National Gas and Industrialization Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

INDEX **PAGE**

Building a better
working world

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT
To the shareholders of National Gas and Industrialization Company
(A Saudi Joint stock Company)

Qualified Opinion

We have audited the accompanying financial statements of National Gas and Industrialization Company (A Saudi Joint stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, 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 that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Qualified Opinion

Included in the accrued expenses and other current liabilities is an unapplied collection account ("the unapplied account") of SR 27.4 million (2019: SR 27.4 million). As detailed in note 34.6(a) to the financial statements; the Company discovered that certain transactions totaling SR 25.7 million related to embezzlement transactions committed by a former employee, were routed through this account. These transactions were reversed as at 31 December 2020. Other transactions in this account could not be completely traced and the closing balance could not be reconciled as at 31 December 2020 due to lack of audit trail. We were unable to satisfy ourselves with respect to the existence and completeness of this account. Accordingly, we are unable to determine if any adjustments are required to this account and the related impact on these financial statements.

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 Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics 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 qualified opinion.

Other Matters

The financial statements of the Company for the year ended 31 December 2019 have been audited by another auditor who expressed an unmodified opinion on those financial statements on 8 Sha'aban 1441H (corresponding to 1 April 2020).

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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key Audit Matters – (continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Unapplied collection account</td><td></td></tr>
<tr><td>Included in the accrued expenses and other current liabilities is an unapplied collection account ("the Account") with a balance of SR 27.4 million as at 31 December 2020 (2019: SR 27.4 million and 1 January 2019: SR 18.5 million).

This account represents payments received from various customers for purchases of gas tanks, other products and other transactions.

Also, the embezzlement took place (as fully disclosed in note 34.6(a)), was routed through this account besides other accounts, which includes SR 1.7 million which is not related to this account.

This is considered as a key audit matter as this account is susceptible to higher risks of material misstatement or which we deemed to be "significant risk" in accordance with ISA 315 (Revised), Identifying and Assessing the Risk of Material Misstatement through Understanding the Entity of Its Environment and qualification associated in our audit report, as indicated in the "Basis for qualified opinion".

Refer to note 19.b and 34.6(a) for adjustments and related disclosures.</td><td>Our audit procedures included, among others, the following:

• Obtain understanding and analysis of the nature of transactions recorded in this account.

• Request the basis of the adjusting journal entry recorded to the unapplied collection account and related supporting evidence.

• Assess the related disclosures included in the financial statements.

• We have qualified our audit opinion as referred to the "Basis of Qualified Opinion" section of our report.</td></tr>
</table>

Key Audit Matters - (continued)

Key audit matter	How our audit addressed the key audit matter
Classification and valuation of financial assets	
As at 31 December 2020, the Company has financial assets amounted to SR 974.6 million (2019: SR 956.6 million) which were classified as investment at fair value through other comprehensive income (FVTOCI). These investments comprise of Sukuk, shares of unquoted entities, public and closed funds and portfolio of traded securities. During the year, the management re-assed the criteria for the classification of these investments in accordance with International Financial Reporting Standard 9 - Financial Instrument ("IFRS 9"). We considered this a key audit matter due to the significance of the investment balance and the complexity of the valuation of the investments in unquoted entities. *Refer to note 2.2.8 for the accounting policy and note 9 and 34.6(b) for the related disclosures.*	Our audit procedures included, among others, the following: • Review and re-asses the management's assessments of the classification of the investments in line with IFRS 9. • Evaluate the independent professional valuer's competence, capabilities and objectivity. • Obtain direct confirmation for the ownership of those investments and review ownership documents for investments in unquoted entities. • Assess the valuation methodology used by the independent professional valuer to estimate the fair value of the Investment; which is made by our valuation team. • Select, on a sample basis, the accuracy and reasonableness of the input data provided by management to the independent professional valuer, to supporting evidence. • Review the basis of the restatement made by the management in relation to the reclassification of the investments held at FVTOCI to investments held at FVTPL of SR 169.1 million as at 31 December 2019 (note 34.6 (b)). • Assess the related disclosures included in the financial statements.

Other information included in The Company's 2020 Annual Report

Other information consists of the information included in the Company's 2020 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's 2020 annual report is expected to be made available to us after the date of this auditor's 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 Company's 2020 annual report, 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the 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 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.

- 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'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 Company's 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.

INDEPENDENT AUDITOR'S REPORT
To the shareholders of National Gas and Industrialization Company
(A Saudi Joint stock Company) - (continued)

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

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 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 Ernst & Young

Abdulaziz A. Al-Sowailim
Certified Public Accountant
License No. 277

Riyadh: 23 Sha'aban 1442H
(5 April 2021)

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

National Gas and Industrialization Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	**2020 SR**	*2019 (Restated, note 34) SR*	*1 January 2019 (Restated, note 34) SR*
ASSETS				
NON-CURRENT ASSETS				
Property plant and equipment	4	**633,521,175**	605,270,693	615,917,813
Intangible assets	5	**32,895,035**	32,289,720	23,828,465
Investment properties	6	**34,353,174**	34,494,175	34,494,175
Right-of-use assets	7.1	**3,401,454**	5,461,481	-
Investments in associates	8	**80,270,034**	79,289,237	78,945,918
Financial assets held at FVOCI	9-A	**665,158,145**	787,538,171	1,017,286,261
Financial assets held at amortised cost	9-C	**30,000,000**	-	-
TOTAL NON-CURRENT ASSETS		**1,479,599,017**	1,544,343,477	1,770,472,632
CURRENT ASSETS				
Financial assets held at FVTPL	9-B	**279,498,455**	169,114,562	-
Inventories, net	10	**157,748,632**	166,696,599	202,708,470
Accounts receivable, net	11	**45,481,461**	38,594,120	15,276,081
Prepayments and other current assets	12	**49,077,895**	40,966,821	38,460,650
Cash and cash equivalents	13	**277,111,159**	157,609,810	38,435,956
TOTAL CURRENT ASSETS		**808,917,602**	572,981,912	294,881,157
TOTAL ASSETS		**2,288,516,619**	2,117,325,389	2,065,353,789
EQUITY AND LIABILITIES				
EQUITY				
Share capital	14	**750,000,000**	750,000,000	750,000,000
Statutory reserve	15	**225,000,000**	270,551,265	270,551,265
Retained earnings / (accumulated losses)		**44,448,445**	(124,215,709)	(29,758,991)
Unrealized gains from investments at FVTOCI	9-A	**545,958,651**	668,338,677	637,968,492
TOTAL EQUITY		**1,565,407,096**	1,564,674,233	1,628,760,766
LIABILITIES				
NON-CURRENT LIABILITES				
Term loan	17	**143,641,682**	-	-
Lease liabilities	7.2	**2,241,877**	4,698,931	-
Employees defined benefits liabilities	18	**156,481,393**	203,601,753	188,400,062
TOTAL NON-CURRENT LIABILITES		**302,364,952**	208,300,684	188,400,062
CURRENT LIABILITES				
Trade payables		**111,055,415**	97,832,410	47,423,870
Lease liabilities - current portion	7.2	**2,308,953**	2,270,578	-
Accrued expenses and other current liabilities	19	**190,077,960**	161,266,788	122,524,419
Term loan – current portion	17	**32,000,000**	-	-
Zakat provision	20	**85,302,243**	82,980,696	78,244,672
TOTAL CURRENT LIABILITES		**420,744,571**	344,350,472	248,192,961
TOTAL LIABILITIES		**723,109,523**	552,651,156	436,593,023
TOTAL EQUITY AND LIABILITIES		**2,288,516,619**	2,117,325,389	2,065,353,789

Mr. Majed Ahmed Qwaider
Chief Financial Officer

Eng. Abdulrahaman Bin Abdulazziz Bin Sulaiman
Chief Executive Officer and Board Member

Eng. Abdulaziz Bin Fahad Al-Khayyal
Chairman of Board of Directors

The accompanying notes 1 to 37 form an integral part of these financial statements.

National Gas and Industrialization Company
(A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	***2020*** ***SR***	*2019* *(Restated, note 34)* *SR*
Revenues	21	**1,963,041,600**	1,922,558,345
Cost of revenues	22	**(1,724,256,538)**	(1,679,635,784)
GROSS PROFIT		**238,785,062**	242,922,561
EXPENSES			
Selling and distribution	23	**(81,972,171)**	(90,034,991)
General and administrative	24	**(116,960,020)**	(125,516,214)
TOTAL EXPENSES		**(198,932,191)**	(215,551,205)
OPERATING INCOME		**39,852,871**	27,371,356
Share in results of associates, net	8	**6,516,288**	5,483,808
Income from investments, net	25	**92,176,840**	105,470,475
Finance charges	26	**(6,044,502)**	(248,713)
Other income, net	27	**17,090,582**	6,941,278
Impairment of investment properties	6	**(141,001)**	-
INCOME BEFORE ZAKAT		**149,451,078**	145,018,204
Zakat	20	**(12,558,797)**	(35,574,918)
NET INCOME FOR THE YEAR		**136,892,281**	109,443,286
OTHER COMPREHENSIVE (LOSS) INCOME			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Actuarial losses on employees defined benefits liabilities	18	**(13,779,392)**	(12,374,318)
Change in fair value of investments in financial assets through other comprehensive income	9-A	**(122,380,026)**	33,844,499
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		**(136,159,418)**	21,470,181
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**732,863**	130,913,467
Earnings per share			
Basic and diluted earnings per share	28	**1.83**	1.46
Weighted average number of outstanding shares		**75,000,000**	75,000,000

Mr. Majed Ahmed Qwaider	Eng. Abdulrahaman Bin Abdulazziz Bin Sulaiman	Eng. Abdulaziz Bin Fahad Al-Khayyal
Chief Financial Officer	Chief Executive Officer and Board Member	Chairman of Board of Directors

The accompanying notes 1 to 37 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Note	*Share capital SR*	*Statutory reserve SR*	*Retained earnings/ (accumulated losses) SR*	*Unrealized gain on investments in equit instruments at fair value through other comprehensive income SR*	*Total SR*
Balance at 1 January 2020 (As previously reported)		750,000,000	270,551,265	(103,895,567)	679,453,239	**1,596,108,937**
Prior periods adjustments	34	-	-	(20,320,142)	(11,114,562)	**(31,434,704)**
Balance at 1 January 2020 (Restated)		750,000,000	270,551,265	(124,215,709)	668,338,677	**1,564,674,233**
Net income for the year		-	-	136,892,281	-	**136,892,281**
Other comprehensive loss		-	-	(13,779,392)	(122,380,026)	**(136,159,418)**
Total comprehensive income for the year		-	-	123,112,889	(122,380,026)	**732,863**
Transfer of statutory reserve to accumulated losses	15	-	(45,551,265)	45,551,265	-	-
Balance as at 31 December 2020		**750,000,000**	**225,000,000**	**44,448,445**	**545,958,651**	**1,565,407,096**
Balance at 1 January 2019 (As previously reported)		750,000,000	270,551,265	(9,780,103)	637,968,492	**1,648,739,654**
Prior periods adjustments	34	-	-	(19,978,888)	-	**(19,978,888)**
Balance at 1 January 2019 (Restated)	34	750,000,000	270,551,265	(29,758,991)	637,968,492	**1,628,760,766**
Net income for the year (Restated)	34	-	-	109,443,286	-	**109,443,286**
Other comprehensive income (Restated)		-	-	(12,374,318)	33,844,499	**21,470,181**
Total comprehensive income for the year (Restated)	34	-	-	97,068,968	33,844,499	**130,913,467**
Gains from sale of investments in financial assets at fair value through other comprehensive income		-	-	3,474,314	(3,474,314)	-
Dividends	29	-	-	(195,000,000)	-	**(195,000,000)**
Balance at 31 December 2019 (restated)	34	**750,000,000**	**270,551,265**	**(124,215,709)**	**668,338,677**	**1,564,674,233**

Mr. Majed Ahmed Qwaider	Eng. Abdulrahaman Bin Abdulazziz Bin Sulaiman	Eng. Abdulaziz Bin Fahad Al-Khayyal
Chief Financial Officer	Chief Executive Officer and Board Member	Chairman of Board of Directors

The accompanying notes 1 to 37 form an integral part of these financial statements.

