

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REVIEW REPORT**

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REVIEW REPORT
FOR THE PERIOD ENDED 31 MARCH 2022**

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Independent auditors' review report on the interim condensed consolidated financial statements to the shareholders of National Gas and Industrialization Company (A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Gas and Industrialization Company (A Saudi Joint Stock Company) (the "Company") and its subsidiary (collectively referred to as the "Group") as at 31 March 2022, and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

Included in the accrued expenses and other current liabilities is an unapplied collection account ("the unapplied account") of SR 27.4 million (2021: SR 27.4 million). As detailed in note 11(a) to the interim condensed consolidated financial statements; the Group discovered in 2020 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 March 2022 due to lack of audit trail. We were unable to satisfy ourselves with respect to the existence and completeness of this account, nor were we able to perform other alternative procedures. Accordingly, we are unable to determine if any adjustments are required to this account and the related impact on these interim condensed consolidated financial statements.



**Independent auditors' review report on the interim condensed consolidated financial statements to the shareholders of National Gas and Industrialization Company
(A Saudi Joint Stock Company) - (continued)**

Qualified Conclusion

Based on our review, and except for any adjustments to the accompanying interim condensed consolidated financial statements that we might have become aware of had it not been for the matter described in the "Basis for Qualified Conclusion" section, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

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

Riyadh: 24 Shawwal 1443H
(25 May 2022)



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
AS AT 31 MARCH 2022

		31 March 2022 (Unaudited) SR	31 December 2021 (Audited) SR
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	726,449,593	715,388,140
Intangible assets		28,108,702	30,726,987
Investment properties		34,342,174	34,342,174
Right-of-use assets		698,617	1,494,980
Investments in associates	5	88,167,470	87,898,531
Financial assets held at FVOCI		646,835,998	645,042,180
Financial assets held at amortised cost		146,500,000	146,500,000
TOTAL NON-CURRENT ASSETS		1,671,102,554	1,661,392,992
CURRENT ASSETS			
Financial assets held at FVTPL		312,715,472	299,154,133
Inventories, net		143,138,894	160,232,756
Accounts receivable, net	7	28,700,925	31,149,091
Prepayments and other current assets		73,075,232	60,693,765
Cash and cash equivalents	8	181,451,159	61,905,920
TOTAL CURRENT ASSETS		739,081,682	613,135,665
TOTAL ASSETS		2,410,184,236	2,274,528,657
EQUITY AND LIABILITIES			
EQUITY			
Share capital		750,000,000	750,000,000
Statutory reserve		225,000,000	225,000,000
Retained earnings		177,507,986	151,964,481
Unrealized gains from investments at FVTOCI		527,576,453	524,380,156
TOTAL EQUITY		1,680,084,439	1,651,344,637
LIABILITIES			
NON-CURRENT LIABILITIES			
Term loan	9	93,489,292	112,344,168
Lease liabilities		669,514	659,453
Employees defined benefits liabilities	10	130,722,307	140,600,642
TOTAL NON-CURRENT LIABILITIES		224,881,113	253,604,263
CURRENT LIABILITIES			
Trade payables		169,583,221	128,204,639
Lease liabilities - current portion		42,670	1,781,367
Accrued expenses and other current liabilities	11	224,754,916	152,355,874
Term loan – current portion	9	20,000,000	-
Zakat provision	12	90,837,877	87,237,877
TOTAL CURRENT LIABILITIES		505,218,684	369,579,757
TOTAL LIABILITIES		730,099,797	623,184,020
TOTAL EQUITY AND LIABILITIES		2,410,184,236	2,274,528,657


