Bahri

Annual Report 2014

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Bahri البحري

In the name of Allah
the Most Gracious, the Most Merciful

Contents

Board of Directors
2014-2016

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Mohammed Abdulaziz Al Sarhan
Vice Chairman

Essam Hamad Al Mubarak
Board Member

Saleh Abdullah Al Debasi
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Board Member

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Board Member

Bader Abdulqadir Ghouth
Board Member

Chairman's Message

Dear Shareholders,

May the Peace, Mercy, and Blessings of Allah be upon you.

The Board of Directors of The National Shipping Company of Saudi Arabia (Bahri) is pleased to present to you the "Annual Report of the Company's Business for the year 2014". The year witnessed several notable achievements and changes, nevertheless the Company managed to meet its planned objectives. During 2014, the net profits made by the Company amounted to SAR 533.840 million. Considering the current situation of the world economy and the lower shipping rates of some of the

Company's services, such profits are remarkable.

2014 was marked with many achievements, including:

- Merger of Vela's fleet and operations with Bahri completed. The process started in 2012 and involved 20 tankers. In August 2014, Bahri evaluated the tankers through international ship mediators, and the evaluation showed an increase in the tankers' value as compared with the evaluation carried out in 2012.

- Increasing of The Company's share capital from SAR 3,150,000,000 to SAR 3,937,500,000 by issuing 78,750,000 ordinary shares with a face price of. SAR 10 per share. The shares resulting from the capital increase will be evaluated that is, SAR 22,25, per share as agreed with the Saudi Arabian Oil Company (Saudi Aramco), i.e. an addition of SAR 12.25 to the face value. Accordingly, the total value of the new shares will be SAR 1,752,187,500 and will be owned by Saudi Aramco Development Co., which is totally owned by Saudi Aramco.

- In September 2014, a Royal Decree was issued to renew the contract with the Ministry of Defense for additional (5) years ending in 2019, with a total amount of SAR 383 million. According to this contract, Bahri will remain the official shipping agency for the different divisions of the armed forces of the Ministry, providing all logistic services related to maritime, air, and land cargo throughout the contract term.

- In March 2014, the last dry bulk vessel, contracted in 2012, was received by Bahri Dry Bulk (a subsidiary company owned by 60% by Bahri). The company started its operations in 2010 by leasing five (5) dry bulk vessels to the Arabian Agricultural Services Company (ARASCO). Currently, Bahri Dry Bulk operates its own five (5) dry bulk vessels.

- The Company appointed external consultants to prepare a comprehensive strategic plan for next five years (2015-2019). Such plans will define the strategic objectives of the different business units.

Finally, I would like to extend my deep appreciation and gratitude to the Saudi government, the Custodian of the Two Holy Mosques, the Crown Prince, and Second Deputy. I would also like to thank members of the Board of Directors for their continued efforts to help the Company meet its planned objectives. Similarly, I would like to thank the Company's owners, clients, as well as staff for their dedication to meet the inspirations and expectations of the shareholders and clients.

Wishing you all success and May Allah guide you.

Chairman
Abdul Rahman Mohammed Al Mofadhi

CEO’s Message

Dear Shareholders,

May the Peace, Mercy, and Blessings of Allah be upon you.

On behalf of myself, my colleagues in the executive management, and all staff of the Company, I would like to extend my deep appreciation to the Board of Directors and valued clients for the support they have provided to the Company’s management to achieve its planned objectives. Despite the continued world economic crisis and fierce competition in the maritime transportation sector, the Company managed to achieve good financial results in the fiscal year 2014. In addition, the Company is in the process of finalizing its comprehensive strategy (2015-2019) which will focus on enhancing and expanding the different activities of the Company, as well as ensuring efficiency of the operational processes.

The good financial results achieved by the Company are attributed to the Company's commitment to excellence and speedy, flexible response to meeting its clients needs, in addition to its ability to adapt the unstable conditions of the world markets.

The Company continued to achieve the planned objectives of 2014, making use of its experience and resources to meet its obligations in a very cost-efficient manner. Whilst preserving the environment, the Company continues to enhance its growth by keeping pace with the latest developments in the maritime transportation industry; developing capacity and skills of its staff; and supporting initiatives and programs of the Corporate Social Responsibility.

Finally, I would like to express my gratitude to my colleagues in the executive management and all of our employees for their valued efforts which helped reinforce the Company's status in becoming a world pioneering company in the field of maritime transportation.

"...and the journey continues"
May Allah guide you.

CEO
Ibrahim Abdul Rahman Al Omar

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Board of Directors' Report

Information about the Company and its Subsidiaries

Introduction

The National Shipping Company of Saudi Arabia (Bahri) is the Kingdom's leading shipping company. Through its multiple offices, subsidiaries, and network of agents, Bahri exerts distinguished efforts in providing excellent services which cover several markets around the world with a large fleet of ships and VLCCs sailing around the globe. This helped linking Saudi economy with other economies. In addition, Bahri always strives to provide quality and efficient specialized services and to diversify its strategic investments and activities to ensure the maximum returns to its shareholders.

Bahri Abha

Year built	:	2013
Type	:	General cargo vessel
Length	:	225 m
Beam	:	32.30 m
Speed	:	17 knots
Draft	:	9.50 m
DWT	:	26,000 t

Bahri Arasco

Year built	:	2013
Type	:	Dry bulk transportation vessel
Length	:	229.50 m
Beam	:	32.26 m
Speed	:	14.50 knots
Draft	:	14.45 m
DWT	:	81.500 t

About the Company

The **The National Shipping Company of Saudi Arabia (Bahri), based in Riyadh, was established by Royal Decree No. M/5 dated January 22, 1978** and listed on the on the Saudi Stock Exchange (Tadawul).

Bahri began **its operations in the general cargo shipping sector in 1983.** Two years later, Bahri entered the petrochemicals shipping market, and in the mid 90s, expanded its operations to include oil transportation, followed by investing in the business of liquefied petroleum gas (LPG). By acquiring a share in Petredec Ltd. In 2010, Bahri added dry bulk cargo as a new line of business.

Due to the expansion of its activities and fleet, the Company incorporated the Mideast Ship Management Ltd in 1996 to provide technical services to the vessels and tankers of Bahri and its subsidiaries.

Today, Bahri **is among the leading maritime transportation companies in the world,** in which the Public Investment Fund (PIF) holds 22% of its shares followed by Saudi Aramco with (20%), while the remaining shares are owned by individuals and corporate investors.

In 2012, **Bahri signed binding agreements with Saudi Aramco and Vela International Marine Ltd.,** a wholly owned subsidiary of Saudi Aramco, to merge the fleet and operations of Vela with Bahri. In accordance with this agreement, the whole fleet of Vela (i.e. 14 double-hull VLCCs, one floating storage oil tanker, and 5 tankers of refined oil products) will be transferred to Bahri. The transfer process was completed in December 15, 2014.

Bahri has received **several awards, which are reflections of its excellence and client confidence.** Bahri has reinforced this position by adopting a policy of comprehensive disclosure and transparency, especially with respect to its operational results. Bahri implements very high safety standards in all of its operations and takes environmental considerations into account. The Company is also committed to adopting Corporate Social Responsibility (CSR), achieving continued growth, utilizing available resources optimally, and fulfilling its mission and objectives.

Vision

Connecting economies, sharing prosperity and driving excellence in global logistics services.

Mission

By consistently focusing on our values and responsible business fundamentals, we will be a leading service provider applying the international best practices to run a world-class fleet, whilst building beneficial relationships with all stakeholders.

Values

Commitment, Relentless, Transparent, Considereds.

Commitment

All of the Company's employees are committed to supporting and serving all its customers, and to fulfilling the Company's mission to shareholders and society.

Efficiency

The Company's efficiency lies in its work ethics, commitment to customers and operational credibility.

Information about the Company and its Subsidiaries

The following table shows the companies that are wholly or partially owned by Bahri:

Company name	Core activity	Place of incorpo-ration	Geo-graphic scope of activity	Incor-poration date	Owner-ship (2014)
NSCSA (America) Inc.	Agent	USA	Global	1991	100%
Mideast Ship Management Ltd.	Technical ship management	UAE	Global	1996	100%
National Chemical Carriers Ltd. Co. (NCC)*	Chemical transportation	KSA	Global	1990	80%
Bahri Dry Bulk Co. (BDB)	Dry bulk cargo transportation	KSA	Global	2010	60%
Petredec Ltd.	LPG transportation and trading	Bermuda	Global	1980	30.3%
Arabian United Float Glass Co.	Manufacturing of float glass	KSA	Local	2006	4.69%

* Owns a subsidiary in the UAE under the name of "National Chemicals Carriers JLT" since 2013 that manages operations of NCC fleet commercially.

Company Strategy

Bahri enhances its competitiveness in global markets through expanding its business activities, increasing its fleet, and consolidating its financial and operational position by diversifying and managing the investments in accordance with the Company's strategic plans.

The Company's strategic plan for 2014 included the following:

- Receiving the remaining ships under construction
- Finalizing the merger of Vela's fleet and operations with Bahri
- Exploring investment opportunities
- Improving operational performance in all sectors and business units of Bahri
- Start preparing a new strategic plan for the next five (5) years.

Merger of Vela's Fleet and Operations with Bahri

On November 4, 2012, **the Company signed the final binding agreements with Saudi Aramco and Vela,** International Marine Ltd.,, a totally owned subsidiary of Saudi Aramco, to merge Vela's fleet and operations with Bahri. Pursuant to the agreements, Bahri would pay SAR 4.9 billion to Vela, including SAR 3.12 billion in cash and issuance of 78.75 million new shares in Bahri. This deal and related decisions proved to be beneficial for the Company and its shareholders and will contribute to the Company's future by enhancing its financial and commercial position, realizing growth and expansion strategies, and bringing in an added value to the shareholders on the long run.

Accordingly, **the Bahri extraordinary General Assembly meeting held on June 19, 2014,** , approved finalizing the merger as stated in the prospectus of capital increase published by Bahri and approved by the board of Capital Market Authority on May 25, 2014.

This merger **is considered a milestone in the history of maritime transportation in Saudi Arabia** and the emergence of a prominent company in the field of maritime in the world. The process resulted in the formation of a large, multiple purpose fleet of 72 vessels, making Bahri the third largest company in the world represented in the large number of VLCCs. Moreover, this merger will provide significant competitiveness in the international markets, increase operational efficiency, and reduce overhead costs. The merger deal included a full transfer of Vela's fleet comprising of 14 double-hull VLCCs, one floating storage carrier, and 5 tankers for refined oil products. It also included embedding entire crew of Vela's carriers, some office staff, and part of its systems within Bahri's organizational structure.

In accordance **with the referenced deal, Bahri will be the exclusive provider of VLCC crude oil shipping services sold by Saudi Aramco** on the basis of delivery including using VLCCs under a long-term shipping contract. According to the agreed conditions, Bahri will be protected in case the freight rates drop below the agreed minimum rate. However, in case freight rates exceed the agreed maximum rate (compensation threshold), Bahri shall compensate Saudi Aramco for the amounts it had paid to Bahri when freight rates were below the minimum rate.

In this respect, **the first VLLC was received from Vela on July 21, 2014,** marking the effective date of the long-term Contract of Affreightment. The remaining Vela's tankers were received according to the agreed schedule in a smooth and professional manner, ensuring integrating the transferred tankers directly into the commercial business of Bahri. The last of Vela's tanker was transferred on December 15, 2014.

Pursuant to **the merger agreements, Saudi Aramco will own 78,750,000 new shares of Bahri,** representing 20% of Bahri's total shares after the issuance process. The new shares were listed in the portfolio of Saudi Aramco Development Company on September 15, 2014. Saudi Aramco now has a fair representation in Bahri's Board. In addition, Saudi Aramco will continue to directly manage all crude oil marketing and client sales, while Bahri will provide reliable shipping services to Saudi Aramco. Both parties will explore further viable opportunities to expand their cooperation in maritime activities.

The merger process included a number of agreements as follows:

- Business operation and asset agreement
- Cargo contract
- Relation agreement
- Term leasing agreement
- Service agreement
- Amended promotional sale forms
- Borrowing agreement

Main achievements of 2014

- Merger of Vela’s fleet **and operations with Bahri completed. The process started in 2012 and involved 20 tankers.** In August 2014, Bahri evaluated the tankers through international ship mediator, and the valuation showed an increase in the tanker’s value compared with the evaluation carried out in 2012.

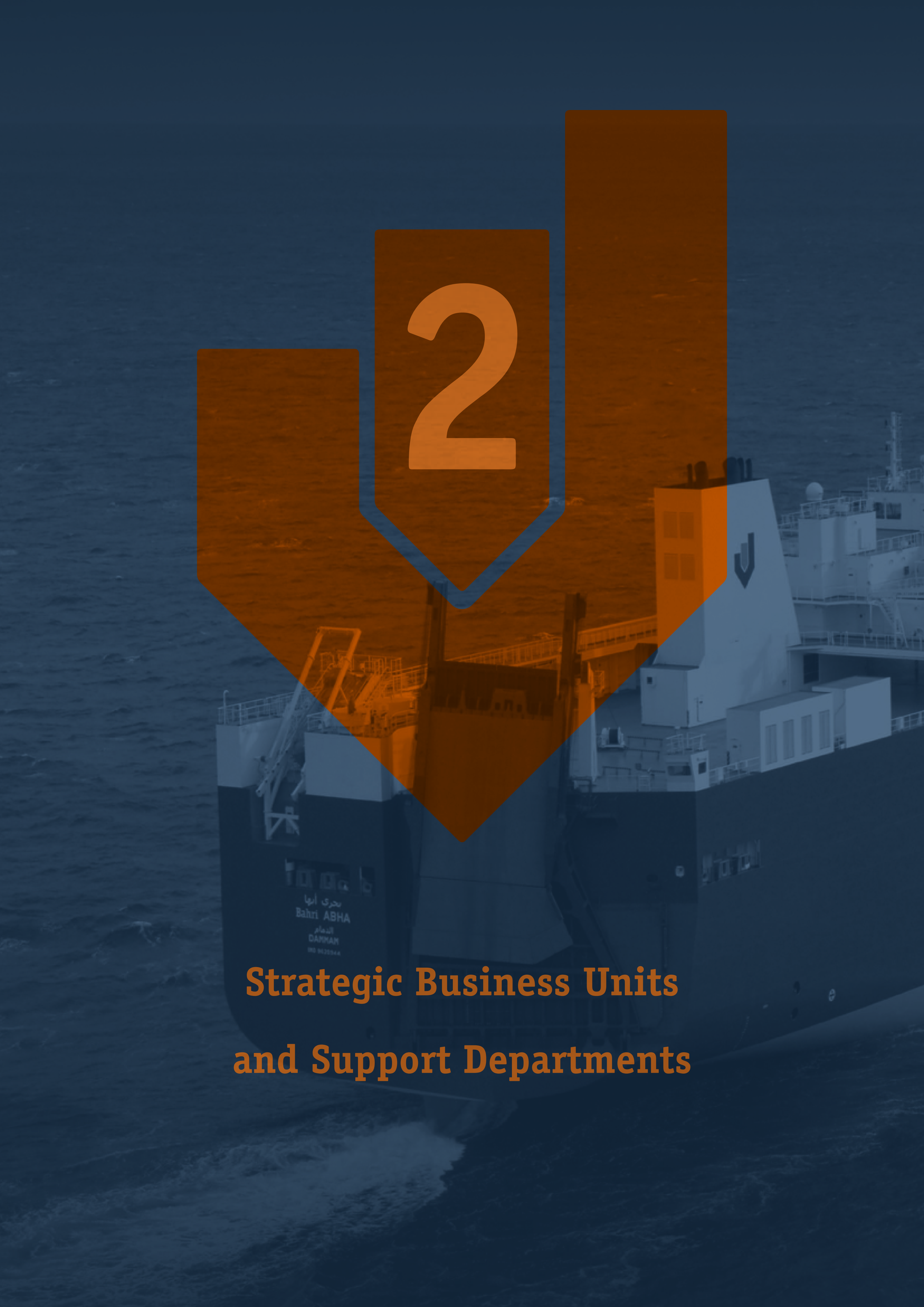
- The Memorandum **of Understanding (MoU) signed in 2013 between Bahri, Saudi Aramco, and Sembcorp Maritime Ltd.** - a major international company in maritime and engineering services based in Singapore, was extended until October, 29, 2015. It will remain effective until finalizing the economic feasibility studies of constructing a maritime shipyard in the Kingdom of Saudi Arabia.

- Increasing **of The Company’s share capital from SAR 3,150,000,000 to SAR 3,937,500,000** by issuing 78,750,000 ordinary shares with a face price of. SAR 10 per share. The shares resulting from the capital increase will be evaluated that is, SAR 22.25, per share as agreed with Saudi Arabian Oil Company (Saudi Aramco), i.e. an addition of SAR 12.25 to the face value. Accordingly, the total value of the new shares will be SAR 1,752,187,500 and will be owned by Saudi Aramco Development Co., which is totally owned by Saudi Aramco.

- In September 2014, **and by a Royal Decree, the contract with the Ministry of Defense** for additional (5) years ending in 2019, with a total amount of SAR 383 million. Under this contract, Bahri will remain the official shipping carrier for the different divisions of the armed forces of the Ministry, providing all logistic services related to maritime, air and land cargo throughout the contract term.

- In March 2014, **the last dry bulk vessel, contracted in 2012, was received by Bahri Dry Bulk** (a subsidiary company 60% owned by Bahri). The company started its operations in 2010 by leasing five (5) dry bulk vessels to Arabian Agricultural Services Company (ARASCO). Currently, Bahri Dry Bulk operates its own five (5) dry bulk vessels.

- The Company **appointed external consultants to develop a comprehensive strategic plan for 2015-2019.** Such plan will define the strategic objectives of the different business units and ensure that the objectives are in line with the overall strategy of the Company. The plan is being reviewed by the Strategy and Investment Committee and will require the Board’s approval before implementation.



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Strategic Business Units and Support Departments

Strategic Sectors

The Company organizes its business activities internally through a number of strategic sectors. They are: crude oil transportation, gas and marine services, chemical transportation, general cargo transportation, dry bulk cargo transportation and ship management.

Operations related to chemical transportation are conducted by the National Chemicals Carriers Ltd. Co. (NCC); 80% owned by Bahri. Dry bulk transportation is handled by Bahri Dry Bulk Company LLC (BDB); 60% owned by Bahri. Ship management services are managed by Mideast Ship Management Ltd., 100% owned by Bahri. Business units provide necessary support, in coordination with the Headquarters and support departments, to realize the Company's objectives.

NCC Fajr

Year built	:	2013
Type	:	Chemicals Carriers
Length	:	228 m
Beam	:	36.80 m
Speed	:	14 knots
Draft	:	30 tank
DWT	:	75,000 t

Bahri Habari

Year built	:	2008
Type	:	Oil Carriers
Length	:	333 m
Beam	:	60 m
Speed	:	16.70 knots
Draft	:	17 tank
DWT	:	318,000 t

Oil Transportation

Shortly **after receiving regulatory approvals during the first half of 2014,** Bahri finalized the merger process with Vela's fleet. In this respect, "Rain Star" was the first VLCC to be transferred to Bahri on July 21, 2014, which was renamed "Nisalah". In addition, the remaining Vela's carriers were transferred to Bahri according to the agreed delivery schedule. Transfer of Vela's fleet, operations, and staff was finalized in mid-December 2014.

Under the merger **merger agreement Bahri will become the exclusive transporter of Saudi Aramco oil cargoes sold on a Carriage,** Insurance and Freight (CIF) basis and originating from Saudi ports. This agreement has been formalized under a Contract of Affreightment (CoA) between the two parties. The merger is a quantum leap for Bahri business that will give the company a strong financial basis on which to build for the future and enhance its position in the field of marine transportation.

The new organizational **structure that has resulted from the unification of the commercial teams from Bahri and Vela** will ensure that customers continue to receive the highest levels of service from Bahri Oil Transportation.

