors during the specified period in accordance with The Rules on the Offer of Securities and Continuing Obligations. Tadwaul has announced that the shares of the Company have been listed ready for trading in the Nomu starting on 15 Safar 1443H (corresponding to September 22, 2021G) as a direct listing with Tadawul ISIN 9516.

The company's activity is the distribution of gaseous fuels through pipes and gas pipelines, their maintenance and repair, the wholesale sale of gaseous fuels, and the transportation of natural gas through pipelines. The company's current activity is the purchase of dry gas from Saudi Aramco and the establishment, operation and maintenance of the distribution network to all current and future factories in the 2nd Industrial City related to "Modon" in Riyadh.

The main address is the Second Industrial City, Al-Kharj Road, P.O. 000512, Postal Code 11382, Riyadh, Kingdom of Saudi Arabia.

Covid-19 update
In response to the spread of the Covid-19 and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular, the Company is closely monitoring the current surge in cases due to the outbreak of a new variant- Omicron. The preventive measures taken by the company are still in effect. Based on that the Management believes that the Covid-19 pandemic has had no material effect on the reported financial results for the year ended 31 December 2021 including the significant accounting judgements and estimates.

The Company continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the company's operations during 2022 or beyond.

Going Concern
These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to meet its obligations. The Company's current liabilities exceeded its current assets by SR 5,133,876 as of December 31, 2021. The Board of Directors conducted an assessment of the Company's ability to continue as an existing entity, and came to the conclusion that the Company has the resources to continue its operations and that the cash inflows, in the ordinary course of business, will be sufficient to meet its obligations for a period of no less than 12 months from the date of the financial statements. In addition, the management did not notice any significant cases of uncertainty that might question the company's ability to continue as an existing entity, and therefore the financial statements were prepared on the basis of going concern.

2) BASIS FOR PREPARING FINANCIAL STATEMENTS

2-1 Statement of Compliance
The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2-2 Preparation of The Financial Statements
These financial statements have been prepared on the historical cost basis except for the defined benefit obligation which is recognized at the present value of future obligations using the Projected Unit Credit Method.

2-3 Functional and presentation currency
The financial statements are presented in Saudi Riyals (SR), which is the Company's functional and the presentation currency, and all values are rounded to the nearest Riyal, except where otherwise indicated.

3) SIGNIFICANT ACCOUNTING POLICIES

3-1 New Standards, Amendment to Standards and Interpretations

The Company has adopted the following new standard, effective from 1st January 2021:

3-1-1 Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2
The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

3-1-2 Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions
As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The adoption of above amendments does not have any material impact on the Financial Statements during the year.

3-2 Standards issued but not yet effective
Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements.

3-2-1 Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities
These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3-2-2 Amendments to IFRS 3, IAS 16, IAS 37
- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

3-2-3 Amendments to IAS 1, Practice statement 2 and IAS 8
The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

3-2-4 Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction
These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
A- Impairment in the value of non-financial assets

3-3 Revenue recognition
Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Company accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Company identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- the customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- the good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Company determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Company transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.
Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

3-3 Revenue recognition (continued)

The following is a description, accounting policies and significant judgements of the principal activities from which the Company generates revenue.

Sale of gas

Sales represent the invoiced value of gas supplied by the Company during the year, net of trade and quantity discounts and are recognized when the significant risks and rewards of ownership of the gas have passed to the buyer and the amount of revenue can be measured reliably normally on delivery to the customer.

3-4 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in profit or loss.

3-5 Employees' terminal benefits

Employees' end of service benefits

The end-of-service benefits provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items. Remeasurements are presented as part of other comprehensive income.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that services.

Retirement benefits

Retirement benefits made to defined contribution plans are expensed when incurred.

3-6 Zakat

Zakat is calculated and provided for by the Company in accordance with Saudi Arabian fiscal regulations and is charged to profit or loss.