Mr. Majed Ahmad Qwaider

Chief Financial Officer


Eng. Abdulrahman Bin Abdulaziz Bin Sulaiman

Chief Executive Officer and Board Member

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

	Note	For the three months period ended 31 March 2022 SR	For the three months period ended 31 March 2021 SR
Revenues	13	516,652,841	511,081,828
Cost of revenues		(440,309,006)	(434,764,767)
GROSS PROFIT		76,343,835	76,317,061
EXPENSES			
Selling and distribution		(18,395,454)	(21,536,221)
General and administrative		(22,506,259)	(20,832,859)
TOTAL EXPENSES		(40,901,713)	(42,369,080)
OPERATING INCOME		35,442,122	33,947,981
Share in results of associates, net	5	268,939	5,330,726
Income from investments	14	40,538,874	48,689,930
Finance charges		(1,925,113)	(1,731,103)
Other income, net		2,247,993	1,167,093
INCOME BEFORE ZAKAT		76,572,815	87,404,627
Zakat	12	(3,600,000)	(2,213,881)
NET INCOME FOR THE PERIOD		72,972,815	85,190,746
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain on employees defined benefits liabilities	10	8,820,690	4,303,670
Change in fair value of investments in financial assets through other comprehensive income		3,196,297	14,401,324
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD		12,016,987	18,704,994
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		84,989,802	103,895,740
Earnings per share			
Basic and diluted earnings per share	15	0.97	1.14
Weighted average number of outstanding shares		75,000,000	75,000,000



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Chief Executive Officer and Board Member

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Unrealized gains from investments at FVTOCI SR</i>	<i>Total SR</i>
Balance at 1 January 2022	750,000,000	225,000,000	151,964,481	524,380,156	1,651,344,637
Net income for the period	-	-	72,972,815	-	72,972,815
Other comprehensive gain					
Actuarial gain on employees defined benefits liabilities	-	-	8,820,690	-	8,820,690
Gain in fair value of investments in financial assets through other comprehensive income	-	-	-	3,196,297	3,196,297
Total other comprehensive income for the period	-	-	8,820,690	3,196,297	12,016,987
Dividends	-	-	(56,250,000)	-	(56,250,000)
Balance as at 31 March 2022 (Unaudited)	<u>750,000,000</u>	<u>225,000,000</u>	<u>177,507,986</u>	<u>527,576,453</u>	<u>1,680,084,439</u>
Balance at 1 January 2021	750,000,000	225,000,000	44,448,445	545,958,651	1,565,407,096
Net income for the period	-	-	85,190,746	-	85,190,746
Other comprehensive gain					
Actuarial gain on employees defined benefits liabilities	-	-	4,303,670	-	4,303,670
Gain in fair value of investments in financial assets through other comprehensive income	-	-	-	14,401,324	14,401,324
Total other comprehensive income for the period	-	-	4,303,670	14,401,324	18,704,994
Balance as at 31 March 2021 (Unaudited)	<u>750,000,000</u>	<u>225,000,000</u>	<u>133,942,861</u>	<u>560,359,975</u>	<u>1,669,302,836</u>



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National Gas and Industrialization Company
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

	<i>31 March 2022</i> <i>SR</i>	<i>31 March 2021</i> <i>SR</i>
OPERATING ACTIVITIES		
Income before zakat	76,572,815	87,404,627
Adjustments to reconcile income before zakat to net cash generated from operating activities:		
Depreciation of property, plant and equipment	23,949,960	20,975,604
Amortization of intangible assets	2,804,586	2,240,638
Depreciation of right-of-use assets	796,363	514,579
Interest of lease liabilities	61,464	62,111
Share in results of associates	(268,939)	(5,330,726)
Gain on disposal of property, plant and equipment	(32,569)	(247,266)
Provision for employees defined benefits liabilities	3,744,903	3,393,236
Amortization of prepaid upfront fees on term loan	1,145,124	1,236,992
Follow up fees of term loan	718,525	432,000
Provision for slow moving inventory	3,094,735	-
Change in fair value of investments at FVTPL	(13,561,339)	(9,561,290)
Dividends received from investments at FVTOCI	(22,532,279)	(34,030,649)
	<u>76,493,349</u>	<u>67,089,856</u>
Changes in working capital:		
Inventories	13,999,127	6,956,393
Accounts receivable	2,448,166	5,260,157
Prepayments and other current assets	(12,381,467)	(7,978,930)
Trade payables	41,378,582	88,141,427
Accrued expenses and other current liabilities	14,508,534	(20,206,341)
Cash generated from operations	<u>136,446,291</u>	<u>139,262,562</u>
Employees defined benefits liabilities paid	(3,162,040)	(8,857,360)
Net cash from operating activities	<u>133,284,251</u>	<u>130,405,202</u>