National Gas and Industrialization Company
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	***2020*** ***SR***	*2019* *(Restated, note 34)* *SR*
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat		**149,451,078**	145,018,204
Adjustments to reconcile income before zakat to net cash generated from operating activities:			
Depreciation of property, plant and equipment	4	**84,949,468**	86,392,579
Amortization of intangible assets	5	**6,778,712**	4,663,370
Depreciation of right to use assets	7.1	**2,060,027**	1,706,878
Interest of lease liabilities	26	**338,620**	248,713
Share in results of associates	8	**(6,516,288)**	(5,483,808)
(Gain) / loss on disposal of property, plant and equipment	27	**(7,133,985)**	931,529
Provision for expected credit losses	11	**2,108,423**	7,582,243
Provision for employees defined benefits liabilities	18	**17,536,765**	19,427,141
Amortization of upfront fees	26	**3,841,682**	-
Follow up fees on term loan	26	**1,864,200**	-
Provision for gas cylinder inventory	10	**-**	6,535,499
(Reversal) provision for slow moving inventory	10	**(1,465,131)**	5,530,933
Impairment on investments properties		**141,001**	-
Change in fair value of investments at FVTPL	9-B	**(10,383,892)**	(11,114,562)
Dividends received from investments at FVTOC		**(63,000,000)**	(81,000,000)
Changes in working capital:			
Inventories	10	**10,413,098**	23,945,439
Accounts receivable	11	**(8,995,764)**	(26,698,774)
Prepayments and other current assets	12	**(8,111,074)**	(6,828,062)
Trade payables		**14,823,005**	50,408,540
Accrued expenses and other current liabilities	19	**(11,714,145)**	35,914,134
Cash generated from operations		**176,985,800**	257,179,996
Zakat paid	20	**(10,237,250)**	(30,838,894)
Employees defined benefits liabilities paid	18	**(39,511,203)**	(16,599,768)
Net cash from operating activities		**127,237,347**	209,741,334

Mr. Majed Ahmed Qwaider
Chief Financial Officer

Eng. Abdulrahaman Bin Abdulazziz Bin Sulaiman
Chief Executive Officer and Board Member

Eng. Abdulaziz Bin Fahad Al-Khayyal
Chairman of Board of Directors

The accompanying notes 1 to 37 form an integral part of these financial statements.

	Note	2020 SR	2019 (Restated, note 34) SR
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property, plant and equipment	4	**(115,416,964)**	(76,845,492)
Additions of intangible assets	5	**(7,384,027)**	(13,124,625)
Purchase of investments at FVTOCI	9-A	-	(154,053,027)
Purchase of investments held at amortized cost	9-C	**(30,000,000)**	-
Purchase of investments held at FVTPL	9-B	**(100,000,000)**	(158,000,000)
Proceeds from sale of investments at FVTOCI	9-A	-	417,645,616
Proceeds from disposal of property, plant and equipment	27	**9,351,001**	168,503
Dividends received from associates		**5,535,491**	5,140,489
Dividends received from investments at FVTOCI		**63,000,000**	81,000,000
Net cash (used in) from investing activities		**(174,914,499)**	101,931,464
CASH FLOWS FROM FINACING ACTIVITIES			
Dividends paid	29	-	(192,044,813)
Lease liabilities paid		**(2,757,299)**	(454,131)
Loan proceeds	17	**171,800,000**	-
Follow up fees on term loan	26	**(1,864,200)**	-
Net cash from (used in) financing activities		**167,178,501**	(192,498,944)
Net increase in cash and cash equivalents		**119,501,349**	119,173,854
Cash and cash equivalents at the beginning of the year		**157,609,810**	38,435,956
Cash and cash equivalents at the end of the year	13	**277,111,159**	157,609,810
ADDITIONAL NON-CASH TRANSACTIONS:			
Change in fair value of investments in financial assets at fair value through other comprehensive income	9-A	**(122,380,026)**	33,844,499
Actuarial losses from remeasurement of employees defined benefit liabilities	18	**(13,779,392)**	(12,374,318)
Dividends payable		-	2,955,187
Employees defined benefits labilities transferred to accrued expenses	18	**38,925,314**	-

Mr. Majed Ahmed Qwaider
Chief Financial Officer

Eng. Abdulrahaman Bin Abdulazziz Bin Sulaiman
Chief Executive Officer and Board Member

Eng. Abdulaziz Bin Fahad Al-Khayyal
Chairman of Board of Directors

The accompanying notes 1 to 37 form an integral part of these financial statements.

1. CORPORATE INFORMATION

National Gas and Industrialization Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010002664 dated 22 Rajab 1383H (corresponding to 9 December 1963). The share capital of the Company amounts to SR 750,000,000 and is divided into 75,000,000 shares of SR 10 each. As at 31 December 2020, the Public Investment Fund owns 10.91% (2019: 10.91%) of the total Company shares, Mr. Abdulaziz Abdulrahman Al-Mohsen owns 6.66% (2019: 6.66%) and the remaining shares are publicly traded.

The Company was established in accordance with the Royal Decree No. 713 dated 03/12/1380 H to merge the Saudi Gas and Manufacturing Company and National Gas Company with the approval of the General Assembly of both companies, and under the letter of H.H. the Minister of Commerce No. 2843/H dated 01/01/1381H, and the actual merge commenced in 1383H. Later to this date on 13/06/1384H, the Council of Ministers Decree No. 820 was issued by merging all the entities involved in gas activities in the Kingdom of Saudi Arabia into the National Gas and Industrialization Company. The Council of Ministers resolution No. 1615 dated 14/11/1395H determined the Company's share capital and the commencement of its activities on 01/01/1396H under the industrial license issued by the Ministry of Industry and Electricity No. 659/S dated 09/07/1417H (corresponding to 20 November 1996).

The activities of the Company include carrying out all work related to the exploitation, manufacture and marketing of gas of all kinds and its derivatives and industrial gases inside and outside the Kingdom of Saudi Arabia, selling, manufacturing and maintaining cages, cylinders, tanks and accessories, maintenance of gas networks and accessories, carrying out all work related to the manufacture, transport and marketing of petroleum, chemical, petrochemical and glass products, establishment or participation in the production of energy, water treatment and environmental services, in addition to the acquisition of real estate and purchase of land for the construction of buildings thereon and investing it through sale or lease in favor of the Company.

The registered address of the Company is P.O. Box 564, Riyadh 11421, Kingdom of Saudi Arabia.

The Company has the following branches:

Branch	*Commercial registration number*	*Issuing date*
1- Riyadh	1010429687	23/03/1436 H
2- Dammam	2050001551	07/08/1383 H
3- Buraidah	1131004089	06/04/1402 H
4- Al-Madinah al-Munawwarah	365006707	18/03/1402 H
5- Jeddah	4030032503	19/02/1402 H
6- Yanbu	4700003177	07/08/1409 H
7- Khamis Mushait	5855004366	25/12/1402 H
8- Taif	4032007367	20/09/1402 H

The assets, liabilities and results of operations of these branches are included in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("*SOCPA"*), collectively thereafter referred to as "IFRS as endorsed in KSA".

2.1.2 Historical cost convention

The financial statements have been prepared on the historical cost basis, unless stated otherwise in the below accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.3 Basis of measurement

These financial statements are presented in Saudi Riyal ("SR"), which is the Company's functional and presentation currency and all values are rounded to the nearest SR, except when otherwise indicated.

2.1.4 Restatement

The financial statements provide comparative information in respect of the previous year. In addition, the Company presents an additional statement of financial position at the beginning of the preceding year when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2019 is presented in these financial statements due to the correction of an error retrospectively (note 34).

2.2 Summary of significant accounting policies

2.2.1 Current versus non-current classification

The Company presents assets and liabilities in the 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 year, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year

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 year, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year

The Company classifies all other liabilities as non-current.

2.2.2 Fair value measurement

The Company measures financial instruments such as Accounts receivable, investments at FVTOCI or investments at FVTPL, at fair value at each balance sheet date.

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 based on the presumption that the transaction takes place either in the principle market or, in its absence, the most advantageous market for the asset and liability to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or 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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.2 Fair value measurement(continued)
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and maximizing the use of unobservable inputs.

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

- Level 1: Quoted prices (unadjusted) 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 recognised 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 categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets. Involvement of external valuers is determined annually by the Audit and Risk Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated regularly.

The investment team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (Note 3)
- Quantitative disclosures of fair value measurement hierarchy (Note 33)
- Investment properties (Note 6)
- Financial instruments (including those carried at amortised cost) (Note 32)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.3 Property, plant and equipment (continued)
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Projects in progress are stated at cost. When commissioned, projects in progress are transferred to the appropriate property, plant and equipment asset category and depreciated in accordance with the Company's policies. Spare parts and capitalized machines, meeting the definition of property, plant and equipment, are accounted as per the principles of IAS 16 with respect to property, plant and equipment.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.
The cost less estimated residual value of remaining property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, effective from the date when it was available for use, as follows:

Category of property, plant and equipment	*Useful lives*
Buildings	20
Motor vehicles and trucks	5-10
Machines and equipment	10
Furnitures and fixtures	10
Devices and equipment	5
Cages	5
Tools and equipment	10

An item of property, plant and equipment and any significant part initially recognized are derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. 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 profit or loss when the asset is derecognized.
The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.2.4 Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalized, and the related expenditure is reflected in statement of profit or loss in the year in which the expenditure is incurred.

The estimated useful lives of intangible assets are as follows:

Category of intangible assets	*Useful live*
Software	5 years

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.4 Intangible assets (continued)
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 amortization year and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization year or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category that inconsistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income.

2.2.5 Investment properties
Investment properties are initially measured at cost, including transaction cost.
Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the year of derecognition. Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.5 Investment properties (continued)

Investment properties are properties held to earn rentals and/or for capital appreciation. Investments properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.
Depreciation is recognized so as to write off the cost of assets less their residual values for the properties, except lands, over their useful lives, using the straight-line method based on the following depreciation years:

Category of investment properties	*Useful years*
Buildings	20

Any gain or loss arising from sale or disposal of the investment properties which represents the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the profit or loss in the year where the sale or disposal occurs. The rent revenue from the operating lease contracts for the investment properties is recognized in the profit or loss using the straight-line method over the contract year. The fair value for the investment properties is disclosed in note (6) of notes to the financial statements.

2.2.6 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When 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 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 companies or other available fair value indicators.

Impairment losses of continuing operations are recognized in the profit and loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or 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 profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.7 Financial instruments
Account receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes party to the contractual provisions of the instrument. A financial asset (unless it is an accounts 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. Accounts receivables without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at the instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date i.e. the date that the Company commits to purchase or sell the asset.

The Company has implemented following classifications for its financial assets:

Financial statement line item	***IFRS 9 classification***
Accounts receivable	Amortised cost
Cash and cash equivalents	Amortised cost
Financial assets held at amortised cost (bonds receivable)	Amortised cost
Financial assets at fair value through other comprehensive income	Fair value
Financial assets at fair value through profit or loss account	Fair value

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instrument)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.7 Financial instruments (continued)

Financial assets at amortised cost (debt instrument)
The Company measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows 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.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes accounts receivables and bonds receivables.

Financial assets designated at fair value through OCI
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its investment in equity instruments and under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes units of mutual funds. Dividends from mutual funds are also recognised as income in statement of profit or loss when the right of payment has been established.