Saudi Aramco **is to be commended on the close coordination and planning arrangements** that they provided throughout the transition process that permitted a smooth transfer of Vela's assets.

Number of voyages performed by VLCCs during 2014 compared to 2013

Type of operation	2014		2013	
	No. of voyages	No. of VLCCs	No. of voyages	No. of VLCCs
VLCCs operating in the spot market	177	31	77	15
VLCCs operating under time charter agreements	3	-	11	2
Total	**180**	**31**	**88**	**17**

Break-down of VLCC voyages by route during 2014 compared to 2013

Route	2014		2013	
	Total number of voyages	2014 (%)	Total number of voyages	2013 (%)
Arabian Gulf - USA	63	35%	41	47%
Arabian Gulf - Far East	2	1%	7	8%
The Caribbean - West Africa - Asia	53	30%	40	45%
Arabian Gulf - Red Sea	11	6%	-	-
Yanbu - Ain Sokhna	43	24%	-	-
Sidi Kerir - Rotterdam	8	4%	-	-
Total	**180**		**88**	

Oil transportation voyages in 2014 compared to 2013

Country	2014		2013	
	Total number of voyages	Volume shipped (m/b)	Total number of voyages	Volume shipped (m/b)
Arabian Gulf - USA	63	132.30	41	86.4
Europe	54	111.28	-	-
India	35	67.20	27	51.9
Singapore - China	18	33.80	13	20.7
Rest of the World	10	20.78	7	12.5
Total	**180**	**365.36**	**88**	**171.5**

The VLCCs operating in the spot market and under time charter agreements shipped a total of around 365.36 million barrels in 2014 compared to 171.5 million barrels in 2013.

VLCC fleet in 2014

#	VLCC name	Year built	Type	Length (m)	Beam (m)	DWT	No. of tanks	Speed (knot)
1	Ramlah	1996	Double hull	340	56	300,361	17	15
2	Ghawar	1996	Double hull	340	56	300,361	17	15
3	Watban	1996	Double hull	340	56	300,361	17	15
4	Hawtah	1996	Double hull	340	56	300,361	17	15
5	Safaniyah	1997	Double hull	340	56	300,361	17	15
6	Harad	2001	Double hull	333	58	302,700	17	17.1
7	Marjan	2002	Double hull	333	58	302,700	17	17.1
8	Safwa	2002	Double hull	333	58	302,700	17	17.1
9	Abqaiq	2002	Double hull	333	58	302,700	17	17.1
10	Tinat	2002	Double hull	333	60	316,502	17	15
11	Hilwa	2002	Double hull	333	60	316,502	17	15
12	Lulu	2003	Double hull	333	60	316,502	17	15
13	Shiblah	2003	Double hull	333	60	316,502	17	15
14	Wafrah	2007	Double hull	333	60	318,000	17	16.7
15	Layla	2007	Double hull	333	60	318,000	17	16.7
16	Jana	2008	Double hull	333	60	318,000	17	16.7
17	Habari	2008	Double hull	333	60	318,000	17	16.7
18	Shaybah	2008	Double hull	333	60	319,428	17	16
19	Manifah	2008	Double hull	333	60	319,428	17	16
20	Jaham	2008	Double hull	333	60	319,428	17	16
21	Jaladi	2008	Double hull	333	60	319,428	17	16
22	Khuzama	2008	Double hull	333	60	319,428	17	16
23	Karan	2009	Double hull	333	60	319,428	17	16
24	Kahla	2009	Double hull	333	60	318,000	17	16.7
25	Dorra	2009	Double hull	333	60	318,000	17	16.7
26	Ghazal	2009	Double hull	333	60	318,000	17	16.7
27	Sahba	2009	Double hull	333	60	318,000	17	16.7
28	Farha	2010	Double hull	333	60	319,300	17	16
29	Ghinah	2010	Double hull	333	60	319,300	17	16
30	Niban	2010	Double hull	333	60	319,300	17	16
31	Nisalah	2010	Double hull	333	60	319,300	17	16
Total DWT						**9,716,381**		

Gas and Marine Business Unit

Marine services

A new business unit called “Gas and Marine Services Business Unit” was established in July 2013. The new unit is tasked to evaluate available investment opportunities in the offshore sector, in line with Bahri’s strategic plan for business expansion and diversification.

In 2013, Bahri announced signing a memorandum of understanding with Saudi Aramco and Sembcorp Maritime Ltd. Under the MoU, the three parties will develop a detailed feasibility study to construct a world-class maritime shipyard in the Kingdom of Saudi Arabia. The shipyard will provide engineering, building and repairing services for offshore platforms, as well as commercial and offshore service vessels.

Gas

In addition to the new offshore activities, the Gas and Marine Services Business Unit will also supervise and develop Bahri’s investments in the liquefied petroleum gas (LPG) through Petredec Ltd. which is the largest independent company in the world in the field of LPG trade and distribution. Petredec, in which Bahri owns 30.3% shares, owns and operates a fleet of 63 carriers of different sizes. Bahri’s share in Petredec helped significantly to increase the former’s profits in 2014, i.e. SAR 132 million, compared to SAR 291 million 2013, representing a decline of 54.6 percent. Bahri’s share in Petredec’s business results included non-accrued loss of SAR 61.71 million in 2014, compared to non-accrued gain of SAR 53.57 million in 2013.

New initiatives and plans

In coordination with Saudi Aramco, the business unit considers the strategic projects and initiatives aiming to develop offshore industry in the Kingdom of Saudi Arabia. One of these initiatives is to construct a shipyard for vessel construction and maintenance in Ras Al Khair, and the partners are currently developing a feasibility study through specialized international firms. This initiative aims to create a first-class offshore provider which keeps up with the growth of Saudi offshore production of oil and gas.

Chemical Transportation Sector

Maritime transportation industry depends largely on the growth of world economy. Growth prospects indicate a decline in new refinery activities announced previously in the Middle East due to slower growth of the world economy. In addition, demand for chemicals is growing in lower rates compared to the years shortly before the world financial crisis. Such lower demand is expected in Asia, especially in China and India amid uncertainty in Europe with the shrinking economy.

As of December 2014, the global chemical carrier fleet consisted of 3,384 carriers with a total capacity of 38.7 million DWT. In addition, the total number of new carriers under construction is 229 with a total capacity exceeding 5.1 million DWT, representing around 13.1% of the current fleet.

Prices of ship fuel started to decline as a response to the decline in crude oil prices, noting that lower growth of the world economy affects consumption of chemicals, along with the increasing supply of carriers especially oil product carriers.

Main achievements of 2014

- In 2013, NCC JLT carriers became operational through shipping contracts or in the spot market after acquiring the share of Norwegian Odfjell SE in NCC Odfjell Chemical Tankers (NOCT),.
- A number of shipping contracts were signed with strategic manufacturers in the GCC, leading to a larger market share in the region
- Automated systems were fully applied to all NCC activities.

Voyages performed by NCC carriers in 2014 compared to 2013

Type of operation	Voyages in 2014	Voyages in 2013
Carriers operating in the spot market	145	92
Carriers operating under time charter agreements	203	64
Total	**348**	**156**

Volume of cargo transported by NCC in 2014 compared to 2013

Type of operation	Volume of cargo transported in 2014 (million metric ton)	Volume of cargo transported in 2014 (million metric ton)
Carriers operating in the spot market	5.12	3.10
Carriers operating under time charter agreements	2.48	2.58
Total	**7.60**	**5.68**

Main routes of NCC fleet around the world in 2014

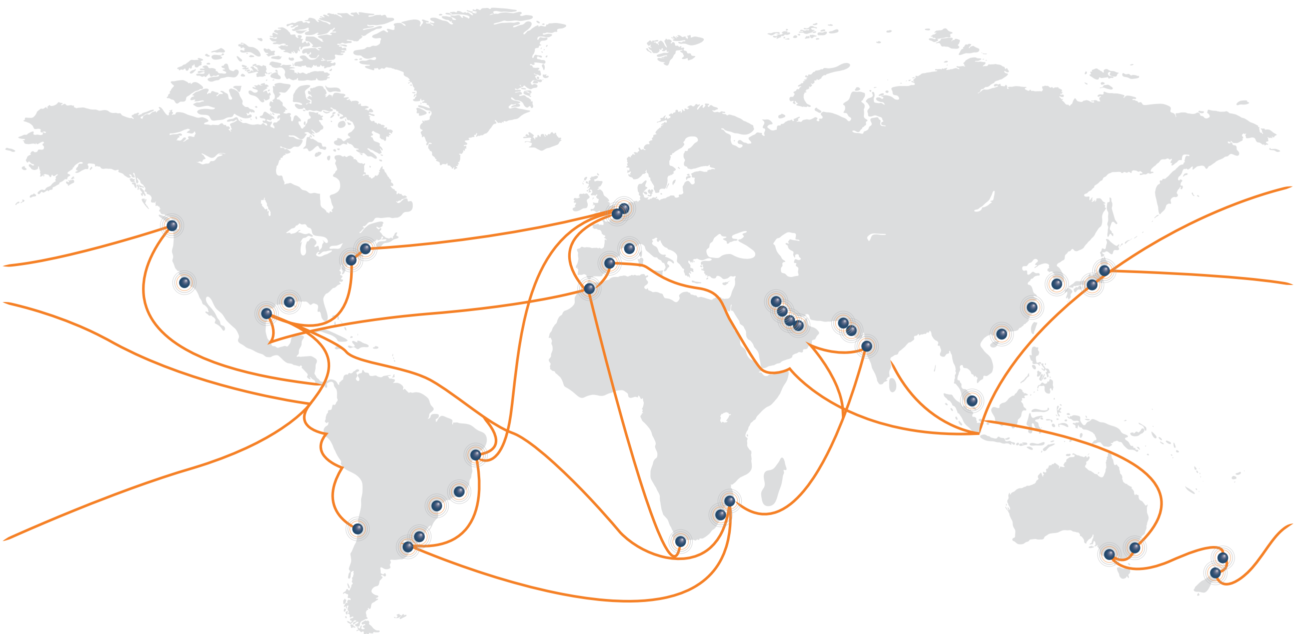
1. Middle East - Far East	2. Middle East - Europe
3. Middle East (regional)	4. Middle East (regional)
5. Europe - Middle East	6. Far East - Europe
7. Europe - USA	8. USA - Europe

Growth of NCC fleet in 2014

- NCC did not sign any contract to construct new carriers.

Growth of NCC fleet		
Description	Total capacity (DWT)	No. of carriers
NCC fleet in 2014	1,099,500	24

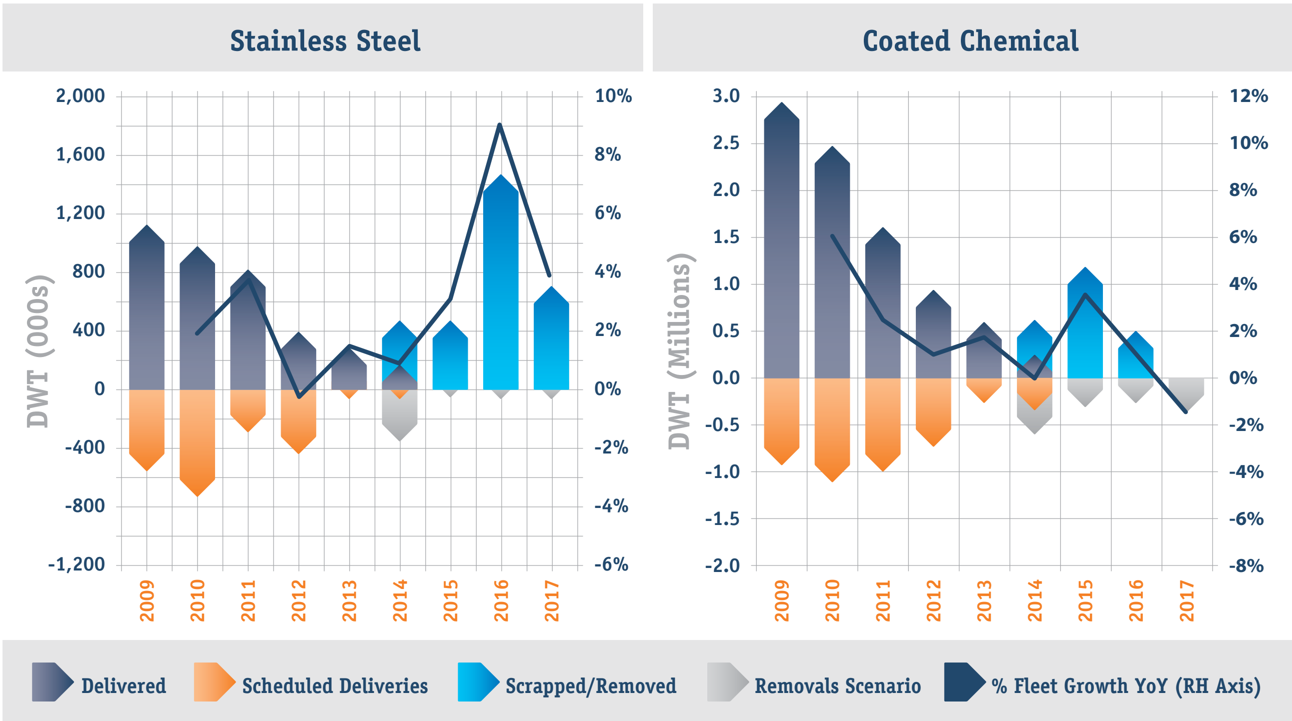
Main ports of chemical carriers worldwide



Operating NCC fleet as of December 31, 2014

#	Carriers	Year built	Length (m)	Beam (m)	DWT	No. of tanks	Speed (knot)
1	NCC Makkah* *	1995	183.10	32.2	37,500	52	16
2	NCC Riyadh*	1995	183.10	32.2	37,500	52	16
3	NCC Jubail* *	1996	183.10	32.2	37,500	52	16
4	NCC Najed	2005	183.02	32.2	46,200	22	15
5	NCC Al Hijaz	2005	183.02	32.2	46,200	22	15
6	NCC Tihama	2006	183.02	32.2	46,200	22	15
7	NCC Abha	2006	183.02	32.2	46,200	22	15
8	NCC Tabuk	2006	183.02	32.2	46,200	22	15
9	NCC Qassim	2006	183.02	32.2	46,200	22	15
10	NCC Rabegh	2007	183.02	32.2	46,200	22	15
11	NCC Sudair	2007	183.02	32.2	46,200	22	15
12	NCC Dammam	2008	183.02	32.2	46,200	22	15
13	NCC Hail	2008	183.02	32.2	46,200	22	15
14	NCC Noor	2011	183.00	32.2	45,000	22	15
15	NCC Huda	2011	183.00	32.2	45,000	22	15
16	NCC Amal	2011	183.00	32.2	45,000	22	15
17	NCC Safa	2011	183.00	32.2	45,000	22	15
18	NCC Danah	2011	183.00	32.2	45,000	22	15
19	NCC Nesmah	2011	183.00	32.2	45,000	22	15
20	NCC Shams	2012	183.00	32.2	45,000	22	15
21	NCC Nejem	2012	183.00	32.2	45,000	22	15
22	NCC Reem	2012	183.00	32.2	45,000	22	15
23	NCC Samaa	2012	183.00	32.2	45,000	22	15
24	NCC Fajr	2013	228.00	36.8	75,000	30	14
Total capacity (DWT)					**1,099,500**		

* Carriers NCC Makkah, NCC Riyadh and NCC Jubail are chartered to Odfjell as bareboats chartersfor 10 years under a bareboat agreement which include the right to purchase the carriers after the third year according to specified prices.



Membership of Subsidiaries, Business Units, and Divisions

- NCC is a member of Gulf Petrochemicals & Chemicals Association (GPCA).

General Cargo Transportation Sector

Expand cargo and RO/RO cargo operations

- In 2014, the Company completed the addition of 6 new "RoCon" general cargo vessels (DWT 26,000 each). The first 4 vessels were added to the Company's fleet in 2013, while the remaining two vessels in 2014. These vessels represent the latest designs and have specialized features for specific types of transportation. They were built at Hyundai Mipo Dockyard. Each vessel has 2 heavy-lift cranes with a total capacity of 240 tons, providing them more capacity and options to lift cargo. To augment its utility, each vessel is also equipped with a stem loading ramp with a capacity of 250 tons, making each vessel truly a multi-purpose vessels and able to meet the varied needs of our clientele ranging from Project, heavy-lift, Ro/Ro, break bulk and container cargo in a single shipment.

- By increasing the number of vessels from 4 in 2013 to 6 in 2014, the Bahri General Cargo has been enabled to provide its clients with more efficient and speedy transportation service by reducing the frequency from 24 to 17 days.

- Bahri General Cargo sector was engaged in several transportation activities throughout the 2014 financial year, aiming to improve the extensive supply chain. On the eastbound route, the Company added 2 new ports (i.e. Jacksonville and Aqaba) to cover a larger number of ports to meet needs of the vehicle transportation sector. For the westbound route, the port of Izmir was added to facilitate transportation of agricultural equipment from Turkey to the United States. These decisions have strengthened Bahri General Cargo stature and expanded its transportation footprint at the international level.

- The storage and container service yard at Jeddah Islamic port will remain a main location to provide container storage services under contracts with a growing base of clients and road haulers. The yard is equipped with a new inventory management system to provide timely storage and handling services for both full and empty containers.

- By the end of Q1 of 2015, a study of the integrated services will be finalized, including internal transportation services and overseeing the customs documentation and clearance in order to develop an optimal way of processing customs clearance services for the benefit of the clients.

- With a growing focus freight forwarding and clearance services, Bahri provides vital services of cargo transportation and logistics services to several international ports by air, sea and land using third party vessels and other means of transportation. This enables the sector to provide integrated logistics services to its clients with the convenience of a one stop solution. In this respect, the Company aims to help develop the infrastructure in the Kingdom by reinforcing its status as the No. 1 carrier in the Nation amid fierce competition with other companies. In 2014, many advances have been made by winning new contracts for cargo transportation involving under several projects, including mobile means of transportation, railway wagons, water desalination and power generation equipment, and military equipment for institutions providing services related to railways, energy, water, and defense.

Current and expected market performance in the coming years

- World economic growth rate reached 3.5% in 2012, but dropped to 3.2% in 2013. It is expected that it will slightly increase to 3.4% in 2014 and 4% in 2015, according to the World Bank Global Economic Prospects. It is also expected that growth rate in the advanced economies will be 1.8% in 2014 compared to 2.4% in 2015. The projected growth rates play a decisive role in world expansion as well as improvement of emerging and developing economies. Therefore, growth rate in emerging economies is expected to be 4.6% in 2014 and 5.2% in 2015.

- Slower growth rates have a relative impact on the Company's businesses. This was evident in Q4 of 2014, when the US export market of dry bulk cargo, project cargo, and RO/RO cargo to the Middle East and India witnessed a sharp decline.

- To enhance Ro/Ro cargo transportation, Bahri General Cargo will focus on the heavy vehicle sector to acquire a bigger market share between the Kingdom, India and United States.

Develop human resources and quality policy

- The Company recruited well-experienced professionals in the field of general cargo transportation in the local and regional offices of the Company

- The Company pays full attention to the Quality Department and continually improves its processes and operations via regular workshops and quality assessments. In addition, the Company has been fully endorsed via the ISO 9001:2008 certification. In 2014, Bahri's General Cargo Transportation Co. in Baltimore, Maryland, United States, followed suite and successfully obtained the ISO 9001:2008 certificate. These achievements will ensure additional improvements in the regular operation of maritime routes heading to the east and west. Services of other sectors in the field of general cargo transportation are managed also through systematic application of documented processes and operational procedures subject to a rigid quality management system and precautionary procedures.

- Phase I of migrating from SIS system to MOVE system will be finalized in 2015.

Activities conducted in 2014

- Newly-added ports are: Jacksonville and Aqaba in the east bound route and Izmir in the west bound route.

Current projects or to be completed in 2015

- The contract with the Ministry of Defense was renewed for additional 5 years

- A contract was signed with Doosan Heavy Industries to transport the desalination equipment under Phase III of Yanbu Project.