3-7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. When spare parts are expected to be used during more than one period, then they are accounted for as property, plant and equipment.

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

3-7 Property, plant and equipment (continued)

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The Company applies the following annual rates of depreciation to its property, plant and equipment:

Description	The ratio %
Gas network	5-6%
Supervision and control system (SCADA)	10%
Buildings and improvements to buildings	3-10%
Vehicles	25%
Furniture and fixtures	25%
Equipments and Tools	25%
Computers hardware and software	25%

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Spare Parts

Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with IFRS 16 when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

3-8 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 economic life as follows:

Enterprise Resource Planning (ERP) 10%

Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditures will flow to the Group and the expenditures can be measured reliably.

The residual values of intangible assets, their useful lives and indicators of impairment are reviewed at the end of each financial year and adjusted prospectively, if necessary.

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

3-9 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or 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 cash generating unit (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 pre-tax 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 subsidiaries or other available fair value indicators.
The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.

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 Company 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. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

3-10 Inventory

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3-11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Company unless otherwise stated and have maturities of 90 days or less, which are subject to insignificant risk of changes in values.

3-12 Financial instruments

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Company recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

3-12 Financial instruments (continued)

Financial assets

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

(a) Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the income statement.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

3-12 Financial Instruments (continued)

(b) Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in statement of income and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of profit or loss.

(c) Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Company designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through income statement. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in income statement.

Commission income on debt instruments as at FVPL is included in the income statement.

Dividend income on investments in equity instruments at FVPL is recognized in statement of income when the Company's right to receive the dividends is established.

(d) Investment in equity instruments designated as FVOCI

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3) SIGNIFICANT ACCOUNTING POLICIES (continued)
3-12 Financial instruments (continued)

(d) Investment in equity instruments designated as FVOCI (continued)

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to income statement and no impairment is recognized in income statement. The cumulative gain or loss will not be reclassified to income statement on disposal of the investments.

Dividends on these investments are recognized in statement of income when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

Nature of financial instruments (i.e. the Company's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

3) SIGNIFICANT ACCOUNTING POLICIES (continued)

3-12 Financial instruments (continued)
(d) Investment in equity instruments designated as FVOCI (continued)

Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities
Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other

Comprehensive income would create or enlarge an accounting mismatch in income statement. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to income statement.

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in income statement. Amount presented in liability credit reserve are not subsequently transferred to income statement. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3-13 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3-14 Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3-15 General and Administration Expenses
Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and General and Administration Expenses, when required, are made on a consistent basis.

4) USE OF JUDGEMENTS AND ESTIMATES UNCERTAINTY

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Fair value measurement

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or the liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, The Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