Reclassifications
Financial assets are not reclassified after their initial recognition, except in the year after the Company changes its business model for managing financial assets.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.7 Financial instruments (continued)

Impairment of financial assets
The Company assesses all information available, including a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and debt instruments measured at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring at the asset as at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward looking information.

For debt instruments measured at FVOCI, impairment gains or losses are recognised in the statement of profit or loss.

Expected credit loss assessment for accounts receivable
For accounts receivable only, the Company recognises expected credit losses on simplified approach under IFRS 9. The simplified approach to the recognition of expected credit losses does not require the Company to track the changes in credit risk; rather, the Company recognises a loss allowance based on lifetime expected credit losses at each reporting date from the date of the accounts receivable.

The expected loss rates are based on the payment profiles of receivables over a year of 24 months before each reported year and corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified GDP of Kingdom of Saudi Arabia (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Write-off and control
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Classification of financial liabilities
The Company classifies its financial liabilities including long term borrowings, and trade and other payables, all financial liabilities ae recognized initially at fair value and in the cost of loans and borrowings and payables net of transactions cost.

Accounts and other payables represent liabilities for goods or services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured. These are recognised initially at fair value.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.7 Financial instruments (continued)

Modifications of financial assets and financial liabilities

Financial assets
If the terms of the financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount adjusting the gross carrying amount as modification gain or loss in the statement of profit or loss.

Financial liability
The Company derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognise at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company 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.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and short term Murabaha with a maturity of three months year or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash cash at banks and short term Murabaha, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Company’s cash management.

2.2.8 Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a year of time in exchange for consideration.

(a) Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are subject to impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.8 Leases (continued)

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the year on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(b) Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the year in which they are earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.9 Investment in associates
An associate is an entity over which the Company 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. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after Zakat.

The financial statements of the associate are prepared for the same reporting year as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate its carrying value, and then recognizes the loss within "Share in results of associates" in profit or loss.

2.2.10 Inventories
Inventories are stated at the lower of cost and net realizable value. The cost is determined on a weighted average cost method. The cost includes the expenditures incurred in the acquisition of inventory and the expenditures incurred to deliver the inventory to the related place and current status. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.2.11 Dividends distribution
The Company establishes the obligations related to paying the cash dividends to the Company's shareholders when approving the distribution. According to the Regulations for Companies, dividends are approved upon approval by the Shareholders at the Annual General Assembly. The corresponding amount is directly recognized in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.12 Employees' benefits

Employee defined benefit liabilities
The Company operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. Employee's end of service benefits provision is calculated annually by actuaries in accordance with the projected unit credit method as per (IAS 19) Employee Benefits. Actuarial gains and losses are recognized in full in the year in which they occur in other comprehensive income. Re-measurements are not reclassified to profit and loss in subsequent years.

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date on which the Company recognizes related restructuring costs

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under 'cost of revenue, 'general and administrative expenses' and 'selling and distribution expenses' in the statement of comprehensive income (by function).
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income

Other short and long -term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave in the year in which the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Early retirement plan
During 2020, the Company adopted new short term employees early retirement plan, the plan costs are provided for in accordance with the Company`s employee benefit policies which is based mainly on the current salary, years of service and the years of service until the normal retirement age. As the termination benefits are expected to be settled wholly before twelve months after the end of the annual reporting year in which the termination benefit is recognized, the Company apply the requirements for short-term employee benefits. The provision is accounted for once the approval is made by the employee for the plan.

2.2.13 Provisions
Provisions are recognised when the Company 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 Company expects some or all of a provision to be reimbursed. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.2.14 Contingent assets and liabilities

Contingent assets are not recognised in the 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 Company.

2.2.15 Borrowing costs

Borrowing costs that are directly attributed to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial year 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.

Transaction cost is an upfront fee relating to the arrangements and administrative fees for obtaining of banks borrowings to be used for the Company's capital expenditures. The amounts are deducted from the total facilities upfront. These fees are amortised over the year of the loan agreement, borrowing cost incurred during the year of the construction is capitalised over the capital work on progress, and charged to profit and loss once these assets start its operations.

2.2.16 Revenue recognition

The Company satisfies a performance obligation and recognises revenue over time, if the following criteria is met:

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

For the performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised services it creates a contract-based asset on the amount of the consideration earned by the performance. Where the amount consideration received from a customer exceeds the amount of services recognised, this gives rise to the contract liabilities.

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of products provide customers with a right to return the goods within a specified year. The rights of return give rise to variable consideration.

Rights of return

The Company uses the expected value method to estimate the variable consideration given the large number contracts that have similar characteristics. The Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included transaction price and recognized as revenue. A refund liability is recognized for the goods that are expected be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of revenues) is also recognized for the right to recover the goods from the customer.

Measuring progress towards complete satisfaction of a performance obligation

For each performance obligation that is satisfied over time, the Company applies a single method of measuring progress toward complete satisfaction of the obligation. The Company selects an appropriate output or input method and then consistently applies it to similar performance obligations and in similar circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.16 Revenue recognition (continued)

Specific recognition criteria
Specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services	Revenue from rendering of services is recognised when the services are provided to customers.
Interest income	For all financial instruments measured at amortised cost and interest-bearing financial assets classified at FVOCI, interest income is recognised using the effective interest rate (EIR) method.
Dividends	Dividends are recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.
Rental income	Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating lease.

2.2.17 Zakat and tax

Zakat
The Company is subject to zakat in accordance with the regulations of the General Authority for Zakat and Tax ("GAZT"). Provision for zakat for the Company is charged to the statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Withholding taxes
The Company withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Value added tax "VAT"
Expenses and assets are recognised net of the amount of value added tax, except:

- When the value of added tax incurred on a purchase of assets or services is not recoverable from the GAZT, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the GAZT is included as part of receivables or payables in the statement of financial position.

2.2.18 Foreign currencies
Transactions in foreign currencies are initially recorded 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 financial statements reporting date for the Company. All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income

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 statement of comprehensive income, respectively).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Summary of significant accounting policies (continued)

2.2.18 Foreign currencies (continued)
In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

2.2.19 Selling and distribution, general and administrative expenses
Selling and distribution, general and administrative expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between cost of revenues and selling and distribution, general and administrative expenses, when required, are made on a consistent basis.

2.3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS
The Company applied for the first-time certain standards and amendments, which are effective for annual years beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Company continues to assess the impact of these standards on the financial statements.

2.3.1 Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future years should the Company enter into any business combinations.

2.3.2 Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships

2.3.3 Amendments to IAS 1 and IAS 8 Definition of Material
The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

2.3.4 Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)

2.3.5 Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting years beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

2.4.1 Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting year
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting years beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

2.4.2 Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting years beginning on or after 1 January 2022 and apply prospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

2.4.3 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting years beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest year presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

2.4.4 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting years beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting year in which it first applies the amendments.

2.4.5 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting year in which the entity first applies the amendment.

The amendment is effective for annual reporting years beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting year in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

3.SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies, which are described in note 2, the management are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. The significant judgments made by management are summarized as follows:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type and customer type). The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in specific sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

3.2 Fair valuation of investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model was used, where there is a lack of Comparable market data because of the nature of the properties. Further where comparable market data is available, the Company revalue the property by relevance to transaction involving the properties of similar nature location and conditions. The Company engaged an independent valuation specialist to assess the fair values as at 31 December 2020, 31 December 2019, 31 December 2018.

3.3 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing the asset. The value in use is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget and business plan for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or years after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

3.4 Estimate of useful lives and residual values

The useful life used to amortise or depreciate intangible assets or property, plant and equipment respectively relates to the expected future performance of the assets acquired and management's judgement based on technical evaluation of the year over which economic benefit will be derived from the asset. The charge in respect of year depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. An asset's expected life residual value has a direct effect on the depreciation charged in the statement of profit or loss. The useful lives and residual values of Company's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.5 Actuarial estimate

Provision for employees' end of service benefits is made in accordance with the projected unit credit method as per IAS 19 taking into consideration the labor law of the respective country in which the Company operates. The provision is recognized based on the present value of the defined benefit liabilities. The present value of the defined benefit liabilities is calculated using assumptions on the average annual rate of increase in salaries, average year of employment and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each year and reflect management's best estimate. The discount rates are set in line with the best available estimate of market yields currently available at the reporting date with reference Saudi Arabia interest rate swap curve or other basis, if applicable.

4. PROPERTY, PLANT AND EQUIPMENT

	Land SR	*Buildings* SR	*Motor vehicles and trucks* SR	*Machines and equipment* SR	*Furnitures and fixtures* SR	*Devices and equipment* SR	*Cages* SR	*Tools and equipment* SR	*Capital work in progress* SR	*Total* SR
Cost:										
At 1 January 2020 (Restated, note 34)	24,834,454	450,297,086	553,816,569	552,312,901	13,101,419	27,618,522	106,165,905	5,262,310	124,910,415	**1,858,319,581**
Additions	-	9,872,621	28,027,046	2,905,619	3,014,423	1,492,396	1,716,660	458,619	67,929,580	**115,416,964**
Transfer	-	36,435	-	-	-	-	-	-	(36,435)	**-**
Disposals	-	(952,523)	(57,127,351)	(406,137)	(78,628)	(6,436,926)	(9,724,262)	-	(1,120,740)	**(75,846,567)**
At 31 December 2020	**24,834,454**	**459,253,619**	**524,716,264**	**554,812,383**	**16,037,214**	**22,673,992**	**98,158,303**	**5,720,929**	**191,682,820**	**1,897,889,978**
Accumulated depreciation:										
At 1 January 2020 (Restated, note 34)	-	306,312,785	456,808,951	359,771,921	9,243,474	21,709,171	95,444,199	3,758,387	-	**1,253,048,888**
Charge for the year	-	14,560,496	29,355,384	34,398,546	749,126	2,135,212	3,475,205	275,499	-	**84,949,468**
Disposals	-	(135,935)	(56,871,710)	(406,114)	(61,518)	(6,430,063)	(9,724,213)	-	-	**(73,629,553)**
At 31 December 2020	**-**	**320,737,346**	**429,292,625**	**393,764,353**	**9,931,082**	**17,414,320**	**89,195,191**	**4,033,886**	**-**	**1,264,368,803**
Net book value:										
At 31 December 2020	**24,834,454**	**138,516,273**	**95,423,639**	**161,048,030**	**6,106,132**	**5,259,672**	**8,963,112**	**1,687,043**	**191,682,820**	**633,521,175**

a) land include two plots of land with value of SR 2.7 million (2019: nil) that have been mortgaged to the Saudi Industrial Development Fund (SIDF) (note 17).

b) Capital work in progress mainly represents projects to develop the Company's stations and its capacity and the development of the production lines in accordance with the Company needs and the public safety standard.