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Chief Executive Officer and Board Member

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National Gas and Industrialization Company
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

	<i>31 March 2022</i> <i>SR</i>	<i>31 March 2021</i> <i>SR</i>
INVESTING ACTIVITIES		
Additions of property, plant and equipment	(35,748,830)	(29,631,904)
Additions of Intangibles	(186,301)	-
Proceeds from disposal of property, plant and equipment	769,986	248,300
Dividends received from associates	-	5,775,000
Dividends received from investments at FVTOCI	22,532,279	34,030,649
Disposal of investments at FVTOCI	1,402,479	-
Net cash (used in) / generated from investing activities	<u>(11,230,387)</u>	<u>10,422,045</u>
FINANCING ACTIVITIES		
Lease liabilities paid	(1,790,100)	(478,500)
Repayments of term loan	-	(15,000,000)
Follow up fees on term loan	(718,525)	(432,000)
Net cash used in financing activities	<u>(2,508,625)</u>	<u>(15,910,500)</u>
Net increase in cash and cash equivalents	119,545,239	124,916,747
Cash and cash equivalents at the beginning of the period	61,905,920	277,111,159
Cash and cash equivalents at the end of the period	<u>181,451,159</u>	<u>402,027,906</u>
ADDITIONAL NON-CASH TRANSACTIONS:		
Change in fair value of investments in financial assets at fair value through other comprehensive income	<u>3,196,297</u>	<u>14,401,324</u>
Actuarial gain from remeasurement of employees defined benefit liabilities	<u>8,820,690</u>	<u>4,303,670</u>
Employees defined benefits liabilities transferred to accrued expenses	<u>1,640,508</u>	<u>1,880,204</u>



Mr. Majed Ahmad Qwaider

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

1. CORPORATE INFORMATION

a) ESTABLISHMENT OF THE COMPANY

National Gas and Industrialization Company (GASCO) (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 March 2022, the Public Investment Fund owns 10.91% (2021: 10.91%) of the total Company shares, Mr. Abdulaziz Abdulrahman Al-Mohsen owns 6.66% (2021: 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).

b) GROUP ACTIVITIES

The activities of the Company and its subsidiary (the “Group”) include carrying out all work related to the exploitation, manufacture and marketing of gas of all kinds and its derivatives and industrial gases inside 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 Group. The registered address of the Group is P.O. Box 564, Riyadh 11421, Kingdom of Saudi Arabia.

The Group has the following branches:

<i>Branch</i>	<i>Commercial registration number</i>	<i>Issuing date</i>
1- Riyadh	1010429687	23/03/1436 H
2- Riyadh	1010672639	23/04/1442 H
3- Riyadh	1010672640	23/04/1442 H
4- Riyadh	1010672641	23/04/1442 H
5- Riyadh	1010681388	04/06/1442 H
6- Dammam	2050001551	07/08/1383 H
7- Buraidah	1131004089	06/04/1402 H
8- Al-Madinah Al-Munawwarah	4650006707	18/03/1402 H
9- Jeddah	4030032503	19/02/1402 H
10- Yanbu	4700003177	07/08/1409 H
11- Khamis Mushait	5855004366	25/12/1402 H
12- Taif	4032007367	20/09/1402 H

The assets, liabilities and results of operations of these branches and below mentioned subsidiary are included in these interim condensed consolidated financial statements.