5) PROPERTY AND EQUIPMENT

	Gas distribution network SR	*Supervision and Control System SR*	*Buildings and improvements to buildings SR*	*Vehicles SR*	*Furniture and fixtures SR*	*Equipments and Tools SR*	*Computer hardware and software SR*	*Projects in progress SR (5-1)*	*Total SR*
Cost:									
Balance as at January 1, 2020	73,672,670	4,875,368	3,078,670	354,600	661,077	176,208	670,333	25,472,214	108,961,140
Additions during the year	-	-	-	-	19,590	-	19,573	7,088,197	7,127,360
Transfers during the year	11,473,672	-	-	-	-	-	-	(11,473,672)	-
Disposals during the year	-	-	-	-	(31,790)	(30,291)	(155,429)	21,086,739	(217,510)
Balance as at December 31, 2020	**85,146,342**	**4,875,368**	**3,078,670**	**354,600**	**648,877**	**145,917**	**534,477**	**21,086,739**	**115,870,990**
Additions during the year	-	-	**12,600**	**113,700**	**38,160**	-	**34,188**	**18,469,857**	**18,668,505**
Transfers during the year	**32,300,112**	**2,625,762**	-	-	-	-	-	**(34,925,874)**	-
Disposals during the year	-	-	-	-	**(5,787)**	-	**(8,600)**	-	**(14,387)**
Balance as at December 31, 2021	**117,446,454**	**7,501,130**	**3,091,270**	**468,300**	**681,250**	**145,917**	**560,065**	**4,630,722**	**134,525,108**
Accumulated Depreciation:									
Balance as at January 1, 2020	47,928,144	2,722,079	1,119,213	243,107	500,573	176,141	572,133	-	53,261,390
Additions during the year	3,899,316	487,537	96,076	47,275	69,211	63	60,351	-	4,659,829
Disposals during the year	-	-	-	-	(31,790)	(30,291)	(155,429)	-	(217,510)
Balance as at December 31, 2020	**51,827,460**	**3,209,616**	**1,215,289**	**290,382**	**537,994**	**145,913**	**477,055**	-	**57,703,709**
Additions during the year	**4,699,344**	**684,469**	**96,811**	**56,181**	**72,445**	-	**37,672**	-	**5,646,922**
Disposals during the year	-	-	-	-	**(5,243)**	-	**(7,100)**	-	**(12,343)**
Balance as at December 31, 2021	**56,526,804**	**3,894,085**	**1,312,100**	**346,563**	**605,196**	**145,913**	**507,627**	-	**63,338,288**
Net book value:									
As at December 31, 2021	**60,919,650**	**3,607,045**	**1,779,170**	**121,737**	**76,054**	**4**	**52,438**	**4,630,722**	**71,186,820**
As at December 31, 2020	33,318,882	1,665,752	1,863,381	64,218	110,883	4	57,422	21,086,739	58,167,281
As at January 1, 2020	25,744,526	2,153,289	1,959,457	111,493	160,504	67	98,200	25,472,214	55,699,750

- The above property and equipment are built on land leased from the Saudi Authority for Industrial Cities and Technology Zones "Modon" under Contract No. 801449 for a period of 20 years from October 2, 2010, and the contract can be renewed for an additional period or periods of years under the terms and conditions that may be agreed upon between the two parties.
- All buildings erected or to be erected on the leased plot of land from cities with all project objects, equipment, machines and accessories related to it or that are obtained for the project, including cars, office furniture and any additions, expansions or pollinators obtained by the company (note 12).

5) PROPERTY AND EQUIPMENT (CONTINUED)

- The depreciation charge for the year has been distributed as follows:

	2021	2020
Operating expenses	**5,439,994**	4,434,191
General and administration expenses	**206,928**	225,638
	5,646,922	4,659,829

(5-1) The following is a statement of the projects under implementation:

	As at 31 December	
	2021 SR	*2020* SR
Main meter replacement project	**1,677,676**	15,549,460
Network repair project	**1,349,315**	1,213,278
Extra pipe project	**89,866**	4,160
SCADA project	**-**	1,533,467
Gas delivery business to new customers	**-**	1,280,155
Spare parts to be used	**1,513,865**	1,506,219
	4,630,722	21,086,739

6) INTANGIBLE ASSETS

	As at 31 December	
Cost:	*2021* SR	*2020* SR
Balance as at 1 January	**150,000**	150,000
Additions during the year	**16,000**	-
As at 31 December	**166,000**	150,000
Accumulated Amortization:		
Balance as at 1 January	**18,750**	3,750
Additions during the year	**15,533**	15,000
As at 31 December	**34,283**	18,750
Net book value:		
Balance as at 31 December	**131,717**	131,250

7) TRADE RECEIVABLES

	As at 31 December *2021* SR	*As at 31 December* *2020* SR
Trade receivables - Related parties (note 27)	**4,673,839**	4,540,254
Trade receivables - External parties	**5,063,044**	4,869,637
Total trade receivables	**9,736,883**	9,409,891
Expected credit losses provision *	**(1,748)**	-
Net of trade receivables	9,735,135	**9,409,891**

* The movement in the allowance for expected credit losses is as follows:

	2021 SR	*2020* SR
Balance as at 1 January	-	-
Charged during the year	**1,748**	-
Balance at the end of the year	**1,748**	-

8) OTHER DEBIT BALANCES

	As at 31 December 2021 SR	*As at 31 December 2020* SR
Prepaid expenses	**178,105**	323,483
Advance payments to suppliers	**74,848**	454,364
Employee advances	**53,981**	71,952
Margin on letter of guarantee	**43,000**	43,000
Accrued finance income	**5,013**	27,043
Other	**67,956**	20,595
Total	**422,903**	940,437

9) OTHER CURRENT FINANCIAL ASSETS

Other current financial assets represent short-term deposits of varying tenures between six months and nine months and earn interest at the relevant short-term deposit rates.

10) CASH AND CASH EQUIVALENTS

	As at 31 December 2021 SR	*As at 31 December 2020* SR
Short -term deposits *	**3,006,083**	6,500,000
Cash at banks	**608,835**	173,557
Cash on hand	**4,370**	9,696
Total	**3,619,288**	6,683,253

* Short-term deposits are of varying tenures between one and three months and earn interest at the relevant short-term deposit rates.

11) INVENTORY

Inventory represents spare parts for property and equipment used for periodic maintenance.

12) LONG-TERM LOAN

On May 24, 2018, the Company obtained loan from the Saudi Industrial Development Fund "Industrial Fund" for the purpose of expanding the gas distribution network. The ceiling of this loan amounted to SR 20,500,000 less of SR 1,540,000 in return for studies and the cost of industrial evaluation, due to be paid in installments and dates predetermined in the agreement. The loan is secured by a promissory note submitted by the shareholders of the Company, in addition to mortgaging all buildings erected or to be erected on the leased plot of land for the benefit of the Industrial Fund (note 5). The company has used an amount of SR 15,899,054 from the total loan up to the date of the financial report. The repayment schedule has been restructured within the framework of the government's support for industrial projects in the face of the Corona pandemic, so that the loan is repaid in 10 unequal installments starting from January 28, 2021 and ending on April 13, 2025.

* The book value of the loan as of December 31 is as follows:

	2021 SR	*2020* SR
Principle amount due	**12,299,054**	9,971,125
Less: the unamortized portion of the Industrial Fund project costs	-	(1,133,625)
Net amount due	12,299,054	8,837,500
Current portion	**3,590,000**	3,600,000
Non-current portion	**8,709,054**	5,237,500

12) LONG-TERM LOAN (continued)

The movement on the loan was as follows:

	2021 SR	*2020* SR
Balance at the beginning of the year	8,837,500	8,431,125
Additions during the year	5,927,929	-
Amortized project costs during the year	1,133,625	406,375
Repaid during the year	(3,600,000)	-
Balance at the end of the year	12,299,054	8,837,500

13) TRADE PAYABLES

	As at 31 December 2021 SR	*As at 31 December 2020* SR
Saudi Arabian Oil Company ("Saudi Aramco")	11,355,643	6,386,593
Others	7,067,559	118,289
Total	18,423,202	6,504,882

14) OTHER CREDIT BALANCES

	As at 31 December 2021 SR	*As at 31 December 2020* SR
Accrued expenses	739,317	1,082,139
Accrued value-added tax	315,812	205,992
Third party guarantees	315,513	315,513
Other	-	8,990
Total	1,370,642	1,612,634

15) GAS NETWORK MAINTENANCE PROVISION

	As at 31 December 2021 SR	*As at 31 December 2020* SR
Balance at the beginning of the year	790,298	885,132
Used during the year	(41,000)	(94,834)
Balance at the end of the year	749,298	790,298

16) STATUTORY RESERVE

According to the Saudi Companies Law, the company is required to transfer 10% of the net profit for the year to the statutory reserve. The company may stop making such a transfer when the total reserve reaches 30% of the share capital. This reserve is not available for distribution to the shareholders.