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land SR	*Buildings SR*	*Motor vehicles and trucks SR*	*Machines and equipment SR*	*Furnitures and fixtures SR*	*Devices and equipment SR*	*Cages SR*	*Tools and equipment SR*	*Capital work in progress SR*	***Total SR***
Cost:										
At 1 January 2019 (Restated, note 34)	24,834,454	444,094,083	513,717,900	483,937,926	21,741,899	24,986,656	104,532,405	5,264,437	201,421,808	**1,824,531,568**
Additions	-	742,571	40,488,900	787,857	746,956	2,049,319	1,633,500	187,750	30,208,639	**76,845,492**
Transfer	-	24,679,163	9,769	81,163,623	-	867,477	-	-	(106,720,032)	-
Disposals	-	(19,218,731)	(400,000)	(13,576,505)	(9,387,436)	(284,930)	-	(189,877)	-	**(43,057,479)**
At 31 December 2019 (Restated, note 34)	**24,834,454**	**450,297,086**	**553,816,569**	**552,312,901**	**13,101,419**	**27,618,522**	**106,165,905**	**5,262,310**	**124,910,415**	**1,858,319,581**
Accumulated depreciation:										
At 1 January 2019 (Restated, note 34)	-	310,774,676	420,361,395	345,011,311	17,666,260	18,860,561	92,251,144	3,688,409	-	**1,208,613,756**
Charge for the year	-	14,240,440	36,847,556	28,134,133	682,783	3,037,732	3,193,055	256,880	-	**86,392,579**
Disposals	-	(18,702,331)	(400,000)	(13,373,523)	(9,105,569)	(189,122)	-	(186,902)	-	**(41,957,447)**
At 31 December 2019 (Restated, note 34)	**-**	**306,312,785**	**456,808,951**	**359,771,921**	**9,243,474**	**21,709,171**	**95,444,199**	**3,758,387**	**-**	**1,253,048,888**
Net book value:										
At 31 December 2019	**24,834,454**	**143,984,301**	**97,007,618**	**192,540,980**	**3,857,945**	**5,909,351**	**10,721,706**	**1,503,923**	**124,910,415**	**605,270,693**
At 1 January 2019 (Restated, note 34)	24,834,454	133,319,408	93,356,505	138,926,615	4,075,639	6,126,095	12,281,261	1,576,028	201,421,808	615,917,813

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	2020 ***SR***	*2019* *(Restated, note34)* *SR*
Cost of revenues (note 22)	**71,613,163**	72,898,133
Selling and distribution expenses (note 23)	**11,037,657**	11,044,224
General and administrative expenses (note 24)	**2,298,648**	2,450,222
	84,949,468	86,392,579

5. INTANGIBLE ASSETS

The projects in progress represent phases of software which expect to be finalised in 2021.

	Software *SR*	*Projects in progress* *SR*	***Total*** ***SR***
Cost			
At the beginning of the year	32,333,374	4,619,716	**36,953,090**
Additions	7,384,027	-	**7,384,027**
Transfer	1,457,160	(1,457,160)	**-**
At the end of the year	**41,174,561**	**3,162,556**	**44,337,117**
Accumulated amortization			
At the beginning of the year	4,663,370	-	**4,663,370**
Charge for the year	6,778,712	-	**6,778,712**
At the end of the year	**11,442,082**	**-**	**11,442,082**
Net book value			
At 31 December 2020	**29,732,479**	**3,162,556**	**32,895,035**

	Software *SR*	*Projects in progress* *SR*	***Total*** ***SR***
Cost			
At the beginning of the year	-	23,828,465	**23,828,465**
Additions	-	13,124,625	**13,124,625**
Transfer	32,333,374	(32,333,374)	**-**
At the end of the year	**32,333,374**	**4,619,716**	**36,953,090**
Accumulated amortization			
At the beginning of the year	**-**	**-**	**-**
Charge for the year	4,663,370	-	**4,663,370**
At the end of the year	**4,663,370**	**-**	**4,663,370**
Net book value			
At 31 December 2019	**27,670,004**	**4,619,716**	**32,289,720**
At 1 January 2019	-	23,828,465	**23,828,465**

5. INTANGIBLE ASSETS (continued)

Amortization charged for the year was allocated as follows:

	2020	*2019*
	SR	*SR*
Cost of revenues (note 22)	**3,077,859**	3,334,954
Selling and distribution expenses (note 23)	**2,154,502**	328,416
General and administrative expenses (note 24)	**1,546,351**	1,000,000
	6,778,712	4,663,370

6. INVESTMENT PROPERTIES

Investment properties represent land and buildings, which certain of these properties are leased to external parties on an operating lease contracts, and they comprise of the following:

	Land	*Buildings*	***Total***
	SR	*SR*	***SR***
Cost:			
At the beginning and end of the year	34,494,172	13,676,164	**48,170,336**
Accumulated depreciation and impairment:			
At the beginning and end of the year	-	13,676,161	**13,676,161**
Impairment	141,001	-	**141,001**
At the end of the year	141,001	13,676,161	**13,817,162**
Net book value			
At 31 December 2020	**34,353,171**	**3**	**34,353,174**
At 31 December 2019	34,494,172	3	34,494,175
At 1 January 2019	34,494,172	3	34,494,175

On 10 June 2018, the Company signed a contract to lease one plot of land owned by the Company. The total lease value of the contract amounts to SR 242.5 million for a year of 20 years, in addition to a grace year of 27 months. On 29 May 2019, the Company finalized all legal formalities related to the contract and as such, the contract was effective starting on that date. During the year ended 31 December 2020, the Company recognized SR 11,279,069 (2019: SR 6,586,563) as income from the land lease. The total income from the investment properties lease amounted to SR 14,027,819 (2019: SR 9,311,563)

6. INVESTMENT PROPERTIES (continued)

Fair value measurement for the Company's Investment properties

The valuation for investment properties which has been performed by a real estate valuer accredited by the Saudi Authority for Accredited Valuers (TAQEEM) by using accredited valuation techniques such as Market Method (Comparison Approach), the cost appraisal method (Replacement Method), the income appraisal method (Residual Value Method) and the Market Method (Indicative Approach) amounted to the following as of 31 December 2020:

Valuer name	*Year*	*Fair value SR*	*Net book value SR*
Doha Al nma'a office for Real Estate valuation (License number 1210000930)	**31 December 2020**	**265,065,000**	**34,353,174**
Doha Al nma'a office for Real Estate valuation (License number 1210000930)	31 December 2019	232,000,000	34,393,175

The investment properties fair value is classified within level (2) of the fair value hierarchy.

7. LEASES AND RIGHT OF -USE- ASSETS

Company as a lessee

The Company has lease contracts for various of plots of lands. Leases of land generally have lease terms between 3 and 75 years. The Company's obligations under its leases are secured by the lessor's title to the leased lands. Generally, the Company is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Company also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

7.1 Right of use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2020 SR	*2019 (Restated, note 34) SR*
Balance at the beginning of the year	**5,461,481**	-
Additions during the year (Restated, note 34)	-	7,168,359
Depreciation charge for the year	**(2,060,027)**	(1,706,878)
Balance at the end of the year	**3,401,454**	5,461,481

7. LEASES AND RIGHT OF -USE -ASSETS (continued)

7.2 Lease liabilities

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2020 ***SR***	*2019 (Restated, note 34)* *SR*
Balance at the beginning of the year	**6,969,509**	-
Additions (Restated, note 34)	**-**	7,174,927
Paid during the year	**(2,757,299)**	(454,131)
Interest charge for the year (note 26) (Restated, note 34)	**338,620**	248,713
Balance at the end of the year	**4,550,830**	6,969,509
Current portion (Restated, note 34)	**2,308,953**	2,270,578
Noncurrent portion (Restated, note 34)	**2,241,877**	4,698,931

The following are the amounts recognised in profit or loss:

	2020 ***SR***	*2019 (Restated, note 34)* *SR*
Depreciation expense of right-of-use assets	**2,060,027**	1,706,878
Interest expense on lease liabilities (note 26) (Restated, note 34)	**338,620**	248,713
Expense relating to short-term leases	**393,806**	1,069,106
Total amount recognised in profit or loss (Restated, note 34)	**2,792,453**	3,024,697

The Company had total cash outflows for leases of SR 3,033,157 in 2020 (2019: SR 1,457,232). The Company also had non-cash additions to right-of-use assets and lease liabilities of SR nil in 2020 (SR 7,174,927 in 2019).

Company as a lessor

The Company has entered into operating leases on lands. These are long term leases. Rental income recognised by the Company during the year is SR 14,027,819 (2019: 9,311,563).

The Company has a lease contract that include extension options. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether this extension option is reasonably certain to be exercised.

8. INVESTMENTS IN ASSOCIATES

Investments in associates comprises the following:

	Ownership percentage	***2020*** ***SR***	*2019* *SR*	*1 January 2019* *SR*
Saudi Gas Cylinder Factory Company	37.57%	**30,587,628**	30,702,334	32,650,663
Natural Gas Distribution Company	35%	**19,700,076**	19,850,029	19,703,249
East Gas Company	35%	**29,982,330**	28,736,874	26,592,006
		80,270,034	79,289,237	78,945,918

The movement of investments in associates is as follows:

	2020 ***SR***	*2019* *SR*	*1 January 2019* *SR*
At the beginning of the year	**79,289,237**	78,945,918	81,896,420
Share in results of investments in associates	**6,516,288**	5,483,808	4,180,478
Dividends received	**(5,535,491)**	(5,140,489)	(7,130,980)
At the end of the year	**80,270,034**	79,289,237	78,945,918

The share in the results of associates comprise the following:

	2020 ***SR***	*2019* *SR*	*1 January 2019* *SR*
Saudi Gas Cylinders Factory Company	**170,786**	(220,340)	757,244
Natural Gas Distribution Company	**1,600,046**	1,459,280	1,290,524
East Gas Company Limited	**4,745,456**	4,244,868	2,132,710
	6,516,288	5,483,808	4,180,478

8. INVESTMENTS IN ASSOCIATES (continued)

The following schedule describes the summary of financial information for the Company's investment in the associates:

	Country	*Financial year*	*Total assets SR*	*Total liabilities SR*	*Total equity SR*	*Net income SR*
At 31 December 2020						
Saudi Gas Cylinders Factory Company	Kingdom of Saudi Arabia	29 Thul Hijja 1441H	104,409,206	22,983,336	81,425,870	454,641
Natural Gas Distribution Company	Kingdom of Saudi Arabia	31 December 2020	76,529,347	20,243,417	56,285,930	4,571,561
East Gas Company	Kingdom of Saudi Arabia	31 December 2020	100,354,479	14,690,678	85,663,801	13,574,239
At 31 December 2019						
Saudi Gas Cylinders Factory Company	Kingdom of Saudi Arabia	29 Thul Hijja 1440	116,398,266	34,667,044	81,731,222	680,114
Natural Gas Distribution Company	Kingdom of Saudi Arabia	31 December 2019	77,722,124	21,007,755	56,714,369	4,980,793
East Gas Company	Kingdom of Saudi Arabia	31 December 2019	94,606,341	12,500,986	82,105,355	12,128,195
At 1 January 2019						
Saudi Gas Cylinders Factory Company	Kingdom of Saudi Arabia	30 Thul Hijja 1439	102,174,128	15,256,350	86,917,778	4,765,176
Natural Gas Distribution Company	Kingdom of Saudi Arabia	31 December 2018	70,137,409	13,842,412	56,294,997	3,930,337
East Gas Company	Kingdom of Saudi Arabia	31 December 2018	91,433,873	15,456,713	75,977,160	9,918,243

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

9.1 FINANCIAL ASSETS

Investments in equity instruments at fair value through other comprehensive income comprise the following:

	2020 ***SR***	*2019 (Restated, note 34)* *SR*	*1 January 2019 (Restated, note 34)* *SR*
Financial assets at fair value through other comprehensive income (A)	**665,158,145**	787,538,171	1,017,286,261
Financial assets at fair value through profit and loss (B)	**279,498,455**	169,114,562	-
Financial assets held at amortized cost (C)	**30,000,000**	-	-
	974,656,600	956,652,733	1,017,286,261

A. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprises the following:

	2020 ***SR***	*2019 (Restated, note 34)* *SR*	*1 January 2019 (Restated note 35)* *SR*
Investment in equity instruments – unquoted (note (a) below)	**601,382,000**	719,470,000	695,765,800
Close Reits	**44,574,238**	48,863,107	-
Investments in equity instruments – quoted	**15,523,095**	15,633,973	-
Public traded Reits	**3,678,812**	3,571,091	321,520,461
	665,158,145	787,538,171	1,017,286,261

a) The above investments in equity instruments which are unquoted have been evaluated through an independent expert valuer from the Saudi Authority for Valuers “TAQEEM” AbdulMajid Sulaiman Al Dahkeel for the economic entities’ evaluation. Office License Number 323/18/893, and who’s issued a report on the valuations of investments in the National Industrial Gases Company and Arabian United Float Glass Company as of 31 December 2020, and he used the similar companies’ method (Marker Method) to evaluate the investment in National Industrial Gases Company and the investment in Arabian United Float Glass company.