Specifications of the general cargo transportation fleet as of December 31, 2014

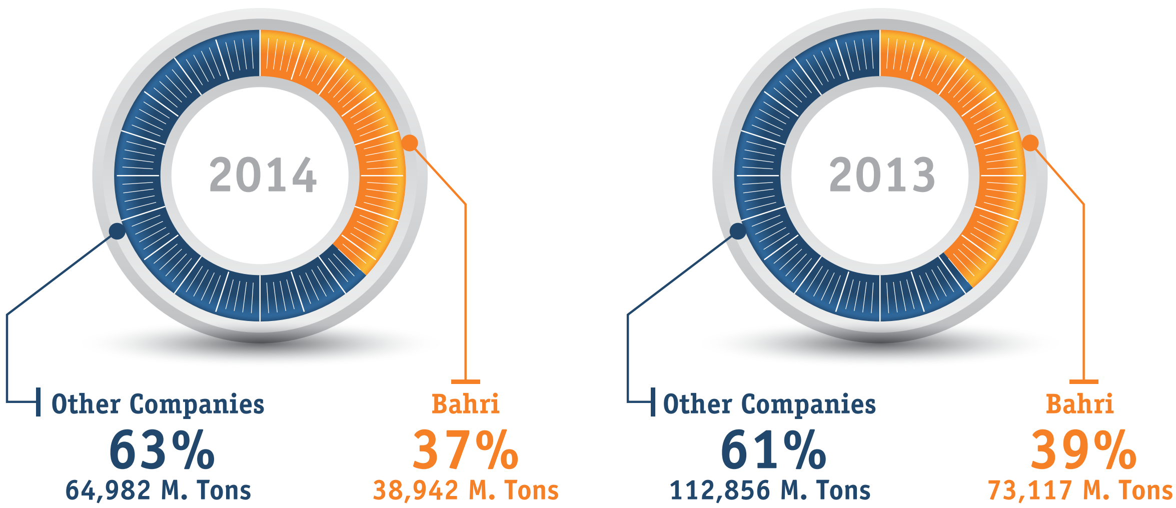
#	Ship	Year built	Weight (DWT)	Draft (m)	Beam (m)	Length (m)	Capacity (TEU container)	Horse-power	Speed (knots)
1	Bahri Abha	2013	26,000	9.5	32.30	225	2,500	8,907	17
2	Bahri Hofuf	2013	26,000	9.5	32.30	225	2,500	8,907	17
3	Bahri Tabuk	2013	26,000	9.5	32.30	225	2,500	8,907	17
4	Bahri Jazan	2013	26,000	9.5	32.30	225	2,500	8,907	17
5	Bahri Jeddah	2014	26,000	9.5	32.30	225	2,500	8,907	17
6	Bahri Yanbu	2014	26,000	9.5	32.30	225	2,500	8,907	17

Statement of owned and chartered containers as of December 31, 2014

#	Type	2014	2013
1	20 ft. standard container	2604	2955
2	20 ft. open top container	62	79
3	40 ft. standard container	534	582
4	40 cubic ft. container	1282	1304
5	40 ft. open top container	126	87
6	20 ft. flat bed	5	6
7	40 ft. flat bed	116	143
8	20 ft. trailer (chassis)	12	12
9	40 ft. trailer (chassis)	38	38
10	20 ft. Mafi- 30 tons	4	4
11	20 ft. Mafi- 60 tons	67	69
12	20 ft. Mafi- 80 tons	10	8
13	20 ft. Mafi- 100 tons	482	361
14	20 ft. Mafi- 80 tons	14	29
15	62 ft. Mafi- 90 tons	5	0
16	62 ft. Mafi- 100 tons	30	0

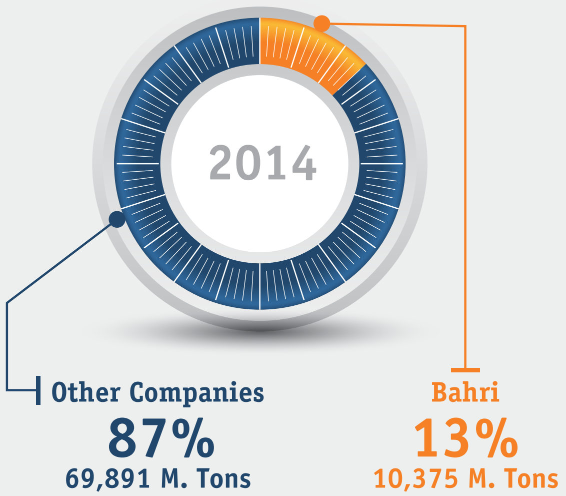
- After re-assessing the information systems and technological advancement, a decision was made to replace the current ship information system “SIS” with a more user-friendly system developed by Oracle called “MOVE”. The first phase of applying this software is expected to be completed in Q1 of 2015. The new system will develop the Company’s capacity to provide better services through better documentation management, intelligent business management and provision of communication among the stakeholders in all types of operations.

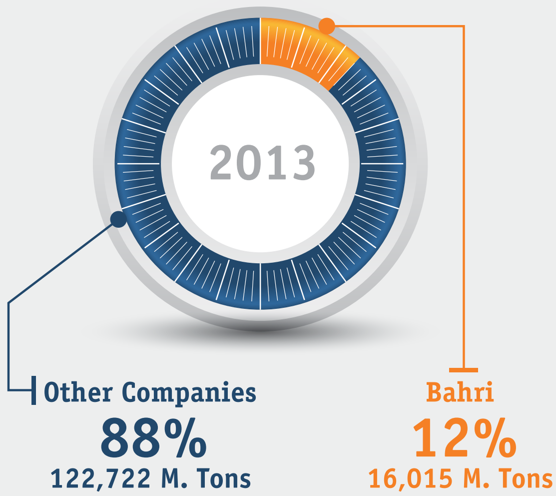
North America exports - dry bulk exported through the eastern route (million ton)



Other companies	112,856	64,982
Bahri	73,117	38,942
Percentage of Bahri share from the market	39%	37%
Total market (ton)	185,973	103,924

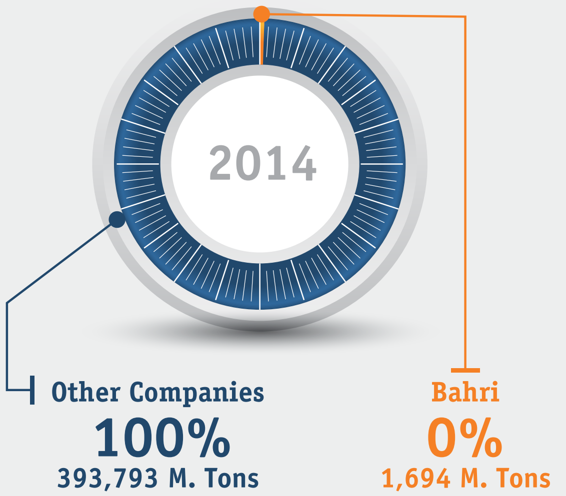
North America exports - RO/RO cargo exported through the eastern route (million ton)

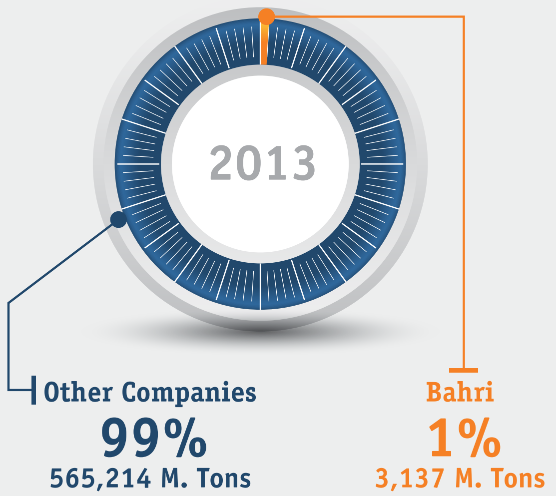




Other companies	122,722	69,891
Bahri	16,015	10,375
Percentage of Bahri share from the market	12%	13%
Total market (ton)	138,738	80,266

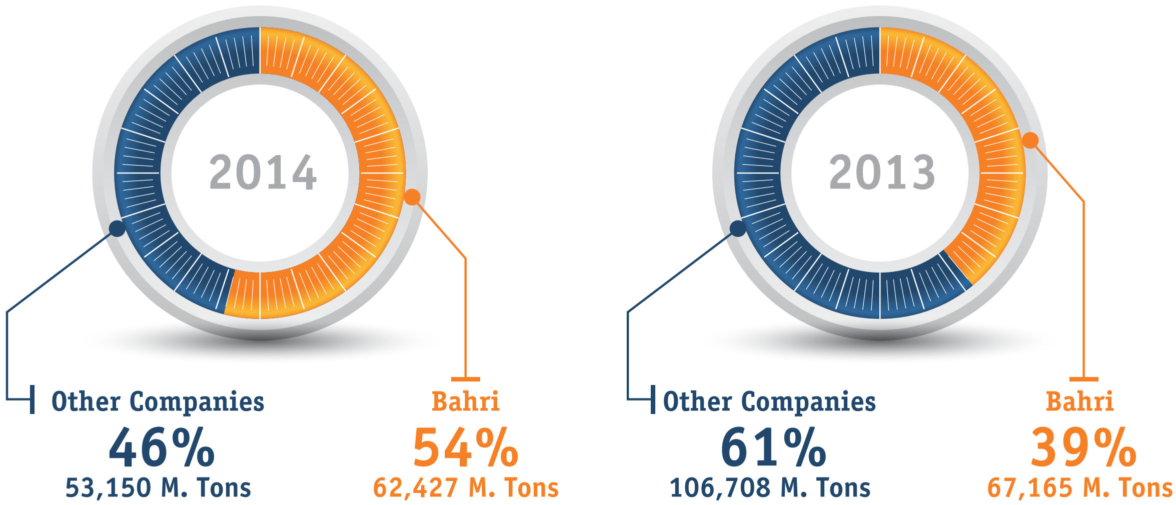
North America exports - Containers exported through the eastern route (TEU container)





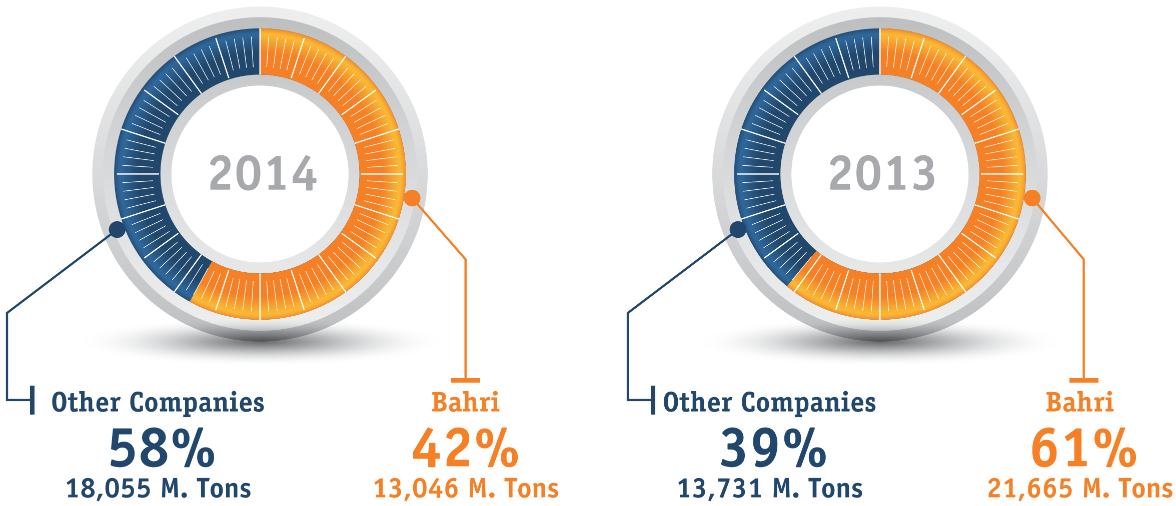
Other companies	565,214	393,793
Bahri	3,137	1,694
Percentage of Bahri share from the market	1%	0.4%
Total market (ton)	568,351	395,488

North America imports- dry bulk exported through the western route (million ton)



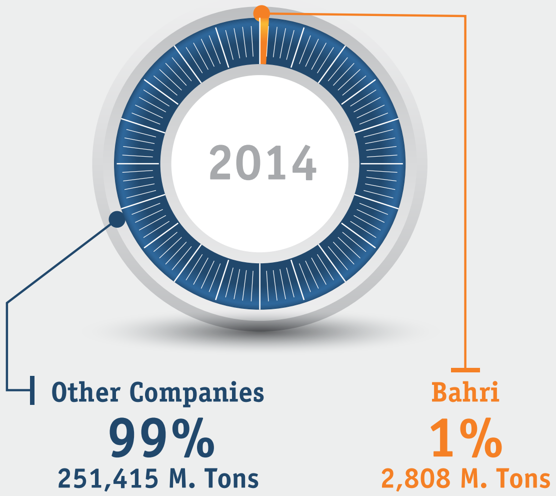
Other companies	149,248	53,150
Bahri	93,743	62,427
Percentage of Bahri share from the market	39%	54%
Total market share (ton)	242,991	115,576

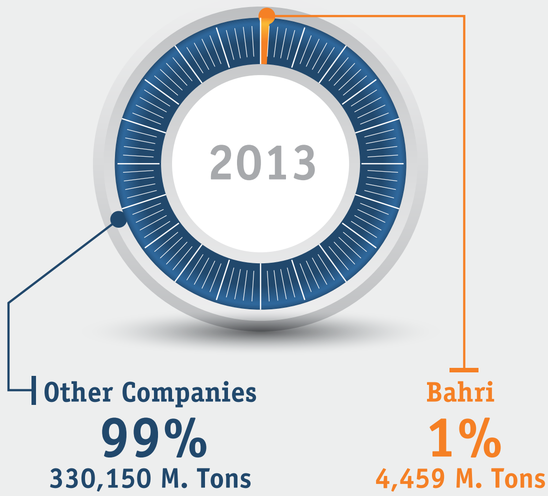
North America imports- RO/RO cargo through the western route (million ton)



Other companies	13,731	18,055
Bahri	21,665	13,046
Percentage of Bahri share from the market	61%	42%
Total market share (ton)	35,396	31,101

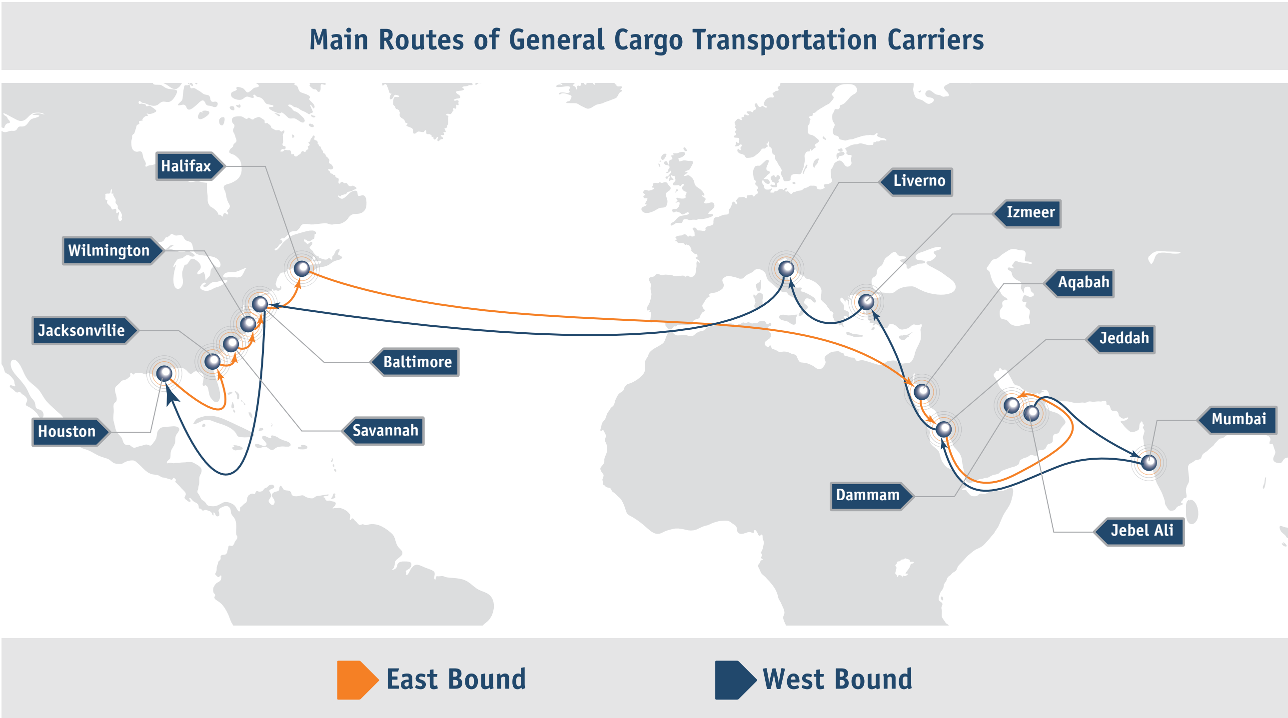
North America imports- Containers exported through the eastern route (TEU container)





Other companies	330,150	251,415
Bahri	4,459	2,808
Percentage of Bahri share from the market	1%	1%
Total market share (ton)	334,609	254,223

Main routes of general cargo transportation carriers between North America and Indian sub-continent



The Company provides its services in the field of general cargo transportation using 6 new carriers, with a frequency rate of around 17 days.

Dry Bulk Cargo Sector

Dry bulk cargo transportation sector operates through Bahri Dry Bulk Company LLC (BDB), which is owned 60% by Bahri and 40% by ARASCO . BDB is specialized in transporting grains, cereals and other dry bulk cargo.

In March 2014, BDB received the last carrier out of the 5 Kamsarmax carriers. Construction of these 5 carriers started in 2012 under a contract signed with a prominent international shipyard. These carriers have large capacity, consume less fuel and include state-of-art technologies compatible with the highest ecological standards.

Main achievements of 2014

- All ships under construction were received
- Time chartered ships returned to their owners
- Partnership between Bahri and ARASCO, the strategic partner of BDB, developed
- Marketing activities intensified, aiming to expand the Company's businesses.

Specifications of dry bulk cargo fleet as of December 31, 2014

#	Ship	Year built & delivery year	DWT	Draft (m)	Beam (m)	Length (m)	Horse-power	Speed (knots)	Speed (knots)
1	Bahri Arasco	2013	81,800	14.45	32.26	224.5	9,840	14.5	17
2	Bahri Grain	2014	81,800	14.45	32.26	224.5	9,840	14.5	17
3	Bahri Bulk	2014	81,800	14.45	32.26	224.5	9,840	14.5	17
4	Bahri Wafi	2014	81,800	14.45	32.26	224.5	9,840	14.5	17
5	Bahri Trader	2014	81,800	14.45	32.26	224.5	9,840	14.5	17

BDB conducts different activities to expand its businesses in order to remain a leading company in the Middle East.

Technical Ship Management

Mideast Ship Management Ltd., a wholly owned subsidiary of Bahri and based in Dubai, is responsible for the technical Management of the company and its subsidiaries vessels. Mideast Ltd. submits its technical reports on vessel performance, operational status, results of regular inspections, along with its recommendations to Bahri.

- In 2014, two general cargo transportation vessels (i.e. Bahri Jeddah and Bahri Yanbu) were received, and they are now managed by Mideast Ltd.

- In 2014, the remaining four dry bulk vessels (i.e. Bahri Bulk, Bahri Grain, Bahri Wafi, and Bahri Trader) were received. These carriers are owned by Bahri Dry Bulk and currently managed by Mideast Ltd.

- The total number of vessels managed by Mideast Ltd. increased to 49 vessels.