During the first quarter of 2021, the Company established a new subsidiary which is 100% owned under the name of Gas Solutions Company (Owned by One Person) (a limited liability Company). The below represents the details of the subsidiary:

<i>Subsidiary</i>	<i>Commercial registration number</i>	<i>Country of incorporation</i>	<i>Effective shareholding percentage</i>
Gas Solutions Company	1010693275	Kingdom of Saudi Arabia	100%

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements for the three months period ended 31 March 2022 were prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Chartered and Professional Accountants.

The interim condensed consolidated financial statements are presented in Saudi Riyals, which represents the Group's functional currency.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and they must be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2021. In addition, the results for the three-month period ended 31 March 2022, are not an accurate indication of the results that can be expected for the fiscal year ending 31 December 2022.

Judgments, Estimates and Assumptions

Preparing the interim condensed consolidated financial statements requires management to use certain judgments, estimates and assumptions that affect the application of accounting policies and the amounts presented for assets and liabilities, revenues and expenses. Actual results may differ from these estimates. The significant judgments taken by management in applying the Group's accounting policies and the main sources of uncertainty estimates are the same as those applied to the annual consolidated financial statements for the year ended 31 December 2021.

2.2 Basis of consolidation

These interim condensed consolidated financial statements include the assets, liabilities and the results of operations of the Company and its subsidiary (the "Group") stated in note 1 above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired (or disposed) of during the year are included (or derecognised) in the interim condensed consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

The financial statements of the subsidiary is prepared for the same reporting period as the Company. Where necessary, accounting policies of the subsidiary has been changed to ensure consistency with the policies adopted by the Group.

All inter-group accounts and transactions have been eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied during the preparation of these interim condensed consolidated financial statements are the same policies applied during the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2021.

3.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

3.1 New standards, interpretations and amendments adopted by the Group (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group 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 amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under contract.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Company intends to use the practical expedients in future periods if they become applicable.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations 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 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arising during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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 recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidated procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it is not a first-time adopter.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

3.1 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendments clarify 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. There is no similar amendment proposed for *IAS 39 Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it did not have any assets measured on fair value in accordance with IAS 41 as at the reporting date.

4. PROPERTY, PLANT AND EQUIPMENT

- Land includes two plots of land with value of SR 2.7 million (31 December 2021: SR 2.7 million) that have been mortgaged to the Saudi Industrial Development Fund (SIDF) and the process of pledging the remaining five plots of land as per terms of the loan is in under process. (note 9)
- Included in property, plant and equipment capital work in progress amounted to SR 215.1 million (31 December 2021: SR 191.9 million) which mainly represents projects to develop the Group's stations and its capacity and also to develop production lines in accordance with the Group's needs and the public safety requirements.

5. INVESTMENTS IN ASSOCIATES

Investments in associates comprise the following:

	<i>Ownership percentage</i>	31 March 2022 (Unaudited) SR	31 December 2021 (Audited) SR
Saudi Gas Cylinder Factory Company	37.57%	37,503,612	38,602,581
Natural Gas Distribution Company	35%	19,880,926	19,804,311
East Gas Company	35%	30,782,932	29,491,639
		88,167,470	87,898,531

The movement of investments in associates is as follows:

	31 March 2022 (Unaudited) SR	31 December 2021 (Audited) SR
1 January	87,898,531	80,270,034
Prior year adjustment	-	(26,572)
Share of results	268,939	13,430,069
Dividends received	-	(5,775,000)
Ending balance	88,167,470	87,898,531

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

5. INVESTMENTS IN ASSOCIATES (continued)

The share in the results of associates comprises the following:

	31 March 2022	31 December 2021
	(Unaudited)	(Audited)
	SR	SR
Saudi Gas Cylinders Factory Company	(1,098,969)	8,041,525
Natural Gas Distribution Company	76,615	979,235
East Gas Company Limited	1,291,293	4,409,309
	268,939	13,430,069