During 2019 and based on the information available with the management, the Company decided to recognize an impairment on the investment in Arabian United Float Glass Company with an amount SR 15,935,100.

b) In the General Assemblies of the National Industrial Gases Company, held on 21 June 2020, 9 September 2020 and on 20 December 2020, approved for distribution of dividends to the partners amounting to SR 700 million. The Company’s share is 9%, and therefore its share from these distributions amounted to SR 63 million (2019: SR 81 million).

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)
9.1 FINANCIAL ASSETS (continued)

A. Financial assets at fair value through other comprehensive income (continued)

The movement in investments in equity instruments at fair value through other comprehensive is as follows:

	2020	*2019 (Restated, note 34)*	*1 January 2019*
	SR	*SR*	*SR*
At the beginning of the year	**787,538,171**	1,017,286,261	855,923,371
Additions during the year	**-**	154,053,027	531,462,319
Disposals during the year	**-**	(417,645,616)	(499,937,149)
Changes in fair value	**(122,380,026)**	33,844,499	129,837,720
At the end of the year	**665,158,145**	787,538,171	1,017,286,261

The movement in unrealized gain from investments in equity instruments at fair value through other comprehensive income is as follows:

	2020	*2019 (Restated, note 34)*	*1 January 2019*
	SR	*SR*	*SR*
At the beginning of the year	**668,338,677**	637,968,492	508,130,772
Change in fair value	**(122,380,026)**	33,844,499	129,837,720
Realized gain from sale of investments in equity instruments at fair value through OCI	**-**	(3,474,314)	-
At the end of the year	**545,958,651**	668,338,677	637,968,492

B. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss comprises the following:

	2020	*2019 (Restated, note 34)*	*1 January 2019*
	SR	*SR*	*SR*
Portfolio of traded securities	**70,035,912**	65,532,785	-
Fixed income debt instruments	**78,785,989**	74,341,217	-
Jadwa Saudi Riyal Murabaha Fund	**30,676,554**	29,240,560	-
Investment in closed debt funds	**100,000,000**	-	-
	279,498,455	169,114,562	-

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)
9.1 FINANCIAL ASSETS (continued)
B. Financial assets at fair value through profit and loss (continued)

The movement in Financial assets at fair value through profit and loss comprises the following is as follows:

	2020 SR	*2019 (Restated, note 34) SR*	*1 January 2019 SR*
At the beginning of the year	**169,114,562**	-	-
Additions during the year	**100,000,000**	158,000,000	-
Disposals during the year	**-**	-	-
Changes in fair value	**10,383,893**	11,114,562	-
At the end of the year	**279,498,455**	169,114,562	-

C. Financial assets held at amortized cost

Financial assets held at amortized cost comprises the following:

	2020 SR	*2019 SR*	*1 January 2019 SR*
Sukuk	**30,000,000**	-	-
	30,000,000	**-**	**-**

The above represents investments in Sukuk issued by a local bank in Saudi Arabia with maturity date of 30 November 2025.

9.2 FINANCIAL LIABILITIES

	Effective Interest rate	***Maturity***	***2020 SR***	*2019 SR*
Current Interest free liabilities				
Trade payables	Interest free	Less than 1 year	**111,055,415**	97,832,410
Accrued expenses and other current liabilities	Interest free	Less than 1 year	**190,077,960**	161,266,788
Current interest-bearing liabilities				
Lease liabilities	5.8%	Less than 1 year	**2,308,953**	2,270,578
Term loan	Upfront fee + follow-up charges	Less than 1 year	**32,000,000**	-
Non-current interest-bearing liabilities				
Lease liabilities	5.8%	More than 1 year	**2,241,877**	4,698,931
Term loan	Upfront fee + follow-up charges	2022-2025	**143,641,682**	-
Employee defined benefits liabilities	2.1%	More than 1 year	**156,481,393**	203,601,753

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)
9.2 FINANCIAL LIABILITIES (continued)

Changes in liabilities arising from financing activities

	1 January 2020 SR	*Cash flows SR*	*New lease SR*	***31 December 2020 SR***
Term loans, net	-	175,641,682		**175,641,682**
Lease liabilities	4,698,931	(2,457,054)		**2,241,877**
Lease liabilities – current portion	2,241,877	67,076	-	**2,308,953**
Total liabilities from financing activities	6,940,808	173,251,704		**180,192,512**

10. INVENTORIES, NET

	2020 SR	*2019 SR*	*1 January 2019 SR*
Gas	**22,900,392**	16,060,925	18,866,575
Gas cylinders	**92,661,506**	113,873,628	136,994,967
Tanks	**8,617,019**	5,009,824	6,939,308
Spare parts and other materials	**66,550,750**	71,619,791	67,708,757
	190,729,667	206,564,168	230,509,607
Provision for slow moving and obsolete items	**(30,214,926)**	(31,680,057)	(26,149,124)
Provision for replacing cylinders and others	**(2,766,109)**	(8,187,512)	(1,652,013)
	157,748,632	166,696,599	202,708,470

The cost of revenues in the statement of comprehensive income for the year ended 31 December 2020 includes an inventory cost amounted to SR 1,314,499,279 (2019: SR 1,271,297,531).

The movement in provision for slow moving and obsolete inventories during the year is as follows:

	2020 SR	*2019 SR*	*1 January 2019 SR*
At the beginning of the year	**31,680,057**	26,149,124	12,259,578
Charge for the year	**-**	5,530,933	13,889,546
Reversal	**(1,465,131)**	-	-
At the end of the year	**30,214,926**	31,680,057	26,149,124

10. INVENTORIES, NET (continued)

The movement in provision for cylinders replacement and others during the year is as follows:

	2020	*2019*	*1 January 2019*
	SR	*SR*	*SR*
At the beginning of the year	**8,187,512**	1,652,013	46,901,418
Charge for the year (note 22)	**6,041,144**	28,832,902	-
Reversal (note 22)	**(1,472,072)**	-	
Write off	**(9,990,475)**	(22,297,403)	(39,571,468)
Provision used against damaged inventories	**-**	-	(5,677,937)
At the end of the year	**2,766,109**	8,187,512	1,652,013

11. ACCOUNTS RECEIVABLE, NET

	2020	*2019*	*1 January 2019*
	SR	*SR*	*SR*
Trade receivables	**51,618,322**	48,405,923	21,707,149
Non-trade receivables	**9,984,873**	4,201,508	**-**
Total	**61,603,195**	52,607,431	21,707,149
Provision for expected credit loss	**(16,121,734)**	(14,013,311)	(6,431,068)
	45,481,461	38,594,120	15,276,081

Terms and conditions of the above financial assets:

Trade receivables are non-interest bearing and are generally on terms of 15 days from the end of the month. The Company obtained collateral over certain receivables amounted to SR 17,783,499 (2019: SR 17,036,100).

The movement in provision for expected credit loss on trade receivables is as follows:

	2020	*2019*	*1 January 2019*
	SR	*SR*	*SR*
At the beginning of the year	**14,013,311**	6,431,068	5,256,000
Charge for the year (note 24)	**2,108,423**	7,582,243	1,175,068
At the end of the year	**16,121,734**	14,013,311	6,431,068

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (“ECL”). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

11. ACCOUNTS RECEIVABLE, NET (continued)

		Days past due					
	Not past due SR	*1-30 day SR*	*31-90 day SR*	*91-180 day SR*	*181-365 day SR*	*Above 365 day SR*	*Total SR*
At 31 December 2020							
Accounts receivable	13,517,971	12,872,739	8,295,220	5,270,250	5,397,866	16,249,149	61,603,195
Expected loss rate % (rounded)	2%	1%	2%	7%	26%	85%	
Expected credit loss	238,236	170,368	205,224	365,021	1,391,834	13,751,051	16,121,734
At 31 December 2019							
Accounts receivable	7,586,924	5,843,125	10,309,001	9,711,785.00	8,408,835	10,747,761	52,607,431
Expected loss rate % (rounded)	0.30%	0.40%	0.95%	7.67%	30.79%	98.03%	
Expected credit loss	22,400	23,137	97,492	745,042	2,589,034	10,536,206	14,013,311
At 1 January 2019							
Accounts receivable	3,044,310	3,544,166	6,252,957	5,890,714	5,100,405	6,519,087	30,351,639
Expected loss rate % (rounded)	0.36%	0.22%	0.74%	5.98%	22,47%	74,67%	
Expected credit loss	10,857	7,854	46,241	352,495	1,146,041	4,867,580	6,431,068

12. PREPAYMENTS AND OTHER CURRENT ASSETS:

	2020	*2019*	*1 January 2019*
	SR	*SR*	*SR*
Value added tax receivable	**16,344,112**	8,698,083	2,244,044
Accrued revenue	**11,243,900**	795,833	795,833
Employees' receivable	**7,101,459**	6,368,987	5,599,136
Advances to suppliers and contractors	**5,073,961**	9,693,777	2,738,408
Prepaid expenses	**4,987,051**	6,786,527	11,474,802
Insurance claims	**103,981**	989,416	1,918,444
Deposits against letters of credit	-	-	1,154,809
Others	**4,223,431**	7,634,198	12,535,174
	49,077,895	40,966,821	38,460,650

13. CASH AND CASH EQUIVALENTS

	2020	*2019*	*1 January 2019*
	SR	*SR*	*SR*
Balances at banks	**177,111,159**	107,609,810	38,435,956
Short-term Murabaha time deposits	**100,000,000**	50,000,000	-
	277,111,159	157,609,810	38,435,956

a) Short-term deposits are made for varying years of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates (note 25).

b) At 31 December 2020, the Company had available SR 93.3 million (2019: SR 67.4 million) of undrawn bank facilities, in form of letter of credits and guarantees.

14. SHARE CAPITAL

Share capital is divided into 75 million shares (31 December 2019: 75 million shares, 1 January 2019: 75 million shares) of SR 10 each.

15. STATUTORY RESERVE

In accordance with the Regulations for Companies and the Company's By-Laws, the Company must set aside 10% of its net income for the year in each year until it has built up a reserve equal to 30% of the share capital. This reserve is not available for distribution.

On 12 Shawwal 1441 H (corresponding to 4 June 2020), the General Assembly approved based on the Board of Directors recommendation to transfer the surplus from the statutory reserve amounting to SR 45,551,265 to the accumulated losses account.

16. OPERATING SEGMENTS

For management purposes, the Company is organised into business units based on its geographical regions, as follows:

2020	***Central region SR***	***Western region SR***	***Eastern region SR***	***Southern region SR***	***Total SR***
Revenues	704,786,251	691,567,563	322,636,053	244,051,733	**1,963,041,600**
Cost of revenues	(573,818,480)	(594,690,429)	(264,844,744)	(213,494,386)	**(1,646,848,039)**
Asset depreciation and amortization	(22,238,363)	(36,809,951)	(9,224,152)	(7,076,006)	**(75,348,472)**
Depreciation of right-of-use assets	(1,037,757)	(561,864)	(262,126)	(198,280)	**(2,060,027)**
Segment profit	**107,691,651**	**59,505,319**	**48,305,031**	**23,283,060**	**238,785,062**

2019	*Central region SR*	*Western region SR*	*Eastern region SR*	*Southern region SR*	*Total SR*
Revenues	668,420,286	699,391,490	315,594,919	239,151,650	1,922,558,345
Cost of revenues	(556,910,551)	(581,284,551)	(251,498,487)	(217,503,325)	(1,607,196,914)
Asset depreciation and amortization	(24,339,817)	(30,128,162)	(9,279,400)	(6,984,614)	(70,731,993)
Depreciation of right-of-use assets	(896,916)	(448,783)	(205,474)	(155,704)	(1,706,877)
Segment profit	86,273,002	87,529,994	54,611,558	14,508,007	242,922,561

The top Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. Also, the Company's financing (including finance costs, salaries and benefits of the management, directors, finance and IT departments, legal and HR departments, administrative and support department, other expenses and other income) and Zakat are managed on a Company basis and are not allocated to operating segments.