- In 2014, the whole fleet of Vela was received, comprising of 14 double-hull VLCCs, one float storage VLCC and 5 Product Tankers

- As a result of receiving Vela's fleet, Mideast Ltd. is now managing a fleet of 69 vessels.

- As a result of the increased number of vessels managed by Mideast Ltd., the total ship crew increased to 2000 staff and the office staff increased from 95 to 170

- In 2014, Mideast Ltd. focused on improving efficiency in terms of fuel consumption and operational costs.

- Mideast Ltd. obtained ISO 9001 & 14001 certificate.

- Mideast Ltd. is a member of ITORF (Informal Tanker Owners Marine Human Resources Forum) comprising 60 major ship owners and ship management companies in the world, in order to benchmark salaries and wages of ship crew.

- Mideast Ltd. participates in an annual study conducted by Moore Stephens to measure and compare operational costs of ships with other peers.

Financial Department

The Finance Division plays a significant role in controlling and recording the financial transactions of the Company. In addition, it conducts its related tasks under the overall strategic plan through performing different financial activities such as preparation of annual estimated budgets under supervision of the senior management and Board of Directors. This division also monitors achieving the targets set for all business units and departments, and updates such targets regularly through exercising effective financial control over all financial activities of the Company. It also develops all types of financial reports, helping the executive management to take appropriate decisions in a timely manner and disclose the Company's operations through regular annual and quarterly financial reports developed in accordance with the accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA). The Finance Division always complies with requirements of the Capital Market Authority (CMA) and duly responds to inquiries received from the General Audit Bureau (GAB), external auditors, internal auditors or any other controlling bodies.

Below is a description of the basic roles undertaken by the Finance Division and Accounting Department:

1- Develop reports and publish regular financial statements

The Finance Division develops the policies, mechanisms and necessary controls at the different levels of the Company, inside and outside the Kingdom, in order to record all financial transactions under the accepted accounting standards in Saudi Arabia and using the best international practices. In addition, it ensures accuracy, transparency, and timely recording of the information, enabling users of the financial statements to understand the Company's performance during the reporting periods. The Finance Division also publishes the quarterly and annual financial statements according to requirements of the Capital Market Authority in line with the requirements of the regulatory and controlling bodies in the Kingdom of Saudi Arabia.

2 - Prepare annual estimated budgets

Estimated budgets are regularly prepared under the supervision of the Finance Division in coordination with all other departments and business units of the Company after analyzing the economic and commercial conditions as well as best available information, taking into account profit maximization and expenditure control strategies adopted by the Company. The process begins with preparing the estimated budget of each business unit prior to each fiscal year. The draft budgets are reviewed by the senior management and submitted to the Board of Directors for approval. Such estimates are updated quarterly through considering changes in the market conditions. These changes are reflected on performance projections in order to provide information in a timely manner, helping the Company to take appropriate decisions in light of such changes.

3- Monitor business unit performance and control revenue and expenditures

After preparing the annual budget at the beginning of each fiscal year, performance is regularly monitored and compared to the estimated figures to ensure ability to generate the targeted revenue and control expenditures. Significant deviations are analyzed and addressed if any. This enables the Company to control its operations and project necessary actions to achieve the best results by controlling the financial results of all business units. Moreover, Company's performance and markets are regularly assessed to consider the developments and seize potential opportunities appropriately.

4- Analyze Company's financial performance

At different intervals throughout the year, and utilizing budget preparation processes and performance monitoring, the Company's financial performance is analyzed from different perspectives, including performance analysis and comparison with previous periods or existing budgets; or analysis of financial ratios and soundness of the financial position of the Company or performance for each period. Findings of the financial analysis are considered and recommendations are made to the senior management to make appropriate decisions.

5- Oversee internal control and audit system

The Finance Division sets internal control and audit procedures to perform its duties in a quality fashion. In this regard, the Division applies information systems and the best international practices to control the financial transactions internally and ensure development of accurate financial reports in a timely manner. Moreover, the Company has an effective internal control and audit system which is constantly updated to meet demands of the senior management and external reports.

6- Conduct financial planning and consider growth potentials and ways of improving performance

The role of the Finance Division is not restricted to providing and analyzing financial information, but also include considering growth and investment opportunities on the mid-to-long-term. This includes analyzing and planning for investment opportunities in new vessels or other growth opportunities, taking into account the economic and commercial conditions, as well as the Company's capacity to seize such opportunities for the interest of the investors.

Financing and Investment

The Treasury Department is responsible for cash management and provision of funding for the different projects of the Company. Cash is managed daily, and the surplus funds are invested in short-term Murabaha agreements depending on the Company's financial needs and obligations. Should the Company needs cash, it uses operating capital financing or liquidates short-term investments. Moreover, The Treasury Department is also responsible for processing payments of all divisions and business units of the Company after being reviewed and audited. The Department also oversees the Company's bank accounts and banking relations inside and outside the Kingdom.

The Treasury Department manages long-term financing obligations of the existing companies by following up with them, ensuring availability of cash to meet regular obligations, and providing all requirements of the financing banks in accordance with the existing financing agreements.

Bahri focuses on low-risk secure investments. In this respect, it invested part of its cash surplus in Sukuk and Murabaha agreements. The Company is also committed to develop its investment and financing policies in line with Islamic Sharia, as around 99% of the Company's financing facilities are made in line with Islamic Sharia.

Investment in shipbuilding requires significant capital. Bahri finances an average 30% by its own resources, while the remaining 70% comes from external sources.

On June 22, 2014, Bahri signed a Murabaha financing agreement with JPMorgan Chase Bank (Riyadh branch) and Samba Financial Group and Saudi British Bank (SABB), amounting to SAR 3,182,812,500, to finance the merger of Vela's fleet and operations, as well as the related expenses. This bridge financing will last for 12 months. The Company is currently arranging for a long-term financing for up to 10 years through issuing Sharia-compatible Sukuk to payout the bridge financing.

Moreover, the Company has adopted a hedging policy against fluctuations in financing expenses. To this end, the Company signed a number of hedging agreements to reduce impact of unexpected rise in financing costs. The Company's total facilities subject to the hedging policy against risks of fluctuating financing costs amount to SAR 1.533 million for the coming 10 years.

Operational Risk Management

Bahri's concept of risk management lies in providing safety in all its operations and works on preventing major and minor accident risks within the framework of its strategic objectives and internal controls. Undoubtedly, offshore transportation involves different types of risks, especially operational risks, such as terrorist attack threats, wars, piracy, ship accidents, cargo damage, sailor injuries, etc.

Accordingly, the Company pays extreme attention to mitigating such risks by using appropriate risk management systems, issuing certificates, classifying equipment and procedures and delivering related trainings. The aim here is to maintain safety of the staff and cargo, ensure quality and utilize the available resources optimally.

That being said, the Company has concluded insurance agreements to protect its carriers, cargo, crew and staff from the relevant risks. The insurance service provider is selected through monitoring and assessing the provider's affordability, technical capacity, and obligations prior to and during the period of insurance to get the best offers.

- The Company is a member of a group of Protection and Indemnity clubs (i.e. non-profit insurance associations). These clubs represent a strong voice for the members. During the club meetings, significant issues related to shipping industry are discussed. The clubs also participate in drafting the international legislation and agreements in coordination with the governments and international agencies (e.g. International Maritime Organization, EU, OCED, United Nations Commission on International Trade Law (UNCITRL), etc.). Furthermore, such clubs provide opportunities to exchange experience among the members regarding operational and offshore transportation risks such as oil pollution, maritime security, as well as other potential risks against ship crew.

- In addition, the Company provides insurance coverage to its fleet against damage to vessel hull, machinery and machinery operation, collisions, and other maritime accidents. The insurance coverage also includes ship equipment such as forklifts, cranes and containers against any potential risks.

- Implementing its strategic plans, the Company decided to contract the best international insurance companies rated "A" at least by S&P, and the Company obtained the best insurance coverage in terms of benefits and price.

- The Company expanded the insurance coverage to include demurrage and defense, an insurance policy covering the Company's representation with various entities such as shipyards as well as sale, purchase and repair of ships.

- Pursuant to the Company's mission to provide due care to its employees, the Company provides medical insurance to its employees and their dependents with the best benefits and Takaful insurance is provided to all staff covering death or disability.

- The Company also insures its other assets such as buildings, offices, equipment and vehicles.

The Company always seeks to mitigate and prevent risks as much as possible while conducting periodical review of the insurance quotes offered by the service providers to minimize the costs without affecting the insurance benefits and effective participation to improve the quality of the services provided by Bahri.

Planning Department

Planning Division is responsible for the strategic planning of the Company, including regular review of the Company's plans and follow-up their implementation. The responsibilities of this division includes the following:

- Plan and coordinate with different business units and other strategic support service departments;
- Follow-up their performance in line with the objectives stated in the Company's strategic plans;
- Consider potential investment opportunities and make recommendations to the Company's management;
- Maintain interaction and coordination with all business units to provide guidance with the aim of facilitating the implementation of Company's strategic plans;
- Monitor business plans and key performance indicators of all sectors in the Company and report quarterly results to the management;
- Define and assess the proposals for appropriate business activities in line with Company's interest and strategic plans;
- Develop strategic partnerships in joint ventures, mergers, acquisitions and investments;
- Provide reports on business activities in the financial sector, operational costs, performance of peers, and predictability of market trends;
- Establish relations and communications with consultants and ship builders, as well as government entities;
- Provide support and assistance to the Communications Department and Human Resources Department to develop and apply the approved initiatives; and
- Develop new strategic plan of the Company for the future.

Communications Department

The Communications Department plays vital roles to highlight the prominent status of the Company in the national economy. It believes that ensuring satisfaction of its staff, clients, etc. can only be achieved through high quality and professional communications and outreach processes implemented by competent staff in order to embody the real value of Bahri's achievements via different media and tools such as:

1- Visual and printed media which represents a link between the Company and mass media with respect to the following:

A- News and statements

B- Reports, articles, and press dialogue

C- Correction of wrong news about the Company

D- Daily media follow-up of news related to the Company

E- Develop regular reports on the published media materials

2- Events and conferences

Select events appropriate to Bahri's policies and directions, as well as plan for all logistics arrangements to hold conferences and events

3- Internal and external publications, such as:

A- Annual Report

B- Newsletters

C- Internal publications

D- Event-related publications

Corporate Social Responsibility

Bahri has always been committed to support social responsibility programs based upon its plan of serving the different sectors of the society in general, and people with special needs in particular. In this regard, the Company has made qualitative strides to achieve the desired goals under a clear vision which focuses on the urgent development needs and believes in the national role to be played by the private sector companies towards the society.

Bahri's strategic vision of supporting CSR programs was translated into a number of agreements signed by some concerned bodies, such as:

- Sponsorship of the Language and Communication Unit Program of the Disabled Children's Association (DCA)
- Participation in the National Festival for Heritage and Culture (Janadriyah 29)
- Participation in the 84th National Day of the Kingdom of Saudi Arabia
- Sponsorship of a ceremony for talented participants at the Blind Charity Association
- Sponsorship of hosting Asian Federation for the Blind

Memberships

1- Organization of the Islamic Shipowners Association (OISA)

2- National Committee for Joint Stock Companies

3- US-Saudi Arabian Business Council (USSABC)

Participations and awards

1- Sponsorship of the 1st Saudi Maritime Congress "SMC" (November 25-26, 2014), Dammam

2- Sponsorship of the Euromoney Conference (May 6-7, 2014), Riyadh

3- Sponsorship of the Annual Conference of Financing Banks (May 2014), Dubai

4- Participation in the Arab Maritime Forum (May 26-27, 2014), Dubai

5- Sponsorship of the Middle East Maritime Conference organized by Seatrade, a company specialized in holding maritime conference and forums (October 28-30, 2014), Dubai ()

6- Participation in the 18th Arab International Aluminum "ARABAL" Conference (November 25-27, 2014), Bahrain

7- Participation in Mumbai Expo (April 10-12, 2014), India

8- Participation in the International Maritime Conference "Posidonia 2014" (June 2-6, 2014), Athens, Greece

9- Bahri won the "Best Break Bulk Carrier of the year" award presented during the Maritime and Logistics "MALA" Awards (September 2014), India

Information Technology

The Company completed several major IT projects which serve different businesses of the Company through facilitating internal procedures and operations in order to increase efficiency and quality in line with the international standards. This will help the Company to provide excellent services to its clients, improve its overall performance, enhance its competitive position as a leading international and regional maritime company and ensure that the Company is in touch with the latest developments in the Information Technology sector.

One of the major achievements was to develop a latest and sophisticated system for general cargo transportation sector. The project included testing the system procedures by the Company's working team, represented by all concerned departments, in order to provide necessary comments and ensure its appropriateness before training the staff on its effective usage and implementation. Additionally, an integrated meeting management system was applied for the Board of Directors and its committees meetings utilizing the latest technologies. The system covers all aspects of any meeting, including the invitation, agenda, documentation, e-voting, etc. This will help to conduct paperless meetings, and the system will be the main platform of the Board's meetings and related documentation.

Moreover, the Company started to develop its website which will be launched soon to keep in touch with the Company's expansion and meet the requirements of its clients and shareholders. Continuing its efforts to streamline the technical systems used by the Company, the financial and administrative system was expanded to cover a set of the Company's offshore offices. To ensure the security of IT infrastructure and applications, the related policies and procedures were reviewed. Moreover, a data center will be established in the new headquarters, and all IT infrastructure needs will be met according to the work conditions.

To ensure optimal use of all applicable systems and expand their application to all business units in the Company, actual use is regularly reviewed and enhancements are introduced, and the smart reporting system will be applied to follow-up the performance indicators and obtain different analytical reports at different levels.

Internal Audit Department

The Internal Audit Department is an independent function in line with the Company's governance by-law which applies the latest international standards and systems. The Department consists of professionals in the field of maritime transportation holding vast experience in internal auditing. The Department gives attention to develop capacity of its internal auditors through providing training, reviewing latest developments in the field of audit and risk analysis and facilitating with the latest related technologies.

The audits cover all sectors of the Company according to a plan prepared in advance by the Internal Audit Department. This plan is discussed and approved by the audit committee functioning under the Board of Directors.

The audit plan defines the tasks of the audit team through covering all activities of these sectors, say financial, administrative or technical activities related to the Company's core businesses. This includes the scope of risk measurement as an essential part, as risk assessment is carried out within this scope. The audit plan also verifies that the Company's business units, offices and subsidiaries implement the policies, procedures, standards and effective monitoring systems and comply with the international and local laws in all of their activities.

The audits can help to examine full compliance with implementing the internal systems applied to maintain the Company's assets and the risk assessment is based upon international financial and technical standards in line with the Company's risk management framework.

The Internal Audit Department examines whether the existing procedures protect the accounting records against any unauthorized access or misuse and ensures application of the accounting policies and internal regulations and procedures developed by the Company in order to produce accurate financial reports.

The Internal Audit Department completed the audits according to the audit plan. In this respect, the Department conducted an experimental examination of the accounts and documents of different offices, subsidiaries and branches. The objectives of the audits were fulfilled according to the audit plan, and recommendations were submitted to the audit committee to which the Department reports.

Human Resources Department

The Human Resources Department plays a major role in realizing the Company's objectives through developing the capacity and competency of the staff and this will have a direct impact on the Company's performance. The Department's role in the Company covers the following areas:

- **Strategic planning of human resources:** Develop action plans in line with HR strategy of the Company.

- **Human resources development:** Activate participation with HR departments of other business sectors of the Company by focusing on 4 main areas: employment, performance appraisal, rewards and incentives and staff development.

- **Workforce planning:** Meet Organizational manpower requirements based on structured selection criteria consisting of profiling, aptitude tests and interviewing. Bahri relies on different sourcing channels to attract talents, executive search channels, scholarship programs, own database, etc. Also, in line with the Saudization efforts to attract national resources, Bahri is overall positioned at "Platinum" in Nitaqat system with 63% Saudis in the Company.

- **Capacity building:** Designing training and development programs to serve capabilities building objectives.
    - Develop technical competencies by focusing on capability building at the different departments through holding certified trainings to develop technical skills of the staff
    - Develop personal/behavioral aspects by focusing on capability and skill development within the framework of the competencies and skills adopted by the Company. The related programs focus on leadership skills, communication skills, analysis skills, innovation, etc.

- **Implement adopted policies and procedures** whether internal or external prices such as the labor regulation, social insurance regulation, Health Insurance Council Regulation, as well as other related regulations.

- **Reinforce the high performance culture:** Disseminate this culture through redesigning the annual performance review program to be more effective and accurate with respect to the desired objectives; and link the appraisal to material and morale incentives such as bouns, annual increase, and promotions.

- **Boost staff morale:** Develop effective communication among the staff or between the staff and executive management through regular meetings, social programs, etc.

Projects completed in 2014

- Reviewing staff salaries in light of latest developments in the labor market
- Developing human resources of different business units of the Company as follows:
    - Updating the job description of all positions
    - Designing occupational ranks in line with the system adopted by the Headquarters
    - Developing a new salary scale in the light of current situation of the labor market.
- Participating in the overseas Employment Expo.
- Establishing assessment centers to select newly graduated talents.
- Reviewing and re-organizing some procedures of human resources to enhance effectiveness and efficiency
- Launching "Maher" (skilled) program which aims to develop capacity and talents by recruiting fresh graduates and taking them under an intensive training plan
- Launching "Salam" (Performance Management System) program related to reviewing staff performance through revising the mechanism adopted and developing procedures and training.
- Launching an English language program
- Implementing "Marhaba" (hello) program which provides a comprehensive understanding of shipping industry, which included a review of the latest developments and details on the Company's related sectors, in addition to a visit to the port and vessels to better understand the operational side
- Assigning technical training courses for different departments and sectors.

Projects to be implemented in 2015

- Implementing "Tatweer" (development) program which aims to set up a mechanism to develop staff competencies and create new positions in line with the work needs
- Developing and approving a framework for the performance management system
- Reviewing and implementing new incentives plans
- Reviewing career development framework
- Training technical staff of the different departments and sectors in accordance with the training needs and
- Developing executive training programs
- Participating in job fairs held outside the Kingdom of Saudi Arabia to recruit the talented graduates for inclusion in the "Maher" program
- Reviewing and developing HR policies and procedures

Quality Department

The Quality Department ensures that all actions taken are consistent with the quality standards, documented, and efficient in order to meet the needs and expectations of the existing and potential clients. In this regard, the Department coordinates, monitors, and measures quality and performance according to the international standards related to quality control in order to enhance excellence, competitiveness and high quality services.