17) SHARE CAPITAL

The company's share capital was set at 50 million Saudi riyals, divided into 5 million shares of equal value, the value of each share is 10 Saudi riyals.

18) EMPLOYEES' DEFIND BENEFITS OBLIGATIONS

The following is the movement of defined employee benefit obligations:

	2021	*2020*
	SR	SR
Balance at the beginning of the year	**1,076,166**	1,166,769
Current service	**171,806**	185,158
Interest cost	**19,447**	34,468
Paid during the year	**(59,095)**	(162,330)
Re-measurement of employee benefits from other comprehensive income	**80,621**	(147,899)
At the end of the year	**1,288,945**	1,076,166

The actuarial valuation was carried out by a qualified actuarial expert and was carried out using the projected credit unit method.

The main assumptions used for the purposes of the actuarial valuation were as follows:

	2021	*2020*
	%	%
Rate of salary increases	**2.25%**	1.75%
Discount rate	**2.25%**	1.75%

All movements in defined employee benefit obligations are recognized in profit or loss except for the results of re-measurement of employee benefit obligations that are recognized in the statement of other comprehensive income.

Sensitivity analysis

The sensitivity analysis mentioned below is based on potential changes to assumptions that may occur at the end of the financial statements period, while keeping other assumptions constant.

	2021	*2020*
	SR	SR
An increase in the discount rate by 0.5%	**1,245,934**	1,037,031
Reduced discount rate by 0.5 %	**1,334,522**	1,117,815
An increase in the salary rate by 0.5%	**1,325,140**	1,114,869
A decrease in the average salary by 0.5%	**1,254,343**	1,039,401

19) ZAKAT PROVISION

A- Zakat status

The Company submitted its zakat returns to the Zakat, Tax and Customs Authority ("ZATCA") for all years up to December 31, 2020. The Company has obtained the final zakat assessments up to fiscal year 2013.

B- The movement in zakat provision as of December 31 is as follows:

	2021	*2020*
	SR	SR
At the beginning of the year	**288,312**	295,116
Charged during the year	**307,370**	288,312
Paid during the year	**(288,312)**	(295,116)
At end of the year	**307,370**	288,312

C- The following is the calculation of zakat:

	2021	*2020*
	SR	SR
The main elements of the Zakat base are as follows:		
Adjusted profit	**3,030,863**	5,082,791
Total additions	**80,327,712**	64,616,991
Total deductions	**(71,342,946)**	(58,371,557)
The Zakat base	**12,015,629**	11,328,225
Zakat due	**307,370**	288,312

- Zakat is calculated based on the adjusted net profit or the zakat base, whichever is higher.
- Zakat is calculated from the adjusted net profit at 2.5٪, while the zakat base is calculated from the zakat base less the adjusted net profit at 2,57768٪ and 2.5٪ from the adjusted net profit.

20) COST OF REVENUE

	2021	*2020*
	SR	SR
Gas purchases	**71,985,146**	71,709,617
Depreciations	**5,439,994**	4,434,191
Employee salaries and benefits	**2,015,102**	2,253,842
Gas network maintenance	**758,075**	636,252
Project and car insurance	**642,560**	472,583
Consumed items	**178,245**	122,825
SCADA frequency spectrum fees	**45,000**	45,000
Travel and errands expenses	**32,804**	700
Car expenses	**24,910**	18,030
Studies and research	**24,526**	-
Postage and telephone expenses	**14,827**	7,804
	81,161,189	79,700,844