17. TERM LOAN

	2020	*2019*	*1 January 2019*
	SR	*SR*	*SR*
Principal amount due	**188,000,000**	-	-
Less: Un-amortized portion of transaction cost	**(12,358,318)**	-	-
Net amount due	**175,641,682**	-	-
Less: current- portion	**(32,000,000)**	-	-
The non-current portion	**143,641,682**	-	-

On 17 Muharram 1440 H (corresponding to 27 September 2018), the Company signed an agreement to obtain a loan from Saudi Industrial Development Fund (SIDF) amounting to SR 203 million. The loan is for the purpose of developing the filling plans and distribution of gas in all regions with a production capacity of 1,648 thousand tons in all branches of the Company. The terms of the loan span over a tenure of 5 years. The loan is non-interest-bearing but carry only an upfront fee amount of SR 16.2 million paid at the start of the loan and transaction cost relating to follow-up charges paid on annual basis year over the term of the loan. Further, these loans carry certain conditions / covenants such as maintain required current asset ratios during the term of the loan, maintain a specific ratio of liabilities to net tangible value and amount spent yearly on capital expenditures. The agreement also contains undertakings pledges of seven plots of land with cost of SR 17.6 million (note 4).

During 2020, the Company received the full of financing in the amount of SR 186.8 million, after deduction of upfront fees amount of SR 16.2 million in advance according to the contract agreement. The repayment of the financing has been scheduled in ten semi-annual unequal installments starting from 15 Safar 1442H (corresponding to 2 October 2020). Also, during 2020, the Company completed the pledge of two lands to the SIDF (note 4), and the process of pledging the remaining five lands is in under process.

18. EMPLOYEES DEFINED BENEFITS LIABILITIES

	2020	*2019*	*1 January 2019*
	SR	*SR*	*SR*
At the beginning of the year	**203,601,753**	188,400,062	180,506,439
Current service cost	**11,774,419**	12,204,044	24,593,955
Interest cost	**5,762,346**	7,223,097	6,204,374
Paid during the year	**(39,511,203)**	(16,599,768)	(9,882,407)
Re-measurements loss / (gain) on employees defined benefit liabilities	**13,779,392**	12,374,318	(13,022,299)
Transfer to accrued employees' benefits	**(38,925,314)**	-	-
At the end of the year	**156,481,393**	203,601,753	188,400,062

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

18. EMPLOYEE DEFINED BENEFIT LAIBILITIES (continued)

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

	2020 ***SR***	*2019* *SR*	*1 January 2019* *SR*
Discount rate	**2.1%**	3.75%	3.50%
Future salary increases	**4.5%**	4.50%	4.00%
Retirement age	**60**	60	60

All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial gain which is recognized in other comprehensive income.

<u>*Sensitivity analysis*</u>
The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability:

	2020 ***SR***	*2019* *SR*	*1 January 2019* *SR*
Discount rate			
Increase 1%	**146,054,000**	(13,749,000)	(10,546,000)
Decrease 1 %	**169,732,000**	9,534,000	11,804,000
The future increase in the salaries			
Increase 1%	**169,256,000**	5,776,000	11,528,000
Decrease 1%	**146,256,000**	(13,285,000)	(10,506,000)

The following are the expected payments or contributions to the employees in future years:

	2020 ***SR***	*2019* *SR*
Within the next 12 months (next annual reporting year)	**7,475,790**	26,163,871
Between 2 and 5 years	**37,378,950**	61,347,904
Beyond 5 years	**111,626,653**	116,089,978
	156,481,393	203,601,753

19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2020	2019 (Restated, note 34)	1 January 2019 (Restated, note 34)
	SR	*SR*	*SR*
			20
Accrued employees' benefits (note (a) below)	**53,049,848**	29,223,733	23,792,791
Dividends payable	**39,161,121**	40,031,295	37,076,108
Advance from customers	**35,726,711**	30,070,028	25,782,976
Unapplied cash receipts (note (b) below & note 34.6-a)	**27,389,468**	27,389,468	18,911,962
Accrued expenses	**25,107,716**	20,559,163	6,483,797
Board of Directors and committees' remunerations	**3,275,000**	2,882,070	2,876,714
Cash deposits from customers	**3,164,700**	3,333,400	3,806,380
Unearned revenues	**-**	2,236,770	950,000
Others	**3,203,396**	5,540,861	2,843,691
	190,077,960	161,266,788	122,524,419

a) The above balance included balance related to Early Retirement Plan of SR 12.1 million, established by the Company's Board of Directors during 2020. The plan costs are provided for in accordance with the Company's employee benefit policies which is based mainly on the current salary, years of service and the years of service until the normal retirement age. As the termination benefits are expected to be settled wholly before twelve months after the end of the annual reporting year in which the termination benefit is recognized, the Company apply the requirements for short-term employee benefits. The provision is accounted for once the approval is made by the employee for the plan.

b) The above account represents cash received from various customers, mainly collections from customers for purchases of gas tanks, other products and other transactions. This account consists of amounts that have been outstanding for several years, which have not been claimed by respective customers. The Company has adopted a new policy that any outstanding amounts for 3 years and above to be taken to income, if not been claimed. Also, the embezzlement took place (as fully disclosed in note 34.6(a)), was routed through this account besides other accounts, which includes SR 1.7 million which is not related to this account.

20. ZAKAT PAYABLE

The provision is calculated based on the following:

	2020	*2019*
	SR	*SR*
Equity	**1,566,509,916**	1,596,108,937
Opening provisions and other adjustments	**553,901,899**	415,827,257
Book value of long-term assets	**(1,567,298,464)**	(1,792,537,899)
	553,113,351	219,398,295
Adjusted income for the year	**162,580,004**	187,372,961
Zakat base	**1,268,806,706**	406,771,256

The differences between the financial and the zakat results are mainly due to provisions, which are not allowed in the calculation of the adjusted income for the year.

20. ZAKAT PAYABLE (continued)

The movement in zakat provision comprises the following:

	2020	*2019*
	SR	*SR*
At the beginning of the year	**82,980,696**	78,244,672
Provision for the year	**12,558,797**	35,574,918
Paid during the year	**(10,237,250)**	(30,838,894)
At the end of the year	**85,302,243**	82,980,696

Below are the details of the zakat charged during the year:

	2020	*2019*	*1 January 2019*
	SR	*SR*	*SR*
Current year provision	**12,558,797**	10,169,281	4,109,994
Prior years assessments	**-**	25,405,637	5,410,847
Total zakat expense for the year	**12,558,797**	35,574,918	9,520,841

Status of assessments

The Company obtained final assessment for zakat status until the end of the year 2004.

2005 to 2007 status

The General Authority of Zakat and Tax (“GAZT”) issued the final zakat assessment to the Company for the years from 2005 to 2007, which resulted in an additional amount of SR 39 million. The Company has objected on the assessment with the relevant appeal committee. The objection is not finalized yet as of this date, and the Company submitted a bank guarantee to the GAZT of SR 39 million in this regard.

2008 and 2010 status

During 2019, the Company reached a settlement and paid to the GAZT, for the assessments of the years 2008 to 2010 amount of SR 27 million.

2011 to 2013 status

The Company did not receive the zakat assessments for the years 2011 until 2013.

2014 to 2018 status

During 2020, the Company received Zakat assessments for the years from 2014 to 2018, which resulted in an additional amount of SR 40 million. where the Company has objected on the assessment with the relevant appeal committee. The objection is not yet finalized

2019 status

The Company has submitted its zakat return for the year 2019, and the assessment has not yet raised by GAZT.

21. REVENUES

	2020 ***SR***	*2019* *SR*
Gas sales	**1,813,937,873**	1,808,771,648
Gas cylinders and tanks, and extension parts' sales	**135,457,842**	97,342,449
Service, transportation and installation revenue	**16,028,479**	16,999,452
Other commercial projects	**1,065,411**	4,859,589
Sales return	**(3,448,005)**	(5,414,793)
	1,963,041,600	1,922,558,345

Timing of revenue recognition

	2020 ***SR***	*2019* *SR*
Goods and services transferred at a point in time	**1,961,976,189**	1,917,698,756
Services transferred over time	**1,065,411**	4,859,589

22. COST OF REVENUES

	2020 ***SR***	*2019* *(Restated, note 34)* *SR*
Cost of gas sold	**1,193,974,454**	1,177,649,613
Employee costs	**240,359,499**	210,664,325
Cost of gas cylinders and tanks, and extension parts	**120,524,825**	93,647,918
Depreciation of property plant and equipment (note 4)	**71,613,163**	72,898,133
Spare parts	**44,615,768**	46,634,173
Operating expenses	**34,257,861**	30,188,923
Insurance expenses	**7,760,148**	9,126,909
Provision for cylinders replacement, net (note 10)	**4,569,072**	28,832,902
Amortization of intangible assets (note 5)	**3,077,859**	3,334,954
Deprecation of right of use assets (note 6)	**2,060,027**	1,706,877
Cost of other commercial projects	**950,401**	4,335,000
External repairs	**493,461**	616,057
	1,724,256,538	1,679,635,784

23. SELLING AND DISTRIBUTION EXPENSES

	2020 ***SR***	*2019* *(Restated, note 34)* *SR*
Employee costs	**57,325,815**	58,146,697
Depreciation of property plant and equipment (note 4)	**11,037,657**	11,044,224
Amortization of intangible assets (note 5)	**2,154,502**	328,416
Advertising	**2,721,228**	1,808,927
Insurance	**1,453,244**	1,354,838
Technical consulting	**-**	10,364,990
Others	**7,279,725**	6,986,899
	81,972,171	90,034,991

24. GENERAL AND ADMINISTRATIVE EXPNESES

	2020 ***SR***	*2019* *(Restated, note34)* *SR*
Employee costs	**51,190,824**	57,015,184
Technical support and computer application licenses	**27,422,647**	18,007,431
Professional fees	**6,243,616**	11,581,570
Remuneration of the Board of Directors and committees	**5,156,507**	5,460,916
Extraordinary expenses (note 34.6-a)	**4,000,000**	8,477,506
Utilities	**2,933,053**	2,097,225
Depreciation of property plant and equipment (note 4)	**2,298,648**	2,450,222
Expected credit loss provision (note 11)	**2,108,423**	7,582,243
Legal fess	**1,742,456**	-
Amortization of intangible assets (note 5)	**1,546,351**	1,000,000
Visas and licenses fees	**1,073,809**	745,036
Bank charges	**792,985**	1,811,927
Insurance	**289,300**	498,645
Repair and maintenance	**215,344**	135,858
Others	**9,946,057**	8,652,451
	116,960,020	125,516,214

25. INCOME FROM INVESTMENTS, NET

	2020 ***SR***	*2019* *(Restated, note34)* *SR*
Dividends income from investment at FVOCI	**65,952,201**	81,921,813
Rent income from investment properties (note 6)	**14,027,819**	9,311,563
Change in fair value of investments at FVTPL	**10,383,892**	11,114,562
Interest income from Short-term Murabaha time deposits (note 13)	**1,812,928**	3,122,537
	92,176,840	105,470,475

26. FINANCE CHARGES

	2020	2019
		(Restated, note 34)
	SR	*SR*
Unwinding of transaction costs on loans (note (a) below and note 17)	**3,841,682**	-
Less: follow up fees on term loan	**1,864,200**	-
Interest on lease liabilities	**338,620**	248,713
	6,044,502	248,713

a) The movements of unmortised transaction costs including the effects of unwinding of the transaction cost during the year were as follows:

	2020	*2019*
	SR	*SR*
As at 1 January	**-**	-
Add: Transaction cost for new loans obtained	**16,200,000**	-
Unwinding of transaction costs on loans and borrowings	**(3,841,682)**	-
As at 31 December	**12,358,318**	-

27. OTHER INCOME, NET

	2020	*2019*
	SR	*SR*
Gain (loss) on disposal of property, plant and equipment	**7,133,985**	(931,529)
Scrap sales	**8,819,464**	5,478,575
Foreign currency exchange differences	**(252,684)**	-
Miscellaneous	**1,389,817**	2,394,232
	17,090,582	6,941,278

28. EARNINGS PER SHARE

Earnings per share was calculated based on the weighted average number of shares outstanding. The diluted earnings per share is the same as the basic earnings per share, as the Company has not issued any discounted instruments as at 31 December:

	2020	*2019*
		(Restated, note 34)
	SR	*SR*
Net income for the year	**136,892,281**	109,443,286
Weighted average number of outstanding shares	**75,000,000**	75,000,000
Basic and diluted earnings per share	**1.83**	1.46

29. DIVIDENDS

During 2019 the Annual General Meeting of the Company approved cash dividends to the shareholders amount of SR 48.75 million (SR 0.65/share) on its meeting held on 15 May 2019, and the cash dividend was distributed to the shareholders on 29 May 2019.