6. GROUP INFORMATION

The Company established a 100% owned subsidiary under the name of Gas Solutions Company on 9th March 2021 with an initial share capital of SR 5,000,000. The subsidiary is specialized in establishing, building and maintenance of liquefied petroleum gas (LPG) networks and tanks, developing LPG products and solution. The subsidiary started its operation during the second quarter of 2021. Following are the key financial items in the subsidiary financial statements:

Summarized statement of financial positions:

	31 March 2022	31 December 2021
	(Unaudited)	(Audited)
	SR	SR
Current assets	18,427,374	5,669,666
Non-current assets	2,096,405	1,554,365
Current liabilities	12,995,935	(2,792,830)
Non-current liabilities	131,306	(75,404)
Equity	7,396,538	(4,355,797)

Summarized statement of comprehensive income:

	31 March 2022	31 December 2021
	(Unaudited)	(Audited)
	SR	SR
Revenue	12,453,784	2,975,659
Gross profit	4,605,679	1,636,089
Income / (loss) before Zakat	3,040,742	(582,358)
Zakat expense	-	(61,845)
Income / (loss) after Zakat	3,040,742	(644,203)
Other comprehensive income	-	-
Total comprehensive income / (loss)	3,040,742	(644,203)

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7. ACCOUNTS RECEIVABLE, NET

	<i>31 March 2022</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2021</i> <i>(Audited)</i> <i>SR</i>
Trade receivables	38,592,066	41,432,193
Non-trade receivables	4,892,608	4,500,647
Total	43,484,674	45,932,840
Provision for expected credit losses	(14,783,749)	(14,783,749)
	<u>28,700,925</u>	<u>31,149,091</u>

8. CASH AND CASH EQUIVALENTS

	<i>31 March 2022</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2021</i> <i>(Audited)</i> <i>SR</i>
Balances at banks	111,451,159	61,905,920
Short-term Murabaha time deposits	70,000,000	-
	<u>181,451,159</u>	<u>61,905,920</u>

9. TERM LOAN

	<i>31 March 2022</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2021</i> <i>(Audited)</i> <i>SR</i>
Principal amount at 1 January	119,000,000	188,000,000
Less: repayment	-	(69,000,000)
Principal amount – ending balance	119,000,000	119,000,000
Less: Un-amortized portion of transaction cost	(5,510,708)	(6,655,832)
Net amount	113,489,292	112,344,168
Less: current portion	(20,000,000)	-
Non-current portion	<u>93,489,292</u>	<u>112,344,168</u>

On 17 Muharram 1440 H (corresponding to 27 September 2018), the Group 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 Group. The terms of the loan span over a tenure of 5 years. The loan is non-interest-bearing but carry an upfront fee amount of SR 16.2 million paid at the start of the loan. In addition to a transaction cost relating to follow-up charges are paid on an semi-annual basis year over the term of the loan. Further, the loan 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 Group 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 Group completed the pledge of two lands to the SIDF (note 4), and the process of pledging the remaining five lands is in under process.

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10. EMPLOYEES DEFINED BENEFITS LIABILITIES

	<i>31 March 2022</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2021 (Audited)</i> <i>SR</i>
At the beginning of the period/year	140,600,642	156,481,393
Current service cost	2,749,911	11,500,923
Current service cost charged to work in progress	8,992	87,234
Finance charges	986,000	3,640,483
Paid during the period/year	(3,162,040)	(23,744,766)
Re-measurements (gain) / loss on employees defined benefit liabilities	(8,820,690)	472,081
Transfer to accrued employees' benefits	(1,640,508)	(7,836,706)
At the end of the period/year	130,722,307	140,600,642

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

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

	<i>31 March 2022</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2021 (Audited)</i> <i>SR</i>
Discount rate	3.3%	2.8%
Future salary increases	3.75%	3.75%
Retirement age	60	60

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

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.:

	<i>31 March 2022</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2021 (Audited)</i> <i>SR</i>
Discount rate		
Increase 1%	(117,585,000)	(126,843,000)
Decrease 1 %	146,272,000	158,952,000
The future increase in the salaries		
Increase 1%	146,038,000	157,599,000
Decrease 1%	(117,521,000)	(125,837,000)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>31 March 2022</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2021 (Audited)</i> <i>SR</i>
Dividends payable	96,563,993	40,497,560
Advance from customers	35,305,478	31,610,467
Accrued expenses	33,232,703	26,330,554
Unapplied cash receipts (note (a) below)	27,389,468	27,389,468
Accrued employees' benefits (note (b) below)	21,997,859	19,624,100
Board of Directors and committees' remunerations	4,153,846	3,403,846
Cash deposits from customers	3,226,520	3,106,520
Value added tax payable	1,872,660	-
Others	1,012,389	393,359
	<u>224,754,916</u>	<u>152,355,874</u>

- a) On 1 Dhul-Hijjah 1441H (corresponding to 22 July 2020), the Group's management discovered an embezzlement conducted by a former employee, who has since been terminated by the Group, 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 embezzlement that took place in prior years, was mainly routed through this account.
- b) The above balance included balance related to Early Retirement Plan of SR 0.8 million (2021: SR 1.07 million), established by the Group's Board of Directors during 2020. The plan costs are provided for in accordance with the Group's employee benefit policies which is based mainly on the current salary, years of service and the years of service until 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 Group apply the requirements for short-term employee benefits. The provision is accounted for once the approval is made by the employee for the plan.

12. ZAKAT PROVISION

Status of assessments

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

2005 to 2007 status

Zakat, Tax and Customs Authority ("ZATCA") issued the final zakat assessments to the Group for the years from 2005 to 2007, which resulted in an additional amount of SR 39 million. The Group has objected on the assessments with the relevant appeal committee. There is no outcome of the result of this objection as of 31 March 2022, also, the Group submitted a bank guarantee to the ZATCA of SR 39 million in this respect. Furthermore, the Group submitted an appeal against the decision of the First Circuit to settle income tax violations and disputes in the city of Riyadh No. (IFR-2021-1949) issued in Case No. (2020-19143-Z) related to the zakat assessments for the years 2005 to 2007, which amounted SR 38.9 million and it is currently pending for a hearing and discussion session to be set at the Appeals Chamber.

2008 to 2010 status

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

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12. ZAKAT PROVISION (continued)

2011 to 2013 status

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

2014 to 2018 status

During 2020, the Group received Zakat assessments for the years from 2014 to 2018, which resulted in an additional amount of SR 40 million. The Group has objected on the assessments with the relevant appeal committee. During the year 2021, this case has been separated into two different cases. Case No. 38736-2021-z is related to 2014-2016 till 2018 is in the separation stage. A date for hearing to consider the case was held on 4th April 2022 in which appeal committee issued its decision to reject the objection. The Group is now awaiting for the final decision to receive from the committee and then appeal against it. Case No. 58673-2021-z related to 2015 is at the separation stage. The status of the technical study of the case is currently under the General Secretariat of the Tax Committees.

2019 and 2020 status

ZATCA issued the zakat assessment to the Group for the years 2019 and 2020, which resulted in an additional amount of SR 11.5 million which was subsequently reduced to SR 9.3 million. The Group has submitted the objection on the assessment with the relevant appeal committee and submitted a bank guarantee to the ZATCA of 50% of the total amount in this regard.

2021 status

The Group has submitted its zakat return for the year 2021, and the assessments have not yet been raised by ZATCA up to the date of the interim condensed consolidated financial statements.

The final outcome of these assessments cannot be determined currently. Accordingly, the Group assessed its zakat status for the years in which it received zakat assessments, and for the years that were not examined by ZATCA and provided for appropriate provisions based on the assessments of the management and the zakat advisor of the Group.