1- Developments of quality management system in 2014

- Implementing the quality management system at Bahri America Inc. and obtaining the ISO certificate 9001:2008
- Developing the strategic plan for quality management
- Finalizing Phase II of the procedure streamlining project
- Finalizing Phase I of documenting the project procedures

2- Projects to be completed in 2015

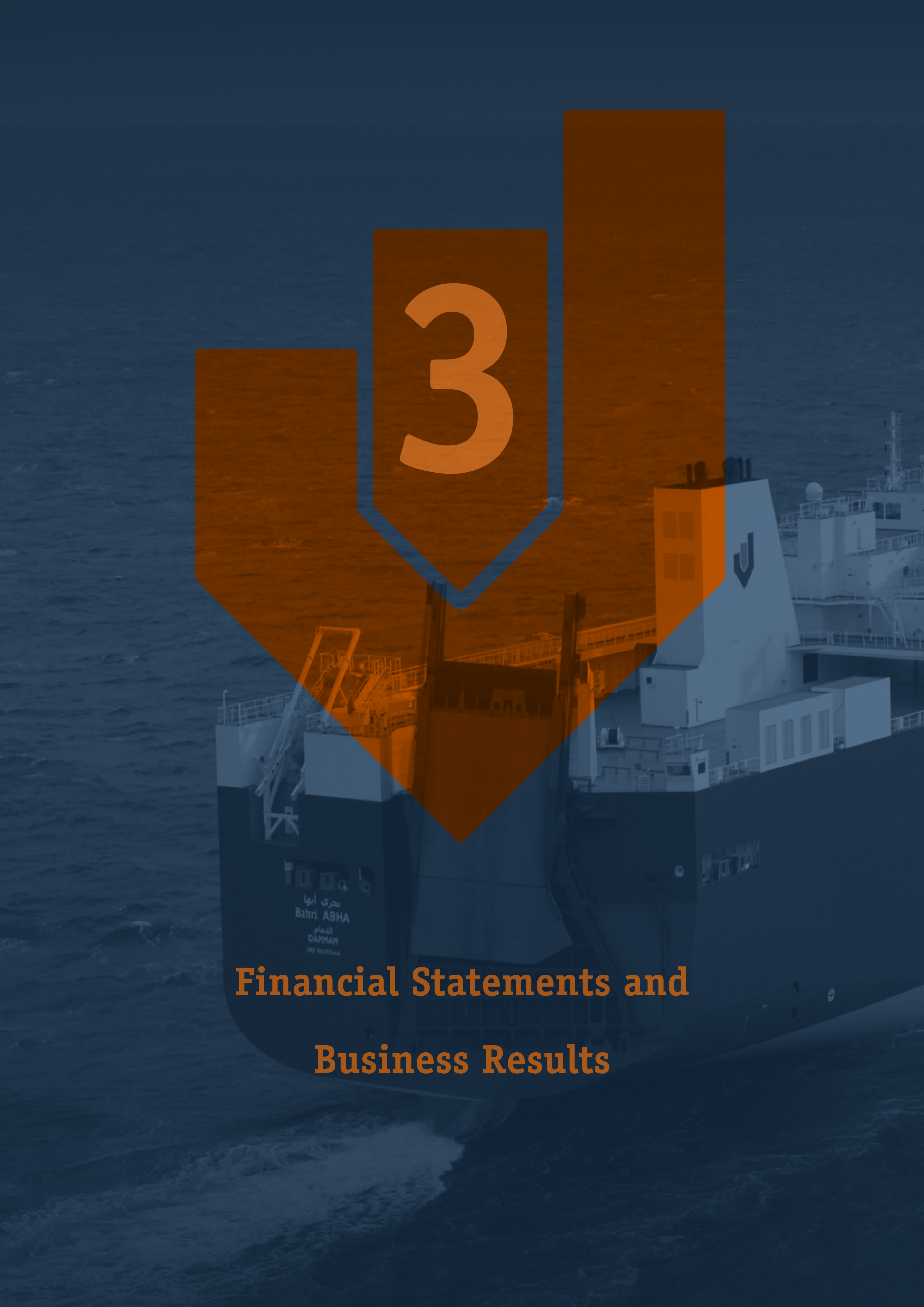
- "Tawheed" project which aims to streamline the procedures
- "Waié" project which aims to set the procedures necessary to identify the types, levels, and impact of the different risks
- Developing precautionary plans by applying ISO 31000
- "Salama" project which aims to implement procedures of occupational health and safety through applying ISO 18001.

3- Memberships

- GCC Standardization Organization

Environment and Safety

Bahri's VLLCs, Chemical Tankers and Dry Cargo ships sail around the world. Due to the emissions from the ships, which cannot be avoided, there is an adverse effect on the atmosphere. As a result, Bahri takes necessary measures to minimize the negative impact its vessels has on the environment by using latest technologies aimed to reduce resulting emissions. Moreover, the Company always takes necessary measures to protect the health and safety of its employees both at sea and on land. Bahri also appoint international consulting firms to conduct periodic inspections on its vessels to ensure they meet the environmental standards.



3

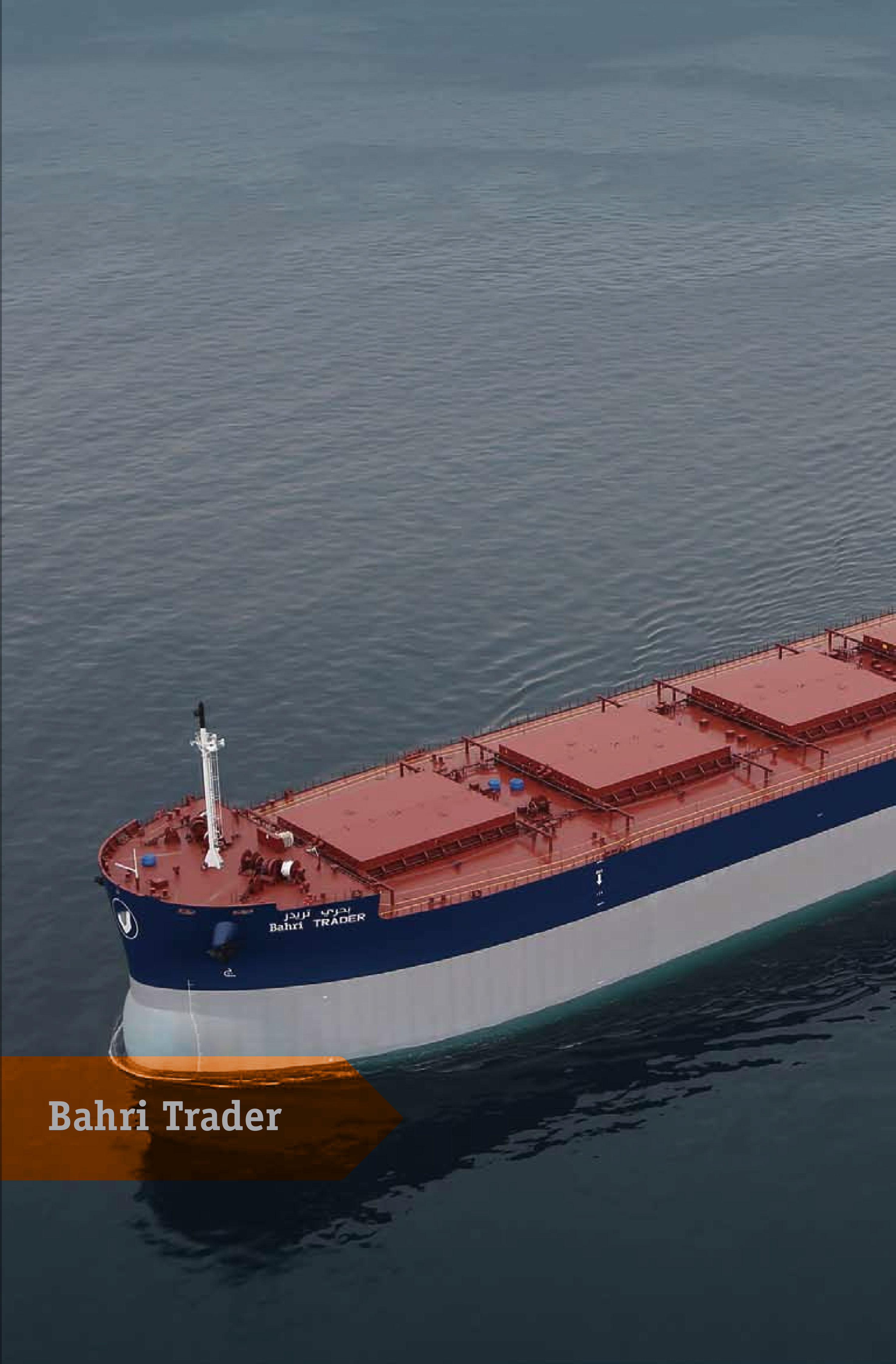
Financial Statements and Business Results

Financial results and business performance of Bahri and its subsidiaries

This chapter outlines the financial statements and business results of Bahri in 2014; presents the assets, liabilities, and revenue; summarizes the financial results of its subsidiaries in 2014; and explains the statutory payments and dividend policy of the Company.

Bahri Watban

Year built	:	1996
Type	:	Oil Carriers
Length	:	340 m
Beam	:	56 m
Speed	:	17 knots
Draft	:	17 tank
DWT	:	300,361 t



Bahri Trader

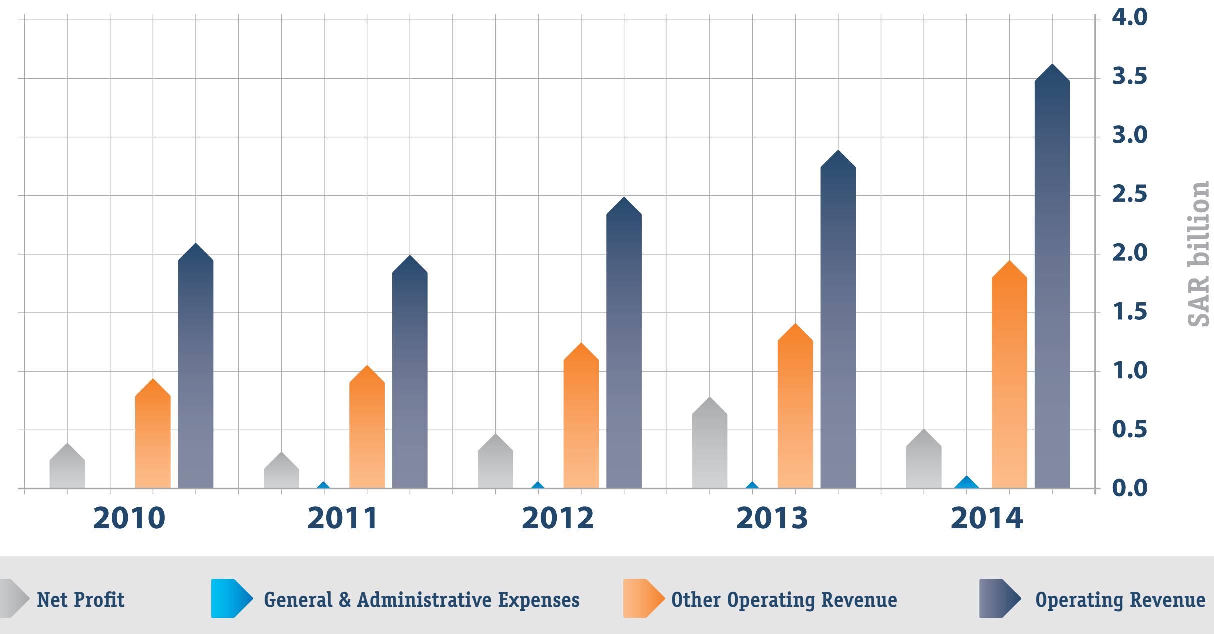
Year built	:	2014
Type	:	Dry bulk transportation vessel
Length	:	224.50 m
Beam	:	32.26 m
Speed	:	14.50 knots
Draft	:	14.45 m
DWT	:	81,800 t

Financial Results and Business Performance of Bahri and its Subsidiaries

Financial statements and business results

Financial results for past 5 years (In Thousands of Saudi Riyals)					
Item/year	2014	2013	2012	2011	2010
Operating revenue	3,626,412	2,846,698	2,464,628	1,991,084	2,049,830
Bunker costs	(1,206,749)	(943,406)	(875,097)	(801,163)	(625,692)
Other operating expenses	(1,963,373)	(1,494,838)	(1,253,254)	(1,063,269)	(1,010,377)
Total operating income without Bunker subsidies	456,290	408,454	336,277	126,652	413,761
Bunker subsidies	217,936	171,108	200,572	176,465	109,498
Gross operating income	674,226	579,562	536,849	303,117	523,259
General & administrative expenses	(98,875)	(79,123)	(83,063)	(73,605)	(69,677)
Other income (net)	24,429	338,544	108,023	108,375	16,234
Zakat and tax (net)	(37,436)	(49,858)	(36,299)	(25,497)	(36,365)
Non-controlling interest	(28,504)	(36,863)	(21,517)	(24,622)	(18,573)
Net income	533,840	752,262	503,993	287,768	414,878
Earnings per share from the net profit (SAR)	**1.58**	**2.39**	**1.60**	**0.91**	**1.32**

Financial results for past 5 years

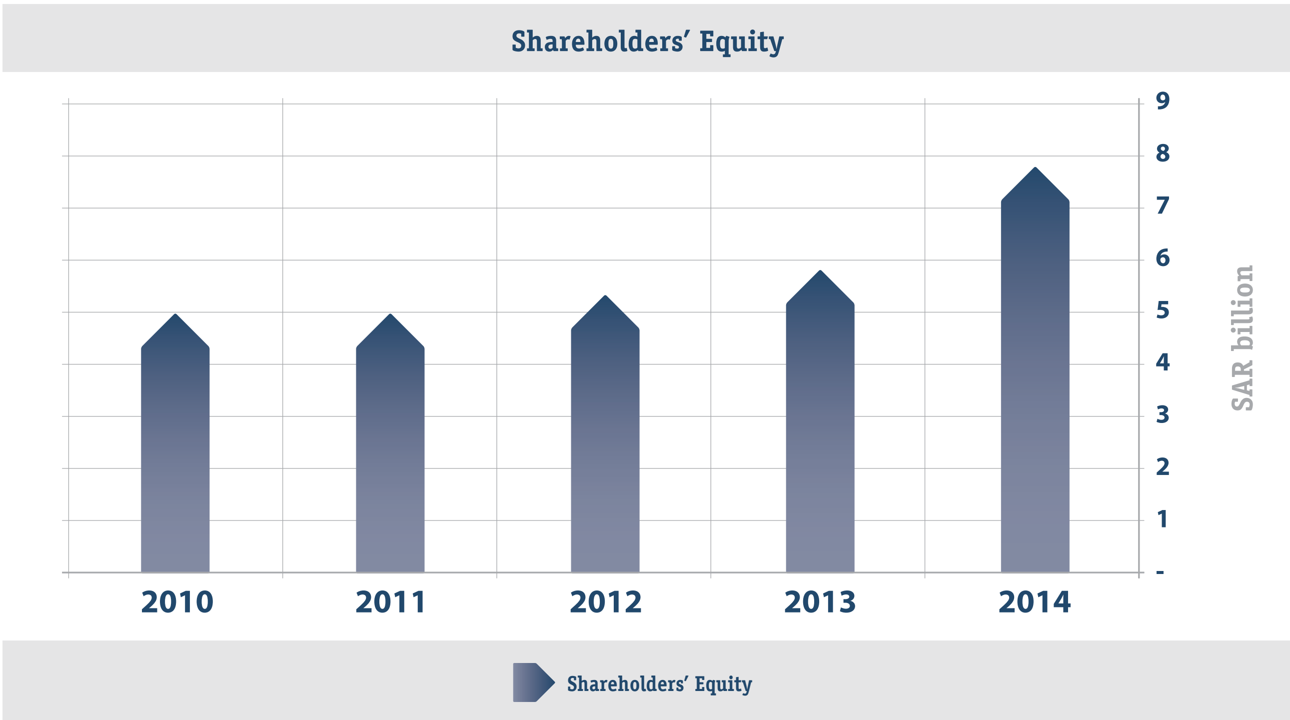


Statement of assets and liabilities as of December 31, 2014 (In Thousands of Saudi Riyals)					
Item/year	**2014**	**2013**	**2012**	**2011**	**2010**
Total current assets	1,816,647	1,453,027	1,143,109	1,042,280	1,578,464
Net fixed assets	12,980,017	8,512,152	7,503,701	7,252,854	6,407,630
Other non-current assets	2,325,866	2,057,534	2,415,748	2,328,077	1,980,185
Total assets	**17,122,530**	**12,022,713**	**11,062,558**	**10,623,211**	**9,966,279**
Total current liabilities	4,700,835	1,381,237	1,006,117	944,248	736,030
Murabaha financing for long-term loans	4,152,888	4,376,589	4,253,733	4,294,968	3,818,540
Other non-current liabilities	83,538	77,464	76,963	28,058	33,326
Total liabilities	8,937,261	5,835,290	5,336,813	5,267,274	4,587,896
Paid-up share capital	3,937,500	3,150,000	3,150,000	3,150,000	3,150,000
Reserves and retained earnings	3,877,572	2,695,729	2,260,914	1,912,623	1,939,691
Non-controlling minority interest	370,197	341,694	314,831	293,314	288,692
Total equity	**8,185,269**	**6,187,423**	**5,725,745**	**5,355,937**	**5,378,383**
Total liabilities and equity	**17,122,530**	**12,022,713**	**11,062,558**	**10,623,211**	**9,966,279**

Financial statements and business results

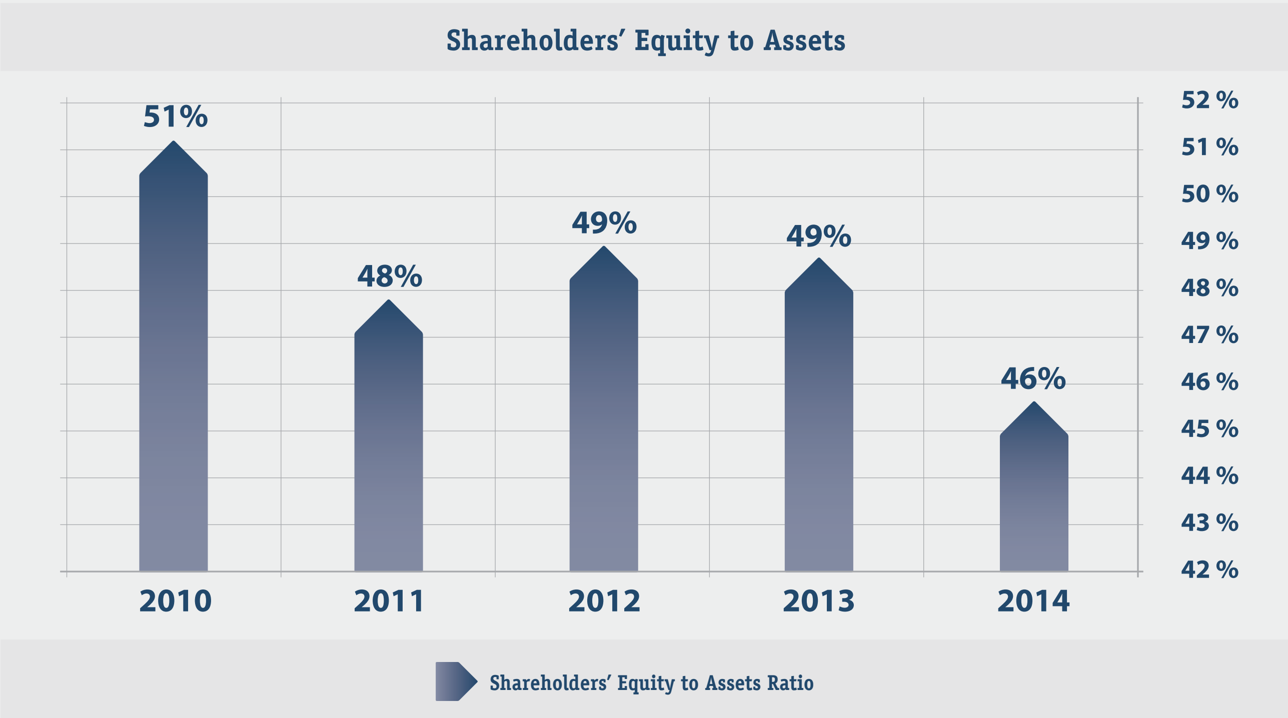
Shareholder's equity as of December 31, 2014 (In Thousands of Saudi Riyals)			
Year	Shareholders' equity	Increase/ (decrease)	%
2014*	7,815,072	1,969,343	33.69%
2013	5,845,729	434,815	8.04%
2012	5,410,914	348,290	6.88%
2011	5,062,623	(27,067)	(0.53%)
2010	5,089,691	102,171	2.05%

* In 2014, 78,750,000 shares were issued for Aramco for Development Co., which is totally owned by Aramco, with a total cost of SAR 1,752,187,500 (SAR 22.25 per share). The nominal value per share is SAR 10 plus SAR 12.25 as share premium recorded within the statutory reserve. This process is related to the merger of Vela's fleet and operations.