On 6 April 2020, the Annual General Meeting of the Company, approved cash dividends to the shareholders of SR 146.25 million (SR 1.95/share) which was approved by the Board of Directors during 2019.

30. COMMITMENTS AND CONTINGENCIES

Legal claim contingencies

On 7 August 2018, the Ministry of Transportation filed lawsuit against the Company regarding an explosion of the Company's tanker in Riyadh during 2012. On 3 December 2020, the Company received a preliminary ruling from the Second Traffic Department at the General Court in Riyadh, stating that the case against the Company is dismissed. Please refer to note 36.

Also, there was another lawsuit filed by the Public Prosecutor against the Company and other five parties, regarding the same accident mentioned above. On 9 January 2020, the Seventh Legal Department in the Court of Appeal issued the final ruling which includes the confirmation of the ruling issued by the Second Traffic Department at the General Court in Riyadh to dismiss the case against the Company. This decision is related to the general right not the private right.

Other contingencies

As mentioned in (note 20), GAZT has raised additional amounts of SR 40 million related to zakat assessments for years from 2014 to 2018. The Company has appealed against these amounts, and the management and the zakat advisor are confident that this appeal will be in the Company's favor.

Guarantees

The Company has submitted a bank guarantee to GAZT amounting to SR 39 million (2019: SR 39 million) relating to the Company's zakat assessments for the years from 2005 to 2007 note 20).

The Company has submitted a bank guarantee to Saudi Arabian Oil Company "Saudi Aramco" amounting to SR 280 million (2019: SR 280 million) relating to the supply of petroleum products.

The Company has outstanding letters of credit as at 31 December 2020 amounting to SR 15.6 million (2019: SR 36 million).

Guarantees related to an investee

The Company also has an outstanding guarantee against a loan granted by the Saudi Industrial Development Fund in the favor of the Arabian United Float Glass Company (an investee) amounting to SR 49 million as at 31 December 2020 (2019: SR 49 million).

Commitments

At 31 December 2020, the Company had commitments of SR 156.2 million (2019: SR 136.2 million) related to capital work in progress under property, plant and equipment and intangible assets.

The Company has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are SR 2,241,877 within one year, SR 2,047,227 within five years and SR 2,048,160 thereafter.

31. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, Partners, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the statement comprehensive income are as follows:

Name	**Relationship**
Saudi Gas Cylinder Factory Company	Associate

The significant transactions and related balances for the years ended 31 December are as follows:

	2020 ***SR***	*2019* *SR*
Purchases of gas cylinders and tanks	**81,616,117**	62,278,124

The balances due to related parties included in trade payables as of December 31 are as follows:

	2020 ***SR***	*2019* *SR*	*1 January 2019* *SR*
Saudi Gas Cylinder Factory Company	**11,271,802**	-	3,842,420

Key management personnel compensation
Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The compensation to key management is shown below:

	2020 ***SR***	*2019* *SR*	*1 January 2019* *SR*
Key management personnel salaries and benefits	**6,671,258**	6,575,025	5,395,181
Board of directors' members remunerations	**5,156,507**	4,953,444	5,322,957
Post-retirement benefits	**276,577**	99,709	264,530
Total	**12,104,342**	11,628,178	10,982,668

Terms and conditions of transactions with related parties
Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Outstanding balances at year-end arise in the normal course of business. For the years ended 31 December 2020 and 2019, the amounts owed by related parties are not impaired.

32. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company's principal financial liabilities comprise trade and other payables. The Company's principal financial assets comprise trade receivables, other assets and cash at Bank.

The Company is exposed to market risk, liquidity risk and credit risk. The Company's senior management monitors the management of these risks.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: commission rate risk and currency risk.

Currency risk
Currency risk is the risk that the value of a financial instruments will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals, US Dollars and Euros. Management monitors the fluctuations in currency exchange rates on a regular basis. The Company’s exposure to foreign currency changes for U.S. dollars is not material due to the fact that the Saudi Riyals is pegged with U.S. dollars, and the Company does not have any material assets or liabilities in foreign currencies as at 31 December 2020.

The following table demonstrates the sensitivity to a reasonably possible change in currency exchange rate. With all other variables held constant, the Company’s profit before zakat is affected through the impact on change in currency exchange rate, as follows:

	1% increase SR	*1% decrease SR*
2020	**(111,632)**	**111,632**
2019	(44,474)	44,474

Liquidity risk
The Company monitors rolling forecasts of the Company’s liquidity requirements to ensure it has sufficient cash to meet operational needs. These forecasts are taken into the consideration in the Company's financing plans.

The following tables detail the Company’s remaining contractual maturity for its non-derivative financial liabilities with agreed repayment years. The tables have been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Details	*Within one year SR*	*1-5 years SR*	*Over 5 years SR*	*Total SR*
At 31 December 2020				
Trade payables	111,055,415	-	-	**111,055,415**
Accrued expenses and other current liabilities	190,077,960	-	-	**190,077,960**
Lease liabilities	2,308,953	11,766	2,230,111	**4,550,830**
Term loan	32,000,000	103,000,000	53,000,000	**188,000,000**
Employee defined benefits liabilities	7,475,790	37,378,950	111,626,653	**156,481,393**
	342,918,118	**140,390,716**	**166,856,764**	**650,165,598**

32. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

***Liquidity risk* (continued)**

Details	*Within one year*	*1-5 years*	*Over 5 years*	*Total*
	SR	*SR*	*SR*	*SR*
At 31 December 2019				
Trade payables	97,832,410	-	-	**97,832,410**
Lease liabilities	2,270,578	11,766	4,687,165	**6,969,509**
Accrued expenses and other current liabilities	161,266,788	-	-	**161,266,788**
Employee defined benefits liabilities	26,163,871	61,347,904	116,089,978	**203,601,753**
	287,533,647	**61,359,670**	**120,777,143**	**469,670,460**

Details	*Within one year*	*1-5 years*	*Over 5 years*	*Total*
	SR	*SR*	*SR*	*SR*
At 1 January 2019				
Trade payables	47,423,870	-	-	47,423,870
Accrued expenses and other current liabilities	122,524,419	-	-	122,524,419
	169,948,289	**-**	**-**	**169,948,289**

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's short-term loans have a short tenure and carry a floating rate of interest and is carried at amortized cost. Accordingly, management believes that the Company is not subject to any significant interest rate risk because it is a practice of the Company to settle all short-term debt obligations at the time of maturity which is generally one months.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before zakat is affected through the impact on floating rate borrowings, as follows:

	45 basis points increase	*45 basis points decrease*
	SR	*SR*
2020	**(571,362)**	**571,362**
2019	(11,192)	11,192

32. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables, other current financial assets and related parties' balances) and from its financing activities, including balances with banks.

Trade receivables
The average credit year granted is 45 days. No interest is charged on outstanding trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Capital management
For the purpose of the Company's management, capital includes issued capital and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximize the shareholders' value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, short term loans, , employees' defined benefit liabilities, zakat payable, less cash and bank balances.

	2020	*2019*
	SR	*SR*
Term loan	**188,000,000**	-
Lease liabilities	**4,550,840**	6,969,509
Employees' defined benefits liabilities	**156,481,393**	203,601,753
Zakat payable	**85,302,243**	82,980,696
Less: Cash and cash equivalents	**(277,111,159)**	(157,609,810)
Net debt	**157,223,317**	135,942,148
Equity	**1,565,407,096**	1,564,674,233
Equity and net debt	**1,722,630,413**	1,700,616,381
Gearing ratio	**9.1%**	8%

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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, regardless of whether that price is directly observable or estimated using another valuation technique, In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The table below shows the carrying values and fair values of financial assets and liabilities, including their levels in the fair value hierarchy, and does not include fair value information of financial assets and liabilities which are not measured at fair value if the carrying value reasonably approximates the fair value:

33. FAIR VALUE OF FINANCIAL ASSETS AD LIABILITIES (continued)

	31 December 2020						
	Carrying value			*Fair value*			
	Fair value	*Amortized cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets							
Financial assets held at FVOCI	665,158,145	**-**	**665,158,145**	**19,201,907**	**645,956,238**	**-**	**665,158,145**
Financial assets held at amortized cost	-	30,000,000	**30,000,000**	-	-	-	-
Financial assets held at FVTPL	279,498,455	**-**	**279,498,455**	**70,035,912**	**209,462,543**	**-**	**279,498,455**
Accounts receivable	-	45,481,461	**45,481,461**	-	-	-	-
Prepayments and other current assets	-	49,077,895	**49,077,895**	-	-	-	-
Cash and cash equivalents	-	277,111,159	**277,111,159**	-	-	-	-
Total	**944,656,600**	**401,670,515**	**1,346,327,115**	**89,237,819**	**855,418,781**		**944,656,600**
Financial liabilities							
Lease liabilities	-	**4,550,830**	**4,550,830**	**-**	**-**	**-**	**-**
Term loan	-	**175,641,682**	**175,641,682**	**-**	**-**	**-**	**-**
Trade payables	-	**111,055,415**	**111,055,415**	**-**	**-**	**-**	**-**
Accrued expenses and others	-	**190,077,960**	**190,077,960**	**-**	**-**	**-**	**-**
Total	-	**481,325,887**	**481,325,887**	**-**	**-**	**-**	**-**

	31 December 2019						
	Carrying value			*Fair value*			
	Fair value	*Amortized cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets							
Financial assets held at FVOCI	787,538,171	-	787,538,171	19,205,064	768,333,107	-	787,538,171
Financial assets held at FVTPL	169,114,562	-	169,114,562	169,114,562	-	-	169,114,562
Trade receivables	-	38,594,120	38,594,120	-	-	-	-
Prepayments and other current assets	-	40,966,821	40,966,821	-	-	-	-
Cash and cash equivalents	-	157,609,810	157,609,810	-	-	-	-
Total	956,652,733	237,170,751	1,193,823,484	188,319,626	768,333,107	-	956,652,733
Financial liabilities							
Lease liabilities	-	6,969,509	6,969,509	-	-	-	-
Trade payables		97,832,410	97,832,410	-	-	-	-
Accrued expenses and others		161,266,788	161,266,788	-	-	-	-
Total	-	266,068,707	266,068,707	-	-	-	-