21) GENERAL AND ADMINISTRATION EXPENSES

	2021	*2020*
	SR	SR
Employee salaries and benefits	**2,835,346**	3,113,171
Consulting and professional fees	**951,903**	219,383
Allowances and bonuses for BoD and related committees	**916,000**	720,817
Depreciations and amortizations	**222,461**	240,638
Bank commissions and Aramco letter of guarantee	**160,671**	146,091
guard expenses	**136,800**	136,800
Fees and subscriptions	**110,523**	78,790
Telephone, electricity and water	**79,492**	70,867
Maintenance and repair	**60,179**	44,038
Hospitality and hygiene	**59,457**	39,237
rents	**16,705**	16,705
Stationary	**13,595**	21,691
Training courses	**11,810**	16,536
Advertising	**8,000**	-
Expected credit losses	**1,748**	-
	5,584,690	4,864,764

22) OTHER INCOME

	2021	*2020*
	SR	SR
Deposits finance income	**46,783**	148,190
Miscellaneous income	**47,649**	13,141
	94,432	161,331

23) DIVIDENDS DISTRIBUTIONS

The Ordinary General Assembly, in its meeting held on 20 Jumada Al Akhirah 1442H (corresponding to February 2, 2021), agreed to distribute dividends to shareholders for the fiscal year 2020 with a total value of SR 2.5 million at half Saudi Riyals per share. (2020: The Extraordinary General Assembly, in its meeting held on 1 Muharram 1442H corresponding to August 20, 2020, approved the distribution of dividends to shareholders for the fiscal year 2019 with a total value of 5 million at 1 Sauid Riyal per share).

24) OPEARATING SEGMENTS

24-a The main activity of the company consists of a single main sector, which is the distribution of natural gas. Control of the gas is transferred at a specific point in time when it is delivered to customers.

24-b Major customers

Revenues for two major customers for the year ended December 31, 2021 representing 63% of total revenues by amount of SR 56,238,254 (2020: 60% of total revenues by amount of SR 53,706,381).

25) CONTINGENT LIABILITIES

As of December 31, 2021, the Company has a bank guarantee letter in favor of Saudi Aramco company by the amount of SR 21.5 million (2020: SR 21.5 million).

The Company has capital commitments related to the construction of property and equipment as of December 31, 2021 amounting to SR 28,640 (2020: SR 8.4 million) as detailed below:

EXISTING CAPITAL CONTRACTS

	Contract Value	Paid out of the contract	Residual
Additional tube project:			
North Share Engineering Consulting Company	**55,300**	**26,660**	**28,640**
Network repair project:			
Eastern energies foundation *	-	**20,216**	-
Total	**55,300**	**46,876**	**28,640**

* The contract signed between the company and the Eastern Taqat Corporation is a performance contract, and the value of the works subject to the contract is calculated based on the units of measurement agreed upon according to the nature of each task in the contract.

26) EARNINGS PER SHARE

Basic earnings per share is calculated from the net profit for the period by dividing the net profit for the period by the weighted average number of shares outstanding at the end of the period, which is 5 million shares, after taking into consideration the retrospective adjustment of the number of the Company's shares during the third quarter of 2020 (Note 1).

	2021 SR	*2020* SR
Net profit for the year attributable to the shareholders of the Company	**2.481.353**	4.423.662
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**5,000,000**	5,000,000
Basic and diluted earnings per share based on the net profit for the year attributable to the shareholders of the Company	**0.50**	0.88

27) TRANSACTIONS WITH RELATED PARTIES AND THE RESULTING BALANCES

A- Related parties include the following:

The name of the relevant party	
National Gas and Industrialization Company	A major shareholder
Saudi Ceramics Company	A major shareholder
Al Abdullatif Industrial Investment Company	A major shareholder
Riyadh Cables Company	A major shareholder
Al-Jawdah Ceramics Company	A major shareholder
Saudi Rock Wool Factory Company	Common management

B- The following are the significant transactions with related parties during the year ended December 31:

	Nature of transaction	*2021* SR	*2020* SR
Saudi Ceramics Company	Sales	**44,690,468**	42,353,007
Al-Jawdah Ceramics Company	Sales	**3,535,069**	2,986,483
Saudi Rock Wool Factory Company	Sales	-	14,495