Financial statements and business results

Shareholder's equity to asset ratio as of December 31, 2014 (In Thousands of Saudi Riyals)			
Year	Shareholders' equity	Total assets	%
2014	7,815,072	17,122,530	46%
2013	5,845,729	12,022,713	49%
2012	5,410,914	11,062,558	49%
2011	5,062,623	10,609,448	48%
2010	5,089,691	9,966,279	51%

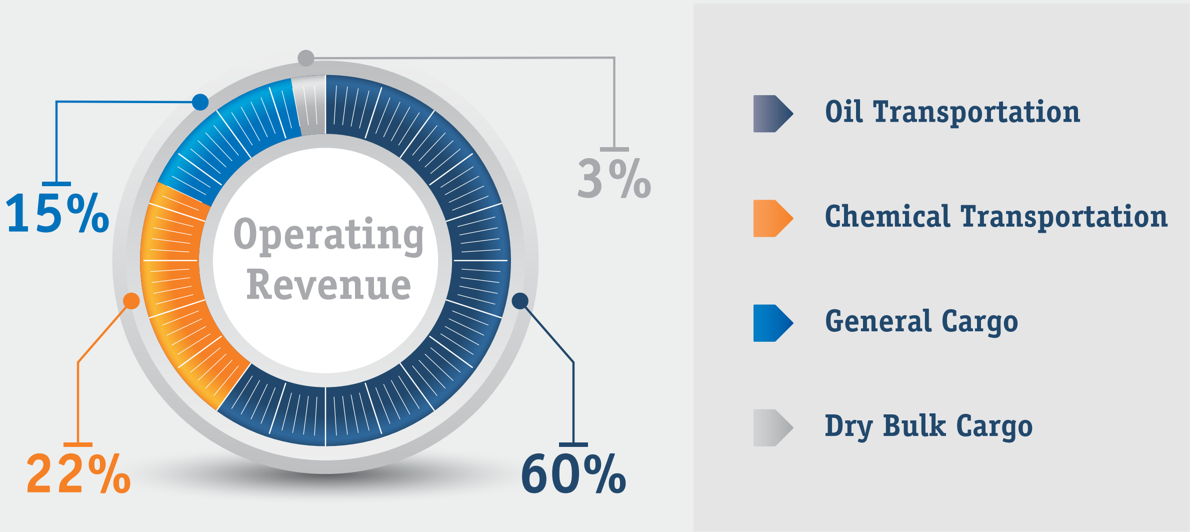


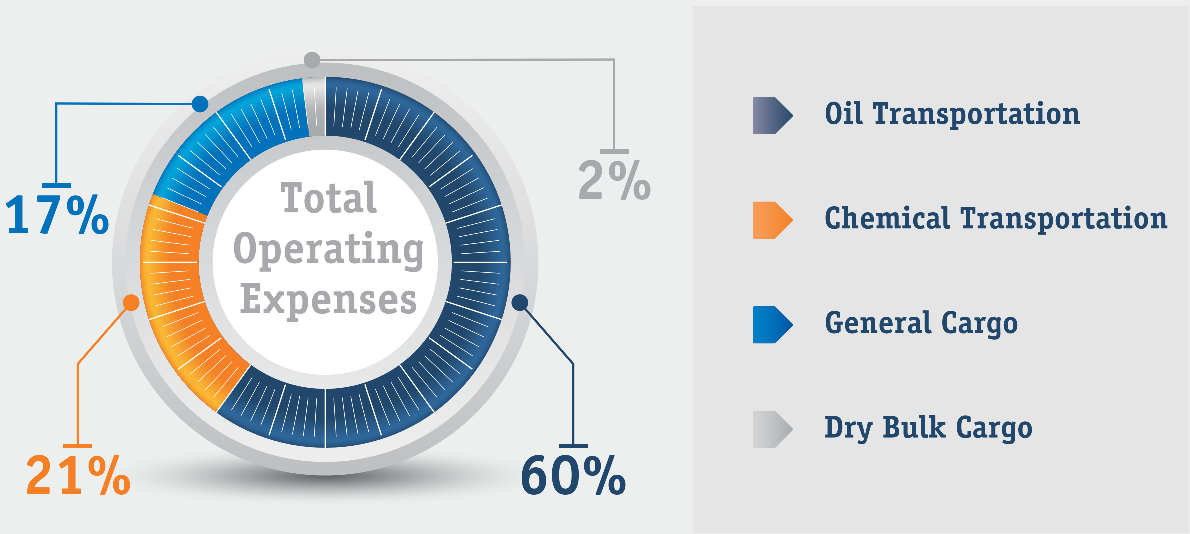
Revenue of the Company's Core Sectors

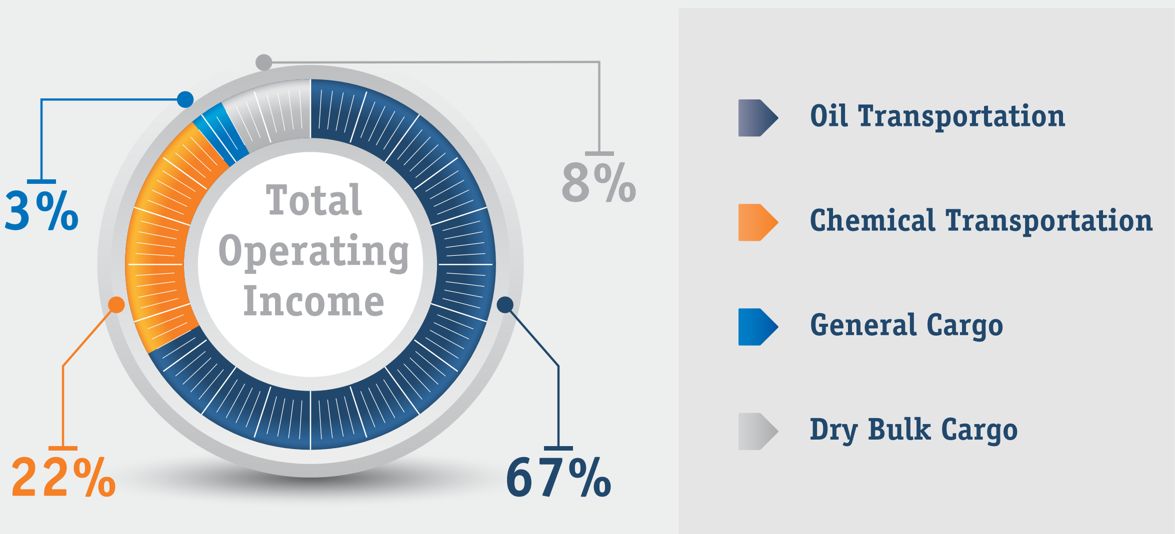
The Company operates through profitable and cash-flow generating strategic units (i.e. crude oil transportation sector, chemicals transportation sector, general cargo transportation sector and dry bulk transportation sector). The chemicals transportation sector and dry bulk transportation sector operates through two independent companies (that is, National Chemical Carriers (NCC) and Bahri Dry Bulk (BDB) as there are strategic partners in these two sectors. In addition, Bahri owns shares in some companies, Mainly Petredec Ltd.

Financial statements and business results

Revenue of the Company's core sectors in fiscal year 2014 (In Thousands of Saudi Riyals)							
Sector	Operating revenue	Fuel cost	Other operating expenses	Total operating expenses	Fuel subsidies	Total operating income	Contribution of sector's operating income to total operating income (%)
Oil transportation	2,152,259	(916,902)	(961,251)	(1,878,153)	174,434	448,540	67%
Chemicals transportation	802,922	(190,239)	(487,537)	(677,776)	23,816	148,962	22%
General cargo transportation	550,392	(99,608)	(447,502)	(547,110)	19,686	22,968	3%
Dry bulk transportation	120,839	-	(67,083)	(67,083)	-	53,756	8%
Total	**3,626,412**	**(1,206,749)**	**(1,963,373)**	**(3,170,122)**	**217,936**	**674,226**	**100%**

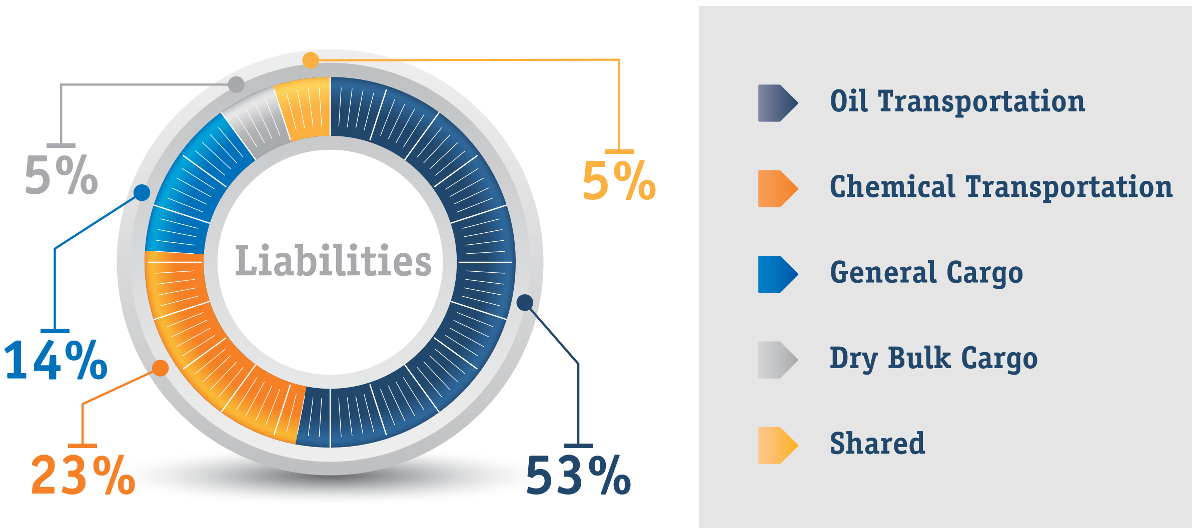

Operating Revenue
3%
15%
22%
60%
Oil Transportation
Chemical Transportation
General Cargo
Dry Bulk Cargo

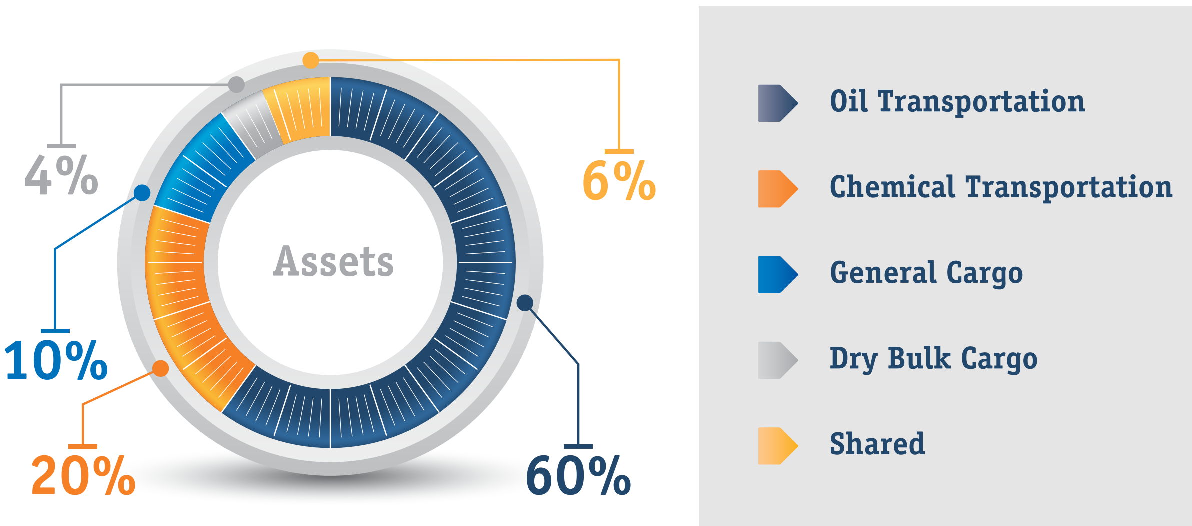

Total Operating Expenses
2%
17%
21%
60%
Oil Transportation
Chemical Transportation
General Cargo
Dry Bulk Cargo


Total Operating Income
8%
3%
22%
67%
Oil Transportation
Chemical Transportation
General Cargo
Dry Bulk Cargo

Financial statements and business results

Distribution of assets and liabilities as per Company's sectors as of December 31, 2014 (In Thousands of Saudi Riyals)						
	Oil transportation	Chemicals transportation	General cargo transportation	Dry bulk transportation	Shared	Total
Assets	10,180,032	3,393,587	1,784,598	696,520	1,067,793	17,122,530
Percentage of Assets	60%	20%	10%	4%	6%	100%
Liabilities	4,768,574	2,065,533	1,210,729	434,818	457,607	8,937,261
Percentage of Liabilities	53%	23%	14%	5%	5%	100%





Subsidiaries capital as of end of 2013 & 2014							
Company	Legal status	Incorporation date	Capital in 2014	Capital in 2013	Ownership in 2014 (%)	Ownership in 2013 (%)	Details of shares
NSCSA (America) Inc.	LLC	1991	3,750,000	3,750,000	100%	100%	1,000
Mideast Ship Management Ltd.	LLC	2010	306,540	306,540	100%	100%	1
National Chemical Carriers Ltd. Co. (NCC)	LLC	1990	610,000,000	610,000,000	80%	80%	61,000,000
Bahri Dry Bulk (BDB)	LLC	2010	200,000,000	200,000,000	60%	60%	200,000

Summary of financial results of Subsidiaries in 2014 (In Thousands of Saudi Riyals)								
Company	Operating revenue	Operating expenses	Fuel subsidies	Total operating income	General & administrative expenses	Other revenue (expenses)	Net profit (loss)	Contribution to Bahri's net profit (%)
NSCSA (America) Inc.*	21,652	(21,742)	-	(90)	-	36	(54)	0.01-%
Mideast Ship Management Ltd.**	54,324	(52,611)	-	1,713	-	(1,363)	350	0.07%
National Chemical Carriers Ltd. Co.(NCC)	802,922	(677,776)	23,816	148,962	(20,483)	(53,847)	74,632	13.98%
Bahri Dry Bulk (BDB)	120,838	(67,083)	-	53,755	(3,597)	(16,214)	33,944	6.36%

* It depends for its income totally on the mother company.

** It depends for its income totally on the mother company and its subsidiaries.

Murabaha financing and long-term loans in 2014* (In Thousands of Saudi Riyals)						
Company	Principal loans	Balance of loans at tear-start	Average loan term (years)	Addition during the year	Repayments during the year	Balance of loans at year-end
The National Shipping Company of Saudi Arabia (Bahri)	3,825,535	2,674,038	10	82,260	(343,585)	2,412,713
National Chemical Carriers Ltd. Co.(NCC)	3,597,553	2,085,783	8.7	-	(199,954)	1,885,829
Bahri Dry Bulk (BDB)	420,000	167,664	11	252,336	(7,350)	412,650
Mideast Ship Management Ltd.	25,343	13,395	7	-	(13,395)	-
Total	7,868,431	4,940,880	9.2	334,596	(564,284)	4,711,192

* In addition to the financing received from the Public Investment Fund, the Company and its subsidiaries also receive financing from several banks, mainly: Samba Financial Group, Saudi Fransi Bank, Saudi British Bank (SABB),National Commercial Bank, Riyadh Bank, Gulf International Bank, BNP Paribas (Paris), and JPMorgan Chase.

Installments of outstanding Murabaha agreements and long-term loans as of December 31, 2014 (In Thousands of Saudi Riyals)						
Company	2015	2016	2017	2018	2019	Total
The National Shipping Company of Saudi Arabia (Bahri)	328,943	317,663	416,593	450,857	263,384	2,412,713
National Chemical Carriers Ltd. Co.(NCC)	29,400	29,400	29,400	29,400	29,400	412,650
Bahri Dry Bulk (BDB)	199,954	199,954	407,329	141,942	141,942	1,885,829
Mideast Ship Management Ltd.	-	-	-	-	-	-
Total	558,297	547,017	853,322	622,198	434,726	4,711,192

Regulatory Payments

Zakat and withholding tax

The Company submitted all Zakat returns up to 2012, as well as withholding tax returns till October 2013. Zakat assessments were approved by the Department of Zakat and Income Tax (DZIT) for all years up to 2000. DZIT conducted assessments of Zakat, withholding tax from 2000 till 2007, and ordered Bahri to pay additional amount of SAR 22 million. The Company filed an appeal with DZIT against some items in those assessments and their calculation methods. DZIT accepted the appeal. The Company discussed the appeal with the second preliminary committee, paid Zakat of 2013, and will file its Zakat return for 2013 in 2015. In addition, the Company has not received the Zakat assessments for the remaining years from 2008 till 2012. The Company believes that it has made adequate allocations for Zakat and withholding tax as of December 31, 2014.

Zakat and tax position of NCC

National Chemical Carrier Ltd. Co. (NCC) filed all Zakat returns up to 2013 and the withholding tax till November 2014. NCC paid all Zakat and withholding tax according to the said returns. It also received additional assessments of Zakat and tax for the period from 1991 to 2004.In response, NCC filed an appeal with DZIT against some of the items in such assessments and reached a settlement with DZIT. According to the settlement, the Zakat due was SAR 54 million of which NCC paid SAR 26 million in 2011, while the remaining amount would be paid in installments as of July 2013. In addition, NCC received assessments of Zakat and withholding tax for the period from 2005 till 2008, and NCC filed an appeal with DZIT regarding some items in the assessments. The appeal is still in progress. NCC believes that it has made adequate allocations for Zakat and withholding tax as of December 31, 2014.

Zakat and tax position of BDB

Bahri Dry Bulk (BDB) filed all Zakat returns till 2012 and has not received Zakat assessments from DZIT. BDB will file its Zakat return of 2013 in 2015. BDB believes that it has made adequate allocations for Zakat and withholding tax as of December 31, 2014.

Statement of accrued regulatory payments as of December 31, 2014

Description	Bahri	NCC	BDB
Zakat	13,019,843	6,871,688	-
Withholding tax	1,751,095	4,795,488	6,372,152
Social insurance provision	5,827,507	562,590	21,106

Dividend Distribution Policy

The share profit is calculated from the operating income of the year, sub-businesses, and net profit of the year based on the weighted average of the existing share during the year. The dividends to be distributed after end of the year are treated as retained earnings rather than liabilities unless the distribution is approved by the General Assembly prior to the end of the period. Such dividends are recorded within the obligations of the year in which the General Assembly approves them until being distributed.

The share profit was calculated based on the weighted average of the existing shares for the two years ending on December 31, 2013 & 2014 (i.e. 338.41 million shares and 315 million shares, respectively).

On March 31, 2014, the ordinary General Assembly approved to pay dividends at the rate of 10 percent of the capital, or SAR 315 million at SAR 1 per share for 2013. The balance of unclaimed dividends as of December 31, 2014 reached SAR 33.88 million compared to SAR 32.09 million in 2013.

During its meeting held on December 11, 2014, the Board of Directors recommended distributing cash dividends to the shareholders amounting to SAR 393.75 million (i.e. 10% of the capital), at the rate of SAR 1 per share for 2014. This will be subject to the shareholders' approval during the General Assembly.

Dividend distribution policy- continued

The following table shows the net profit, cash dividends realized, their ratio to net profit (62 percent on average), and average ratio of dividends payout to capital which amounted to 9 percent during the last 5 years (2010-2014).