33. FAIR VALUE OF FINANCIAL ASSETS AD LIABILITIES (continued)

	1 January 2019						
	Carrying value			*Fair value*			
	Fair value	*Amortized cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets							
Financial assets held at FVOCI	1,017,286,261	-	1,017,286,261	-	1,017,286,261	-	1,017,286,261
Trade receivables	-	15,276,081	15,276,081	-	-	-	-
Prepayments and other assets	-	38,460,650	38,460,650	-	-	-	-
Cash and cash equivalents	-	38,435,956	38,435,956	-	-	-	-
Total	1,017,286,261	92,172,687	1,109,458,948	-	1,017,286,261	-	1,017,286,261
Financial liabilities							
Trade and other payables	-	47,423,870	47,423,870	-	-	-	-
Accrued expenses and other liabilities		122,524,419	122,524,419				
Total	-	169,948,289	169,948,289	-	-	-	-

34. RESTATEMENT AND RECLASSFICATIONS

During current year, the management has identified certain errors, and as required as per IAS 8: Accounting policies, changes in accounting estimate and errors, the correction of the errors mentioned below has resulted in retrospective adjustments to the comparative figures as of 31 December 2019 and 1 January 2019 and for the year ended 31 December 2019. In addition, there were certain reclassifications. Below is summary of restatements and reclassifications:

34.1 Statement of financial position as at 31 December 2019

	Note	*Balance as previously reported SR*	*Reclassification SR*	*Adjustments SR*	***Restated balance SR***
ASSETS					
Property plant and equipment	d,e,h	571,947,489	35,228,442	(1,905,238)	**605,270,693**
Right- of -use assets	c	1,487,278	-	3,974,203	**5,461,481**
Financial assets held at FVOCI	a	956,652,733	(169,114,562)	-	**787,538,171**
Financial assets held at FVTPL	a	-	169,114,562	-	**169,114,562**
Accounts receivable, net	h	35,137,321	3,456,799	-	**38,594,120**
Prepayments and other current assets	g	78,976,612	(38,805,624)	795,833	**40,966,821**
EQUITY					
Retained earnings / (Accumulated losses)		(103,895,567)	-	(20,320,142)	**(124,215,709)**
Unrealized gains from investments in financial assets at FVOCI	b	679,453,239	-	(11,114,562)	**668,338,677**
LIABILITES					
Lease liabilities	c	1,578,996	-	3,119,935	**4,698,931**
Lease liabilities – current portion	c	480,478	-	1,790,100	**2,270,578**
Trade payables	h	227,557,393	(131,324,983)	1,600,000	**97,832,410**
Accrued expenses and other current liabilities	a,f,h	-	133,477,321	27,789,467	**161,266,788**
Other provisions	h	75,084,136	(75,084,136)	-	-
Zakat payable	h	10,169,281	72,811,415	-	**82,980,696**

34. RESTATEMENT AND RECLASSFICATIONS (continued)

34.2 Statement of financial position as at 1 January 2019

	Note	*Balance as previously reported SR*	*Reclassification SR*	*Adjustments SR*	***Restated balance SR***
ASSETS					
Property plant and equipment	d,e	583,916,132	33,464,440	(1,462,759)	**615,917,813**
Prepayments and other current assets	g	71,129,257	(33,464,440)	795,833	**38,460,650**
EQUITY					
Accumulated losses		(9,780,103)	-	(19,978,888)	**(29,758,991)**
LIABILITES					
Trade payables	h	147,792,636	(100,368,766)	-	**47,423,870**
Accrued expenses and other current liabilities	a	-	103,212,458	19,311,962	**122,524,419**
Other provisions	h	70,068,329	(70,068,329)	-	**-**
Zakat payable	h	11,020,035	67,224,637	-	**78,244,672**

34. RESTATEMENT AND RECLASSFICATIONS (continued)

34.3 Statement of comprehensive income for the year ended 31 December 2019

	Note	*Balance as previously reported SR*	*Reclassification SR*	*Adjustment SR*	***Restated balance SR***
Cost of revenues	d,e,c,h	(1,649,565,564)	(28,832,902)	(1,237,318)	**(1,679,635,784)**
General and administrative expenses	a	(113,626,781)	(1,811,927)	(10,077,506)	**(125,516,214)**
Loss on disposal and replacement of gas cylinders and other adjustments	h	(24,488,060)	24,488,060	-	-
Income from investments, net	b	94,355,913	-	11,114,562	**105,470,475**
Financial charges	c	(1,919,648)	1,811,927	(140,992)	**(248,713)**
Other income, net	h	2,596,436	4,344,842	-	**6,941,278**
NET INCOME FOR THE YEAR		109,784,540	-	(341,254)	**109,443,286**
Other Comprehensive Income:					
Change in fair value of investments in equity instruments through other comprehensive income	b	44,959,061	-	(11,114,562)	**33,844,499**
Total other comprehensive income for the year		142,369,283	-	(11,455,816)	**130,913,467**

34.4 Restatement to the statement of cash flows 31 December 2019

Based on the adjustments above, the statement of cash flow for year ended-31 December 2019 has been adjusted as follows:

	As previously reported SR	*Adjustment SR*	***Restated SR***
Net cash generated from operating activities	207,977,333	1,764,002	209,741,334
Net cash generated from investing activities	103,695,466	(1,764,002)	101,931,464
Net cash used in financing activities	(192,498,944)	-	(192,498,944)

34. RESTATEMENT AND RECLASSFICATION (continued)
34.5 Impact on basic and diluted earnings per share (EPS) (increase/(decrease) in EPS)

Based on the adjustments above, the basic and diluted earnings per share for year ended 31 December 2019 has been adjusted as follows:

	As previously reported SR	*Adjustment SR*	***Restated SR***
Earnings per share	1.46	-	1.46
Basic and diluted earnings per share	1.46	-	1.46
Earnings per share from operations	0.92	(0.56)	0.36

34.6 Details of reclassification and restatements

(a) On 1 Dhul-Hijjah 1441H (corresponding to 22 July 2020), the Company's management discovered an embezzlement conducted by a former employee, who has since been terminated by the Company, and took place over a number of years. The total value of the identified transactions is SR 34.2 million, out of which, an amount of SR 2.9 million and SR 4 million were recorded in 2017 and 2020 statement of comprehensive income, respectively.

The Company adjusted prior years financial statements by the remaining amount of SR 27.4 million as a liability (note 19). The impact of these adjustment is as follows:
- Increase of accrued expenses and other current liabilities and accumulated losses as at 1 January 2019 by SR 18.9 million.
- Increase of accrued expenses and other current liabilities during 2019 by SR 8.5 million, and increase of general and adminstrative expenses by the same amount for the year ended 31 December 2019, which resulted in a decrease of net income for the year ended 31 December 2019 by SR 8.5 million.
- The above two adjustments resulted in increase of accumulated losses of SR 27.4 million as at 31 December 2019.

(b) The Company noted that certain trading securities and debt instruments amounted to SR 169.1 million as at 31 December 2019 (1 January 2019: nil) were classified as investments held at FVTOCI. The management re-assessed the classifications of all investments held at FVTOCI, in accordance with requirements of IFRS 9. As a result, the management reclassified investments balance of SR 169.1 million as at 31 December 2019 from investments at FVOCI to investments held at FVTPL.

As result of this re-classification, the related gain from valuation of the fair value of these investments amounted to SR 11.1 million have been adjusted from unrealized gains from investments held at FVTOCI to profit and loss, and the accumulated loss was decreased by the SR 11.1 million in 2019.

(c) The Company noted that right of use assets and liabilities were not recorded for renewal of a contract which took place in 2019. Therefore, the Company has adjusted the right of use assets and lease liabilities in 2019, amounted to SR 4.8 million and recorded the related depreciation and interest expense. As result of this adjustment, the net income for the year ended on 31 December 2019 was decreased by SR 935,832, and the accumulated loss was increased by the SR 935,832.

34. RESTATEMENT AND RECLASSFICATIONS (continued)
34.6 Details of restatements (continued)

(d) The Company noted that the decommissioning expenses related to rented land is not accounted for in line with IAS 16 and IAS 37. The management assessed the decommission cost and recorded amount SR 400,000 as addition to the cost of the assets and decommissioning liabilities. As a result, the accumulated depreciation as at 1 January 2019 increased by SR 114,063 (31 December 2019: SR 228,126) and the accumulated loss as at 1 January 2019 was increased by SR 114,063 (31 December 2019: SR 228,126). The net income for the year ended 31 December 2019 was decreased by SR 114,063.

(e) During the year, the Company noted that the depreciation of the assets related to a leased branch was calculated based on the useful life of the assets rather than the shorter of the useful life of the asset and the rent contract end date. As the contract is not renewable, the management adjusted the depreciation calculation for the related assets which resulted in increase of the accumulated depreciation as at 1 January 2019 by SR 1.75 million (31 December 2019: SR 2.1 million), and the accumulated loss was increased by SR 1.75 million (31 December 2019: SR 2.1 million). Moreover. The net income for the year ended 31 December 2019 decreased by SR 328,415.

(f) During the year, the Company noted that there are some invoices related to spare parts supplier's invoices were not recorded in the full amount of the invoice. These spare parts were received and used during 2019. As a result, the trade payables was increased by SR 1.6 million as at 31 December 2019, and the net income for the year ended on 31 December 2019 was decreased by SR 1.6 million.

(g) The management noted that there is a rental income related to years prior to 2018 which was not accounted for using accrual basis. Accordingly, prepayments and other current assets as at 1 January 2019 and 31 December 2019 increased by SR 795,833, and the accumulated losses as at 1 January 2019 was decreased by SR 795,833.

(h) The Company has made the following reclassifications:
- Amount of SR 35.2 million as at 31 December 2019 (1 January 2019: SR 33.5 million) related to advances to suppliers and contractors were reclassified from prepayments and other current assets to property, plant and equipment.
- Amount of SR 3.5 million as at 31 December 2019 (1 January 2019: SR nil) related to trade receivable and receivable from lease of investment properties were reclassified from prepayments and other current assets to accounts receivable.
- The Company reclassified the provision and proceeds related to disposal of gas cylinders between cost of revenue (SR 28.8 million) and other income (SR 4.3 million).
- The Company classified bank charges amounted to SR 1.8 million from finance charge to general and adminstrative expenses.
- Other accruals, other provisions and trade payables have been reclassified to conform with current year presentation.

35. IMPACT OF COVID-19

A novel strain of coronavirus (COVID-19) ("the virus") was first identified at the end of December 2019, subsequently in March 2020 it was declared as a pandemic by the World Health Organization (WHO). The virus continued to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia, which resulted in a slowdown of economic and social activities and shutdowns of many sectors at global and local levels.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities, the Company has assessed its impact on its current and future operational activities and has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

At the end of the second quarter of 2020, the government of the Kingdom of Saudi Arabia has allowed the return of all economic and commercial activities, while observing the implementation of all preventive measures adopted, and commitment to social distancing. During the fourth quarter of 2020, several vaccines which passed the testing phase effectively and began to be manufactured and distributed globally to many countries, including the Kingdom of Saudi Arabia. As of the date of preparing these financial statements, the Company's operations and financial results have not incurred significant impact from the virus outbreak.

The impact of the pandemic on the Company's operations and financial results was assessed using some judgments, estimates and assumptions that contain sources of uncertainty as it depends on several future factors and developments that cannot be reliably forecasted.

36. EVENTS SUBSEQUENT TO THE REPORTING DATE

(a) On 22 March 2021, the Seventh Legal Department in the Court of Appeal issued the final ruling which includes the confirmation of the ruling issued by the Second Traffic Department at the General Court in Riyadh to dismiss the case against the Company.

(b) On 14 March 2021, the Company announced the completion of all legal formalities related to establishing a subsidiary company which is 100% owned by the Company under the name of GAS Solutions Company and capital of SR 5 million. This subsidiary company will be operating after finalizing all administrative and technical requirements.

In the opinion of management and other than the above mentioned, there have been no further significant subsequent events that may require adjustments on the financial statements.

37. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 17 Sha'ban 1442H (corresponding to 30 March 2021).