13. REVENUES

	31 March 2022 (Unaudited) SR	31 March 2021 (Unaudited) SR
Gas sales	481,762,647	468,873,965
Gas cylinders and tanks, and extension parts' sales	29,566,129	37,052,958
Service, transportation and installation revenue	4,090,980	4,034,905
Other commercial projects	1,233,085	1,120,000
	<u>516,652,841</u>	<u>511,081,828</u>

14. INCOME FROM INVESTMENTS

	31 March 2022 (Unaudited) SR	31 March 2021 (Unaudited) SR
Dividends income from investment at FVOCI	22,417,946	34,030,649
Income from investment at amortized cost	1,089,688	-
Rent income from investment properties	3,355,568	3,504,769
Change in fair value of investments at FVTPL	13,561,339	9,561,290
Income from Sukuk and short-term Murabaha time deposits	114,333	1,593,222
	<u>40,538,874</u>	<u>48,689,930</u>

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15. 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 Group has not issued any discounted instruments as at 31 March:

	31 March 2022 (Unaudited) SR	31 March 2021 (Unaudited) SR
Net income for the period	72,972,815	85,190,746
Weighted average number of outstanding shares	75,000,000	75,000,000
Basic and diluted earnings per share	0.97	1.14

16. COMMITMENTS AND CONTINGENCIES

Legal claim contingencies

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

Also, there was another lawsuit filed by the Public Prosecutor and other five parties against the Group, 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 Group. This decision is related to the general right not the private right.

The Group received a claim for the rent of one of the branches for the period from 9 April 1976 to 13 November 2021 amounting to SR 18.3 million. The legal advisor believes that the expected outcome from this matter will be in favor of the Group and management filed an objection to comply with the basis of the contractual terms.

Guarantees and letters of credit

The Group has submitted a bank guarantee to ZATCA amounting to SR 39 million (2021: SR 39 million) relating to the Group's zakat assessments for the years from 2005 to 2007. During 2021, the Group has further submitted a bank guarantee to ZATCA for 50% of the total amount relating to the Group's zakat assessments for the years from 2019 to 2020 (note 12).

The Group has submitted a bank guarantee to Saudi Arabian Oil Company "Saudi Aramco" amounting to SR 280 million (31 December 2021: SR 280 million) relating to the supply of petroleum products.

The Group has outstanding letters of credit as at 31 March 2022 amounting to SR 33.6 million (31 December 2021: SR 15.6 million). The Group 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 March 2022 (31 December 2021: SR 49 million).

Commitments

As at 31 March 2022, the Group has commitments of SR 140.9 million (31 December 2021: SR 130.4 million) related to capital work in progress under property, plant and equipment and intangible assets.

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17. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on its geographical regions within Kingdom of Saudi Arabia, as follows:

<i>31 March 2022 (Unaudited)</i>	<i>Central region SR</i>	<i>Western region SR</i>	<i>Eastern region SR</i>	<i>Southern region SR</i>	<i>Gas Solutions Company SR</i>	<i>Eliminations SR</i>	<i>Total SR</i>
Revenues- external	192,225,165	174,222,440	84,171,909	58,978,469	12,453,784	(5,398,926)	516,652,841
Cost of revenues	(170,661,160)	(136,976,720)	(61,481,365)	(46,081,280)	(7,847,154)	5,398,926	(417,648,753)
Asset depreciation and amortization	(14,759,860)	(7,839,061)	(1,866,978)	(2,269,889)	(18,758)	-	(26,754,546)
Depreciation of right-of-use assets	(796,363)	-	-	-	-	-	(796,363)
Selling and distribution	(8,987,037)	(3,120,735)	(961,064)	(1,032,735)	(903,032)	-	(15,004,603)
General and administrative	(20,362,353)	-	-	-	(644,101)	-	(21,006,454)
Operating income	(23,341,608)	26,285,924	19,862,502	9,594,565	3,040,739	-	35,442,122
Total assets	776,347,758	238,533,306	72,605,625	85,670,908	20,523,781	(12,058,256)	1,181,623,122
Total liabilities	427,615,399	50,160,205	22,425,221	19,564,661	13,065,398	(7,058,256)	525,772,628