Fiscal year	Net profit (In Thousands of Saudi Riyals)	Cash dividends (In Thousands of Saudi Riyals)	Dividends payout ratio (%)	Dividends to capital ratio (%)
2014	533,840	393,750*	74%	10%
2013	752,262	315,000	42%	10%
2012	503,993	315,000	63%	10%
2011	287,768	157,500	55%	5%
2010	414,878	315,000	76%	10%
Total	2,492,741	1,496,250	62%	9%

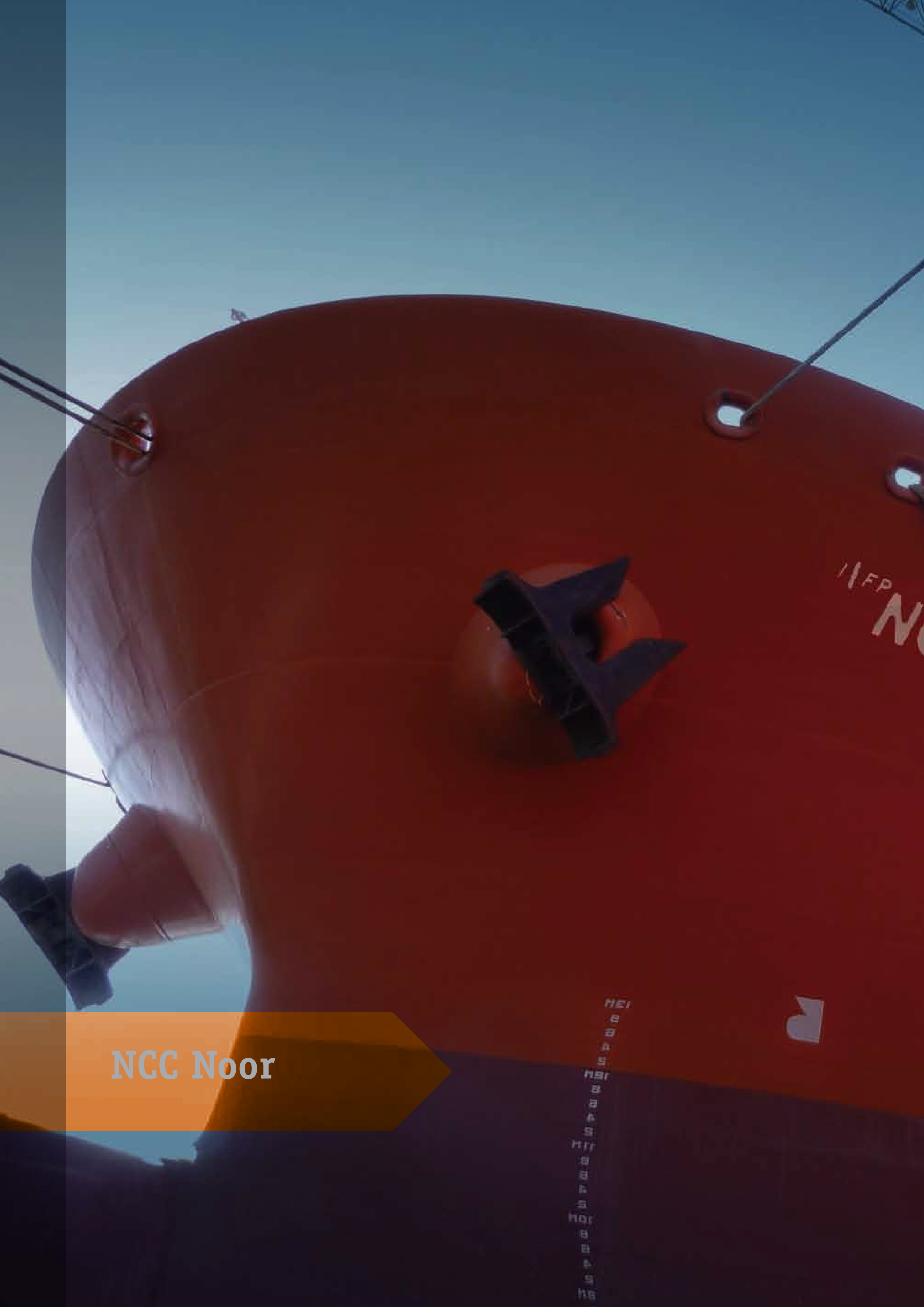
* Subject to approval of the ordinary General Assembly.

4

Disclosure and Transparency

Disclosure and transparency

The Company adopts a policy of disclosure and transparency as stipulated in the corporate governance regulations and the requirements of presentation and disclosure while preparing this report in order to ensure that the correct information is delivered to its intended audience such as shareholders, financiers, regulators, etc. This chapter describes some information related to accounting disclosure, the extent of compliance with corporate governance standards, details related to the Board of Directors and its committees, as well as information about the executive management and their relevant tasks.



NCC Noor

Year built	:	2011
Type	:	Chemicals Carriers
Length	:	183 m
Beam	:	32.2 m
Speed	:	15 knots
Draft	:	22 tank
DWT	:	45,000 t

Shareholders’ Rights and Communication

The Company’s shareholders have all rights and privileges stated in the Company’s Articles of Association, which is in line with the Company’s Law and corporate governance regulations issued by the Capital Markets Authority. The Board of Directors and executive management are always keen on creating a healthy environment for the shareholders to enable them to exercise all their rights in a convenient and straightforward manner through communications with the Company’s management. Shareholders who meet the regulatory conditions have the right to run for the Board’s membership. They are invited through local newspapers, the Company’s website, and “Tadawul” website to attend the General Assembly meetings to exercise their rights to vote and choose their representatives in the Board of Directors. A large number of shareholders participate in the discussions related to the Company’s activities and future plans during the General Assembly meetings. Upon approval by the General Assembly to the payment of dividends, the decision is immediately announced and procedures for payment to the shareholders registered in the records of the Securities Depository Center as at the end of the trading day on the day of the General Assembly meeting is held. Payments are made through local banks within 30 days from the date of the General Assembly’s approval in this respect.

The Company participates in the investment forums organized by some investment companies. The Company has also approached prospective investors and current shareholders through meetings organized by certain agencies interested in investment activities. In addition, the Company has received a number of officials from investment agencies. It is worth noting that the information provided by the Company is limited to public information that has already been disclosed through the official channels of communication and is consistent with the directives of the Capital Markets Authority and Ministry of Commerce and Industry.

Through the Company’s website (www.bahri.sa), the Company provides a forum for its shareholders and all other users to communicate with the Company on an ongoing basis. This website can be used to search for any information required, and any updated information related to the Company, which includes annual, quarterly, and operational reports, as well as the Company’s publications, announcements, and information about current and former shareholders.

The Company also provides all news about its performance and activities through the official channels such as Tadawul website in accordance with the directives of the Capital Markets Authority and the disclosure policy adopted by the Company as part of the corporate governance regulations

Disclosure

The Company discloses all necessary information in a transparent manner, especially with regards to its activities and results in such a way that does not affect the activities.

- **Departure from the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA):**
  - There is no departure from the accounting standards released by SOCPA.

- **Description of any interest in a class of voting shares held by persons (other than the Company’s Board of Directors, senior executives, and their relatives) that have informed the Company of their holdings pursuant to Article (45) of the Listing Rules of the Capital Markets Authority, together with any change to such interest during the last fiscal year:**

- The Company has not received any notification regarding any interest in a class of voting shares.

- **Description of the categories and numbers of any transferrable debt instruments any contractual securities or ofering memoranda on subscription rights offers or similar rights issued or granted by the Company during the fiscal year with explanations for any compensation acquired by the Company for that:**
  - The Company does not have any categories of transferrable debt instruments, nor any contractual securities, offering memoranda on subscription rights, or any similar rights issued or granted by the Company during the fiscal year.

- **Description of any transfer or subscription rights under transferrable debt instruments or any contractual securities or any subscription rights or similar rights issued or granted by the Company**
  - The Company does not have any transfer or subscription rights under transferrable debt instruments or any offering rights memos or similar rights issued or granted by the Company.

- **Description of any redemption, purchase, or cancellation by the Company of any redeemable debt instruments and the value of the remaining securities, with a distinction between the listed securities purchased by the Company and those purchased by the subsidiaries:**
  - The Company and its subsidiaries do not have any such recovery, purchase, or cancellation of any recoverable debt instruments.

- **Description of any transaction between the Company and any related party:**
  - TThere is no transaction between the Company and any related party.

- **Information on any business or contracts where the Company is a party thereof and there is an interest for a Board member, CEO, CFO, or any person related to them:**
  - The Company acknowledges that there is no contract where the Company is a party thereof and where there is an interest for a Board member, CEO, CFO, or any person related to them.

- **Description of any arrangements or agreement under which a Board member or senior executive has waived any rights to salary or compensation:**
  - None of the Board members or senior executives has waived any rights to salary or compensation.

- **Description of any arrangements or agreement under which a shareholder of the Company has waived any rights to dividends:**
  - There is no arrangement or agreement where a shareholder of the Company has waived any rights to dividends.

- **Description of the value of any investments or reserves created for the Company's employees:**
  - There are no specific investments or reserves set aside for the Company's employees, except those for the severance payment provisions as provided for in the Saudi Labor Law and similar laws in the countries where there are companies wholly owned by Bahri such as the USA and UAE.

- **The Board of Directors hereby acknowledges the following:**
  - The accounting records have been prepared in a sound manner
  - The internal control system has been established on a sound basis and implemented effectively

- The Company's ability to continue its operations is not subject to doubt.

- **The external auditor's reservation over the financial statements:**
    - The external auditor has no reservations over the Company's financial statements.

- **The Board's of Directors recommendation to replace the external auditor prior to the end of the agreed term:**
    - The Board of Directors did not recommend replacing the external auditor prior to the end of the agreed term.

- **Penalties, sanctions, or precautionary attachment imposed on the Company by the regulatory, supervisory, or judicial authorities:**
    - A penalty of SAR 10,000 was imposed on the Company for violating Article (40/B) of Registration and Listing Rules as the Company was late in announcing on Tadawul website before 2 hours at least from the trading period the preliminary financial results of the fiscal period ending on December 31, 2013.
    - A penalty of SAR 10,000 was imposed on the Company for violating Article (5/I) of the basic elements to be available in the released financial results of the companies under the instructions of the announcements made by the shareholding companies listed in the Saudi Securities Market pursuant to Article (59/B) of the Financial Market Regulation. The violation was due to the fact that the announcement did not mention the amount of profit (loss) per share during the current period and compare it with the same period of the previous year.

Results of the Annual Audit and Internal Control Procedures of the Company:

The Internal Audit and Control Department performs the audits on a constant basis and implements an annual audit plan based on a risk assessment system for the Company and its subsidiaries. The audit committee approves the audit plan after ensuring it includes all necessary programs to be examined and assessed, and that it is in line with the internal control and audit standards.

To verify effectiveness of the internal audit system with regard to protection of assets, risk assessment, and evaluation of the adequacy of performance, the Internal Audit and Control Department submits regular reports to the audit committee. These auditing processes have not revealed any material deficiency in the internal control system of the Company. Moreover, within the scope of its review of the Company's final accounts on a quarterly basis, the external auditor reviews all reports of the Internal Audit and Control Department for the relevant financial period. The external auditor shall also have the right to review the minutes of the audit committee meetings in order to provide a professional opinion. In turn, the audit committee will discuss all the observations made and ensure that all relevant departments take the necessary corrective actions to this effect within the planned timeframe.

Corporate governance

The Company complies with corporate governance standards, conducts regular review of its policies and procedures, and establishes policies and procedures that promotes transparency and disclosure. The Company also implements all obligatory provisions stated in the corporate governance regulation issued by the Capital Markets Authority and its Articles of Association, as well as all its policies with exception of the following:

Article	Provision	Reasons for non-compliance
27/4	Geographic analysis of the source's total revenue and of the total revenue of its subsidiaries abroad.	Due to the nature of the Company's business, the vessels of the Company and its subsidiaries operate in the high seas and carry shipments between multiple ports world-wide
6/B	Cumulative voting method should be applied when voting to select the Board members in the General Assembly	The Company's basic regulation was amended, so that the cumulative voting method will be applied at the end of the current Board's term ending on December 31, 2016, in accordance with the corporate governance regulation issued by the Capital Market Authority and any amendments in force from time to time.

Board of Directors

The Board of Directors of the 2014-2016 term consists of 9 members. The Board is vested with the responsibility to lead the Company in terms of guidance, control, and strategy, while the executive management undertakes the role to lead the business within the policies, plans, controls and regulations approved by the Board and General Assembly.

In 2014, the Board held 7 meetings.

Details of attendance of the Chairman and Board members in the Board meetings during 2014

Name	Title	Meeting No.							
		1	2	3	4	5	6	7	Total
Abdulrahman Mohammed Almofadhi	Chairman	√	×	√	√	√	√	√	6
Mohammed Abdulaziz AlSarhan	Vice Chairman	√	√	√	√	√	√	√	7
Esam Hamad Al-Mubarak	Member	√	√	√	√	√	√	√	7
Saleh Abdullah AlDebasi	Member	√	√	√	√	√	×	×	5
Farraj Mansour Abothenain	Member	√	√	√	√	√	√	√	7
Abdullah Ali Al-Ajaji	Member	√	√	√	√	√	×	×	5
Saleh Nasser Al-Jasser *	Member	-	-	-	-	√	√	√	3
Said Abdullatif Al-Hadrami**	Member	-	-	-	-	√	√	√	3
Bader Abdulqader Ghouth ***	Member	-	-	-	-	√	√	√	3
Abdulaziz Abdulrahman Almedaimigh ****	Member	√	√	√	√	-	-	-	4

* Joined the Board on July 15, 2014

** Joined the Board on September 16, 2014

*** Joined the Board on September 16, 2014

**** Resigned from the Board on July 15, 2014

Classification of the Board of Directors for 2014-2016 term in terms of independence: independent/non-executive

Name	Classification
Abdulrahman Mohammed Almofadhi	Non-executive
Mohammed Abdulaziz AlSarhan	Independent
Esam Hamad Al-Mubarak	Non-executive
Saleh Abdullah AlDebasi	Non-executive
Farraj Mansour Abothenain	Independent
Abdullah Ali Al-Ajaji	Independent
Saleh Nasser Al-Jasser	Non-executive
Said Abdullatif Al-Hadrami	Non-executive
Bader Abdulqader Ghouth	Non-executive

Details of membership of Board of Directors for 2014-2016 term in order shareholding companies

Name	Membership in other shareholding companies
Abdulrahman Mohammed Almofadhi	- National Commercial Bank - Saudi Real Estate Co. - Saudi Stock Exchange (Tadawul)
Mohammed Abdulaziz AlSarhan	- Al Faisaliyah Group - Al Sahrq Ready Mix Co.
Esam Hamad Al-Mubarak	-
Saleh Abdullah AlDebasi	-
Farraj Mansour Abothenain	- Astra Industrial Group “Astra” - National Petrochemical Company (Petrochem) - Bawan Co.
Abdullah Ali Al-Ajaji	Qassim Cement Co.
Saleh Nasser Al-Jasser	-
Said Abdullatif Al-Hadrami	-
Bader Abdulqader Ghouth	-
Abdulaziz Abdulrahman Almedaimigh	- Middle East for Financial Investments Co. - Cooperative Insurance Co.

Details of Board of Directors’ compensations and bonuses in 2014

Name	Meeting attendance fee	Committee remuneration	Bonus after distribution of dividends	Total
Abdulrahman Mohammed Almofadhi	37,500	100,000	200,000	**337,500**
Mohammed Abdulaziz AlSarhan	34,500	200,000	200,000	**434,500**
Esam Hamad Al-Mubarak	51,500	200,000	200,000	**451,500**
Saleh Abdullah AlDebasi	30,000	200,000	200,000	**430,000**
Farraj Mansour Abothenain	40,500	200,000	200,000	**440,500**
Abdullah Ali Al-Ajaji	36,000	100,000	200,000	**336,000**
Saleh Nasser Al-Jasser	24,339	100,000	200,000	**324,339**
Saeed Abdul Latif Al Hadrami	19,500	200,000	200,000	**419,500**
Bader Abdulqader Ghouth	16,500	200,000	200,000	**416,500**
Abdulaziz Abdulrahman Almedaimigh	17,000	-	200,000	**217,000**

The Board of Directors declares that apart from the shares owned by the Board members as shown in the following table, they do not have any personal interest, option rights, rights of subscription, or affiliations by the members of the Board, their spouses, or minor children to the Company or its subsidiaries, whether in the form of corporate shares, or direct or indirect connections through contracts of employment, etc.

Details of ownership pf Board members, their spouses, and minor children in the Company’s shares or debt instruments during 2014

Name of Board member	Title	Ownership at the beginning of the year	Ownership at the end of the year	Change during the year	Change (%)
Abdulrahman Mohammed Almofadhi	Chairman	-	-	-	-
Mohammed Abdulaziz AlSarhan	Vice Chairman	353,632	202,000	(151,632)	(42.9%)
Esam Hamad Al-Mubarak	Member	80,000	80,000	-	-
Saleh Abdullah AlDebasi	Member	2,500	2,500	-	-
Farraj Mansour Abothenain	Member	25,000	25,000	-	-
Abdullah Ali Al-Ajaji	Member	-	-	-	-
Saleh Nasser Al-Jasser	Member	35,000	82,000	47,000	143.3%
Said Abdullatif Al-Hadrami	Member	-	-	-	-
Bader Abdulqader Ghouth	Member	-	-	-	-
Abdulaziz Abdulrahman Almedaimigh	Member	7,507,815	4,750,802	(2,757,013)	(36.7%)

Board Committees

Three committees emanate from the Board of Directors: Strategy and Investment; Audit; and Nomination and Remuneration, with powers specified by the Board of Directors.

1- Strategy and Investment Committee

This committee is responsible for setting the basic principles of the Company's strategies. It reviews them periodically, ensuring optimum use of the Company's resources, maximizing returns on investment, and deliberating issued refer thereto by the Board of Directors.

Attendance details of the Chairman and members of the Strategy and Investment Committee in 2014

Name	Title	Meeting No.				
		1	2	3	4	Total
Farraj Mansour Abothenain	Chairman	√	√	√	√	**4**
Abdulrahman Mohammed Almofadhi	Member	√	√	√	√	**4**
Esam Hamad Al-Mubarak	Member	√	√	√	√	**4**
Said Abdullatif Al-Hadrami	Member	-	-	-	√	**1**
Bader Abdulqader Ghouth	Member	-	-	-	√	**1**

2- Audit Committee

The audit committee is responsible for verifying adequacy of the internal controls in a manner that achieves the specified objectives of the Company and protects the interests of the shareholders. This committee has the powers to have an access to all information, data, reports, records, and any other details it deems important. In addition, it examines the annual and interim financial statements prior to submitting them to the Board of Directors. The committee is also responsible for examining the accounting policies and recommending to the Board the appointment and remuneration of the Company's CPA, and verifying independence of the internal auditors.

After reviewing the existing internal controls as manifested in the systems approved by the Internal Audit Department, the committee confirms soundness and effectiveness of the internal audit and controls systems being used by qualified auditors specialized in risk management and quality control. The committee did not find any material observations. The General Assembly has approved the selection rules of the audit committee members, their term and work methods. In addition, the Board of Directors has set the remuneration of the committee members.

Attendance details of the Chairman and members of the Audit Committee in 2014

Name	Title	Meeting No.					
		1	2	3	4	Total	1
Salih Abdulla Al Dabasi	Chairman	√	√	√	√	√	5
Nasir Mohammed Al Qahtani	Member	√	√	√	√	√	5
Abdulla Ali Al Ajaji	Member	√	√	√	√	√	5
Saad Salih Al Ruwait'a	Member	√	√	√	√	√	5

3- Nomination and Remuneration Committee

This committee is responsible for making nominations for membership of the Board of Directors for the next term, conducting the annual review of the needs and skills required for the Board membership. In addition, the committee is tasked with reviewing the Board's structure; making recommendations on necessary changes; identifying weaknesses and strengths of the current Board and ways to address them in the coming term; developing clear policies of compensation and remuneration of the Board of Directors and senior executives based on their performance. The ordinary General Assembly of the Company approved the selection rules of the nomination and remuneration committee members, their term and work methods. In addition, the Board of Directors has set the remuneration of the committee members

Attendance details of the Chairman and members of the Nomination and Remuneration Committee in 2014

Name	Title	1st meeting	Total
Mohammed Abdulaziz Al Sarhan	Chairman	√	1
Saleh Abdullah AlDebasi	Member	×	-
Said Abdullatif Al Hadrami	Member	√	1
Abdulaziz Abdulrahman Almedaimigh	Member	-	-

Executive Management

The Company's executive management is delegated by the Board of Directors to manage the Company's business. This role is performed by the Chief Executive Officer assisted by deputies and heads of business sectors and subsidiaries. This executive management is responsible for the financial, administrative, technical, operational, information technology and risk management activities, as well as all activities related to the Company's business. Committees are also established as needed to provide assistance in implementing certain activities and contingent tasks.