The following are the allowances and remunerations key management personnel and board of directors during the year:

	2021 SR	*2020* SR
Short-term benefits and bonuses	**2,344,773**	2,176,500
Long-term benefits	**97,493**	114,458

C - The following is a breakdown of due from related parties:

	As at 31 December 2021 SR	*As at 31 December 2020* SR
Saudi Ceramics Company	**4,088,725**	3,933,501
Al-Jawdah Ceramics Company	**585,099**	606,225
Saudi Rock Wool Factory Company	**15**	528
Total due from related parties (note 7)	**4,673,839**	4,540,254

28) FINANCIAL INSTRUMENTS, RISKMANAGEMENT AND FAIRVALUE

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk.

Credit risk

The credit risk is represented by the failure of one of the counterparties to fulfill its obligations under a financial instrument or contracts concluded with customers, which leads to a financial loss. The company places its cash and money with banks with good and sound credit ratings. Accounts receivable and amounts due from related parties are charged to the net allowance for expected credit losses. The Company manages the credit risk relating to amounts due from customers by setting credit limits for each customer and monitoring outstanding receivables on an ongoing basis.

Capital management

For the purpose of managing the company, capital includes share capital, statutory reserve and retained earnings. The main objective of the Company's capital management is to maximize the benefit to the shareholders.

28) FINANCIAL INSTRUMENTS, RISKMANAGEMENT AND FAIRVALUE (continued)

Liquidity risk

Liquidity risk represents the difficulties faced by the Company in raising funds to meet commitments related to financial instruments. Liquidity risk arises from the inability to sell a financial asset quickly at an amount equivalent to its fair value. Liquidity risk is managed by monitoring it regularly, and sufficient funds are available through bank facilities and head office to meet any future commitments. Below are the contractual maturities of financial liabilities.

Loans	*2021* **SR**	*2020* SR
Less than year	**3,590,000**	3,600,000
From one to five years	**8,709,054**	6,371,125
	12,299,054	9,971,125

29) ADJUSTMENTS OF COMPARATIVE FIGURES

The management adjusted the presentation of comparative figures to be in line with the IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA and to be in line with the current year's presentation. The following are the adjustments to the figures for the comparative year ended December 31, 2020:

	Balance at financial statements as issued	**Adjustment**	**Balance after Adjustment**
Statement of Financial Position			
Property and equipment	56,670,478	1,496,803	**58,167,281**
Inventory	1,569,829	(1,506,219)	**63,610**
Non-current portion of long term loan	(6,371,125)	1,133,625	**(5,237,500)**
Other debit balances	2,064,646	(1,124,209)	**940,437**
Statement of Profit or Loss and Other Comprehensive Income			
Total comprehensive income	4,942,378	(370,817)	**4,571,561**

- The classification of spare parts with a value of SR 1,506,219 has been adjusted from inventory to property and equipment in accordance with IAS 16 as it meets the definition of property and equipment.
- Financial assets amounting to SR 1,133,625 representing project costs due to the Industrial Fund were offset with the financial liability represented by the loan from the Industrial Fund in accordance with IAS 1 and IFRS 9.
- Adjustment of classification of a project in progress from property and equipment with a value of SR 9,416 to other debit balances.
- The remuneration of the Board of Directors, amounting to SR 370,817, has been re-presented in the statement of profit or loss instead of being directly included in the statement of changes in shareholders' equity as it does not represent transactions with owners as per IFRS 10.

30) SUBSEQUENT EVENT

On 21 Shaban 1443H (corresponding to 24 March 2022), the Board of Directors proposed a recommendation to the General Assembly to distribute dividends for the fiscal year 2021 by amount of SR 2.5 million (Half Saudi Riyal per share).

31) APPROVAL OF THE FINANCIAL STATMENTS

The financial statements were approved by the Board of Directors on 21 Shaban 1443H (corresponding to March 24, 2022).