<i>31 March 2021 (Unaudited)</i>	<i>Central region SR</i>	<i>Western region SR</i>	<i>Eastern region SR</i>	<i>Southern region SR</i>	<i>Gas Solutions Company SR</i>	<i>Eliminations SR</i>	<i>Total SR</i>
Revenues- external	188,410,676	180,406,085	81,804,726	60,460,341	-	-	511,081,828
Cost of revenues	(162,736,680)	(147,082,792)	(58,713,449)	(46,969,267)	-	-	(415,502,189)
Asset depreciation and amortization	(12,445,740)	(8,099,169)	(1,510,293)	(1,132,132)	-	-	(23,187,334)
Depreciation of right-of-use assets	(117,158)	(397,420)	-	-	-	-	(514,578)
Selling and distribution	(10,457,033)	(5,017,573)	(1,725,513)	(955,021)	-	-	(18,155,140)
General and administrative	(19,774,001)	(605)	-	-	-	-	(19,774,606)
Operating income	(17,119,936)	19,808,526	19,855,471	11,403,921	-	-	33,947,981
Total assets	636,530,816	251,254,954	78,835,693	89,033,783	7,224,032	(1,287,639)	1,061,591,639
Total liabilities	311,102,369	70,075,370	22,529,607	18,102,999	2,868,235	(1,076,605)	423,601,975

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued) FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

17. OPERATING SEGMENTS (continued)

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 operating profit and is measured consistently with operating profit in the interim condensed consolidated financial statements. Also, the Group'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 Group basis and are not allocated to operating segments.

The revenue information above is based on the regional location of the customers. Segment revenue reported above represents revenue generated from external customers. There was SR 5,398,926 adjustment for the period ended 31 March 2022 (31 March 2021: SR Nil) (between the group and subsidiary company) which were eliminated at consolidation. No single customer contributed 10% or more to the Group's revenues. Zakat provision, term loan and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Inter-company revenues are eliminated upon consolidation and reflected in the elimination's column. All other adjustments and eliminations are part of detailed reconciliations presented further below:

Reconciliation of profit

	<i>31 March 2022 (Unaudited) SR</i>	<i>31 March 2021 (Unaudited) SR</i>
Segment profit	35,442,122	33,947,981
Share in results of associates, net	268,939	5,330,726
Income from investments	40,538,874	48,689,930
Finance charges	(1,925,113)	(1,731,103)
Other income, net	2,247,993	1,167,093
Zakat	(3,600,000)	(2,213,881)
Profit after zakat	72,972,815	85,190,746

Reconciliation of assets

	<i>31 March 2022 (Unaudited) SR</i>	<i>31 December 2021 (Audited) SR</i>
Segment operating assets	1,181,623,122	1,061,591,639
Investments in associates	88,167,470	87,898,531
Financial assets held at FVTOCI	646,835,998	645,042,180
Financial assets held at amortised cost	146,500,000	146,500,000
Financial assets held at FVTPL	312,715,472	299,154,133
Investment properties	34,342,174	34,342,174
Total assets	2,410,184,236	2,274,528,657

Reconciliation of liabilities

	<i>31 March 2022 (Unaudited) SR</i>	<i>31 December 2021 (Audited) SR</i>
Segment operating liabilities	525,772,628	423,601,975
Term loan	113,489,292	112,344,168
Zakat provision	90,837,877	87,237,877
Total liabilities	730,099,797	623,184,020

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18. 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 Group 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. Furthermore, during the year 2021, booster doses were already started to be given globally including the Kingdom of Saudi Arabia therefore allowing all the economic and commercial activities to be carried in normal course. As of the date of preparing these interim condensed consolidated financial statements, the Group’s operations and financial results have not incurred significant impact from the virus outbreak.

The impact of the pandemic on the Group’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.

19. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events have occurred subsequent to the reporting date and before the issuance of these interim condensed consolidated financial statements which require adjustment or disclosure in these interim condensed consolidated financial statements.

20. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Audit Committee in accordance with the authorization of the Board of Directors on 16 Shawwal 1443H (corresponding to 17 May 2022G).