Pursuant to the powers delegated by the Board of Directors, the executive management is committed to act in line with the approved policies and implementing the strategic and operational plans to develop the Company's business and to serve for the interests of the shareholders, without reserving any investment for the benefit of the Company's employees other than their legal entitlements. It is worth noting that the five senior executives, including the CFO, do not own any share options, subscription rights, or debt instruments in the holding Company or any of its subsidiaries according to Tadawul records as of December 31, 2013, except that stated in the executive management ownership table below.

Statement of Company Senior Executives in 2014

Name	Title
Saleh Nasser Al-Jasser	Former CEO until July 31, 2014
Ibrahim Abdulrahman Al Omar	CEO as of October 1, 2014
Mohammed Omair Alotaibi	Vice CEO, Finance
Saleh Abdulrahman Al Shamekh	Head of Gas and Marine Services Sector
Naser Mohammed Al Abdulkareem	Head of Oil Transportation Sector
Ahmed Sulaiman Al Eidan	Assistant CEO, Board Secretariat and Communications

Details of ownership of senior executives, their spouses and minor children in the Company's shares in 2014

Name	Ownership at the beginning of the year	Ownership at the end of the year	Change during the year	Change (%)	Change (%)
Saleh Nasser Al-Jasser	35,000	82,000	47,000	134.3%	(42.9%)
Ibrahim Abdulrahman Al Omar	-	-	-	-	-
Mohammed Omair Alotaibi	-	-	-	-	-
Saleh Abdulrahman Al Shamekh	-	-	-	-	-
Naser Mohammed Al Abdulkareem	-	-	-	-	-
Ahmed Sulaiman Al Eidan	-	-	-	-	-

* Eng. Salih Nasir Al Jasser resigned as the Company's CEO on August 1, 2014.

Details of compensations and remunerations for the five executive management members in 2014*

Description	Amount (SAR 1,000)
Salaries and remunerations	4,238,059
Allowances	1,902,388
Annual bonuses	8,558,299
Incentives	-
In-kind compensations and other benefits	-
Total	**14,698,746**

* The CEO and CFO are included in the list of five top executives.

Conclusion

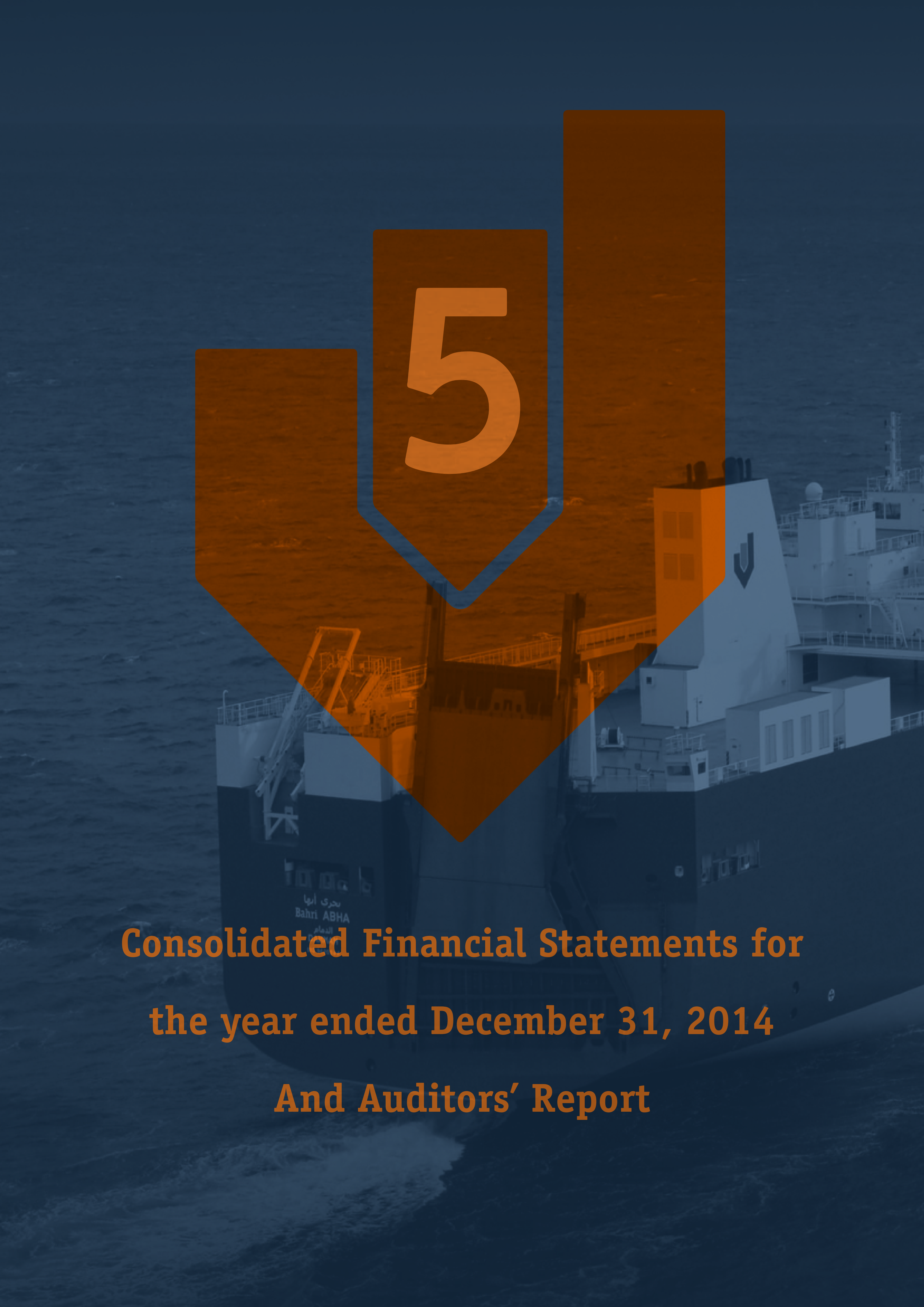
The annual report of 2014 was prepared in accordance with the standards of transparency and disclosure, the Capital Markets Authority (CMA) requirements, the standards of the Saudi Organization for Certified Public Accountants (SOCPA) and the international financial reporting standards (IFRS).

On this occasion, the Board of Directors would like to express its deepest gratitude to the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz,His Royal Highness Prince Meqrin Bin Abdul Aziz, the Crown Prince, His Royal Highness Prince Mohammed Bin Nayef Bin Abdul Aziz, the Deputy Crown Prince, “May God Protect Them”, the Saudi government, especially the Ministry of Finance, Ministry of Commerce and Industry, Ministry of Transport, Public Investment Fund and Capital Markets Authority.

The Board of Directors would also like to extend thanks to the shareholders and clients of the Company, and expresses its deep gratitude for their support and confidence. This has inspired and propelled the Board to lead the Company to its successes.

The Board of Directors also extends its thanks and appreciation to the executive management and all employees of the Company for their sincere efforts to enhance performance and achieve the Company’s goals.

“May God Grant us Success”



5

Consolidated Financial Statements for the year ended December 31, 2014 And Auditors' Report

Bahri

The National Shipping Company of Saudi Arabia (Bahri)

(Saudi Joint Stock Company)

Consolidated Financial Statements for the year ended December 31, 2014
And Auditors' Report

Bahri Jizan

Year built	:	2013
Type	:	General cargo vessel
Length	:	225 m
Beam	:	32.30 m
Speed	:	17 knots
Draft	:	9.50 m
DWT	:	26,000 t

Contents

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Building a better working world

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AUDITORS' REPORT TO THE SHAREHOLDERS OF THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA (A SAUDI JOINT STOCK COMPANY)

Scope of Audit

We have audited the accompanying consolidated balance sheet of The National Shipping Company of Saudi Arabia - a Saudi Joint Stock Company ("the Company"), and its subsidiaries ("the Group") as at 31 December 2014 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Saudi Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified Opinion

In our opinion, the consolidated financial statements taken as a whole:

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014 and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Rashid S. Al Rashoud
Certified Public Accountant
Registration No. 366

ارنست ويونغ
ERNST & YOUNG

Riyadh: 4 Jumada Awwal 1436H
(23 February 2015)

Consolidated Statement of Balance Sheet

As of December 31, 2014

(in Thousands Saudi Riyals)

	Notes	2014	2013
Assets			
Current assets			
Bank balances and cash	3	**168,957**	106,525
Murabaha and short term deposits	3 , 4	**221,111**	237,940
Trade receivables, net	5	**642,167**	586,576
Bareboat lease receivable, net	6	**21,140**	15,256
Prepayments and other receivables	7	**162,041**	92,140
Agents' current accounts		**76,334**	53,120
Inventories	8	**327,490**	233,134
Accrued bunker subsidy, net	9	**197,407**	123,880
Incomplete voyages		**-**	4,456
Total current assets		**1,816,647**	1,453,027
Non-current assets			
Lease receivable for vessels, net	6	**358,282**	379,423
Investments held to maturity		**10,587**	40,587
Investments available for sale		**13,533**	14,399
Investment in an associated company	10	**905,758**	841,985
Deferred dry-docking cost, net	11	**122,166**	104,672
Intangible assets, net	12 , 26	**903,501**	-
Fixed assets, net	13	**12,980,017**	8,512,152
Ships under construction and other	14	**12,039**	676,468
Total non-current assets		**15,305,883**	10,569,686
Total assets		**17,122,530**	**12,022,713**

continued,,,

Consolidated Statement Balance Sheet- continued
As of December 31, 2014
(in Thousands Saudi Riyals)

	Notes	2014	2013
Liabilities and equity			
Current liabilities			
Accounts payable and accruals	15	**496,625**	308,950
Murabaha and long-term financing -current portion	16	**558,304**	564,292
Short term Murabaha financing	16, 26 E	**3,459,313**	337,000
Dividends Payable	17	**33,882**	32,088
Provision for zakat and withholding tax	18	**142,898**	138,907
Incomplete voyages		**9,813**	-
Total current liabilities		**4,700,835**	1,381,237
Non-current liabilities			
Murabaha and long-term financing	16	**4,152,888**	4,376,589
Employees' end of service benefits		**52,834**	46,760
Other liabilities	19	**30,704**	30,704
Total non-current liabilities		**4,236,426**	4,454,053
Total liabilities		**8,937,261**	5,835,290
Equity			
Shareholders' equity			
Share capital	1	**3,937,500**	3,150,000
Statutory reserve	26/D	**2,016,132**	998,060
Retained earnings	17	**1,861,440**	1,697,784
Unrealized loss from available for sale investments		**-**	(115)
Total shareholders' equity		**7,815,072**	**5,845,729**
Non-controlling interests		**370,197**	**341,694**
Total equity		**8,185,269**	**6,187,423**
Total liabilities and equity		**17,122,530**	**12,022,713**

The attached notes from 1 to 29 represent an integral part of these consolidated financial statements

Consolidated Statement of Income

for the Year Ending in December 31, 2014

(in Thousands Saudi Riyals)

	Notes	2014	2013
Operating revenues	24	**3,626,412**	2,846,698
Bunker cost	24	**(1,206,749)**	(943,406)
Other operating expenses	24	**(1,963,373)**	(1,494,838)
Gross operating income before bunker subsidy		**456,290**	408,454
Bunker subsidy		**217,936**	171,108
Gross operating income		**674,226**	579,562
General and administrative expenses	21	**(98,875)**	(79,123)
Operating income		**575,351**	500,439
Share in results of an associated company	10	**131,956**	291,235
Finance charges	16	**(106,474)**	(60,402)
Other (expenses) income, net	22	**(1,053)**	107,711
Income before zakat, tax and non-controlling interests		**599,780**	838,983
Zakat and withholding tax, net	18	**(37,436)**	(49,858)
Income before non-controlling interests		**562,344**	789,125
Non-controlling interests		**(28,504)**	(36,863)
Net income for the year		**533,840**	752,262
Earnings Per Share (in SR):			
Attributable to operating income	17	**1.70**	1.59
Attributable to net income for the year	17	**1.58**	2.39

The attached notes from 1 to 29 represent an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
for the Year Ending in December 31, 2014
(in Thousands Saudi Riyals)

	Notes	2014	2013
Cash flows from operating activities:			
Net income for the year		**533,840**	752,262
Adjustments to reconcile net income for the year to net cash flows from operating activities:			
Depreciation	13	**540,673**	423,523
Amortization of deferred dry-docking costs	11	**46,965**	46,012
Amortization of intangible assets	12	**15,249**	-
Provision for doubtful debt	5 , 21	**4,360**	8
Share in results of an associated company	10	**(131,956)**	(291,235)
Gains from sale of fixed assets	22	**(3,096)**	(75,496)
Non-controlling interests		**28,504**	36,863
Zakat and withholding tax, net	18	**37,436**	49,858
Employees' end of service benefits, net		**6,074**	6,547
Unrealized gain from available for sale investments		**-**	(2,562)
		1,078,049	945,780
Changes in operating assets and liabilities:			
Trade receivables, net		**(59,951)**	(329,178)
Bareboat lease receivable, net		**15,257**	10,143
Prepayments and other receivables		**(69,901)**	49,560
Agents' current accounts		**(23,214)**	(25,306)
Inventories		**(94,356)**	(101,066)
Accrued bunker subsidy, net		**(73,527)**	8,673
Incomplete voyages		**14,269**	16,919
Accounts payable and accruals		**187,675**	78,637
Zakat and withholding tax paid	18	**(33,445)**	(29,729)
Investments held for trading		**-**	26,384
Other liabilities	19	**-**	(6,046)
Net cash from operating activities		**940,856**	644,771

continued,,,

Consolidated Statement of Cash Flows- continued
for the Year Ending in December 31, 2014
(in Thousands Saudi Riyals)

	Notes	2014	2013
Cash flows from investment activities:			
Murabaha and short-term deposits		**(1,862)**	2,942
Investments available for sale		**981**	43,550
Investments held to maturity		**30,000**	-
Dividends received from an associated company	10	**68,183**	96,591
Intangible assets	12	**(581,792)**	-
Additions to fixed assets	13	**(2,527,590)**	(4,216)
Proceeds from sale of fixed assets		**3,331**	118,768
Ships under construction and others, net	14	**(401,524)**	(975,507)
Deferred dry-docking costs	11	**(64,459)**	(52,009)
Net cash used in investing activities		**(3,474,732)**	(769,881)
Cash flows from financing activities			
Proceeds from short-term Murabaha financing		**3,122,313**	177,000
Proceeds from Murabaha and long-term financing		**334,595**	807,835
Repayment of Murabaha and long-term financing		**(564,284)**	(586,772)
Dividends paid		**(313,206)**	(313,853)
Board's Members Compensations		**(1,800)**	-
Non-controlling interests		**-**	(10,000)
Net cash(used in) from financing activities		**2,577,618**	74,210
Net change in cash and cash equivalents during the year		**43,742**	(50,900)
Cash and cash equivalents at the beginning of the year		**269,566**	320,466
Cash and cash equivalents at the end of the year	3	**313,308**	269,566
Major non-cash transactions:			
Ships under construction and others transferred to fixed assets	13 , 14	**1,065,953**	1,471,030
Vessels value of shares consideration		**1,752,188**	-
Unrealized losses from investments available for sale		**-**	(115)
Associated company transferred to subsidiary company		**-**	4,641

The attached notes from 1 to 29 represent an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' equity

for the Year Ending in December 31, 2014

(in Thousands Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Unrealized loss from available for sale investments	Total
Balance as at December 31, 2012	3,150,000	922,834	1,335,748	2,332	5,410,914
Net income for the year	-	-	752,262	-	752,262
Transfer to statutory reserve	-	75,226	(75,226)	-	-
Dividends (note 17)	-	-	(315,000)	-	(315,000)
Unrealized loss from available for sale investments, net	-	-	-	(2,447)	(2,447)
Capital increase during the year (note 26)	3,150,000	998,060	1,697,784	(115)	5,845,729
Net income for the year	787,500	-	-	-	787,500
Transfer to statutory reserve	-	964,688	-	-	964,688
Dividends (note 17)	-	-	533,840	-	533,840
Boards' Members Compensation	-	53,384	(53,384)	-	-
Unrealized loss from available for sale investments, net for sale,net investments, net	-	-	(315,000)	-	(315,000)
Balance as at December 31, 2014	-	-	(1,800)	-	(1,800)
Unrealized profits from investments available for sale, net	-	-	-	115	115
Balance as of December 31, 2014	**3,937,500**	**2,016,132**	**1,861,440**	**-**	**7,815,072**

The attached notes from 1 to 29 represent an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2014
(in Thousands Saudi Riyals)

1- Organization and operations

The National Shipping Company of Saudi Arabia, a Saudi Joint Stock Company ("the Company" or "Bahri"), was established under the Royal Decree No, M/5 dated Safar 12, 1398H (corresponding to January 21, 1978), and registered under Commercial Registration No, 1010026026 dated Dhul Hijjah 1, 1399 H, (corresponding to October 22, 1979) issued at Riyadh.

The Company and its subsidiaries listed below (the "Group") are primarily engaged in the purchase, sale and operating of vessels for the transportation of cargo and passengers, and all of the marine transport activities. The Group come out its activities through four distinct segments which are Crude oil transportation and Gas & marine services, chemicals, general cargo (liners), and dry bulk. The Group is also engaged in the ownership of lands, properties inside or outside the kingdom, ownership of shares in other existing companies or merge with them and participate with others in establishing companies with similar or complementary activities.

During the year ended December 31, 2014, the capital has been increased from SAR 3,150,000,000 to SAR 3,937,500,000 by transferring the ownership of six vessels from Vela Company (note 26). The number of shares and the capital paid as of 31 December are as follows:

2014		2013	
Number of shares*	**Capital paid**	Number of shares*	Capital paid
393,750,000	**3,937,500,000**	315,000,000	3,150,000,000

* Nominal value is SAR 10 per share.

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

Name	Activity	Location	Date of incorporation	Ownership in 2014	Ownership in 2013
NSCSA (America) Inc.	Company's ships agent	USA	1991	100 %	100 %
Mideast Ship Management Ltd. (JLT)	Ships technical management	Dubai	2010	100%	100%
National Chemical Carriers Ltd. Co. (NCC)	Petrochemicals transportation	Riyadh	1990	80 %	80 %
Bahri Dry Bulk LLC	Dry Bulk transportation	Riyadh	2010	60%	60%

The associated company that is not consolidated into these consolidated financial statements is as follows (note 10):

Name	Accounting method	Activity	Location	Date of incorporation	Ownership in 2014	Ownership in 2013
Petredec Ltd*	Equity method	Liquefied petroleum gas transportation	Bermuda	1980	30.30%	30.30%

* As the year-end of Petredec is different from that of the Company, the share of the Company in its net income/loss is included in the books according to the latest financial statements prepared by Petredec. The difference between the latest financial statement prepared by Petredec and the Company's consolidated financial statements is two months. The fiscal year for Petredec starts on September 1 and ends on August 31 of each Gregorian year.

Group's fleet

The group owns seventy two vessels operating in various sectors as follow:

- The Company "Bahri" owns thirty two huge oil tankers, of which thirty one oil tankers are operating in the spot market, while one tanker is rented to ARAMCO Trading Company. The company also owns an additional five product tankers, which are all rented to ARAMCO trading Co. In addition, the company also owns six RoCon vessels operate on commercial lines between North America and Europe, the Middle East and the Indian subcontinent.

- NCC (subsidiary) owns twenty four specialized chemical tankers distributed as follows:
  - Three vessels are leased in the form of iron under capital lease signed on January 30, 2009, with "OdfJell SE".
  - Twelve tankers that are self-operated by the Company.
  - Eight carriers leased to the International Shipping and Transportation Co, Ltd. a subsidiary of Saudi Basic Industries Corporation "SABIC".
  - One tanker operates in a pool with OdfJell SE and managed by the Company

- BDB (subsidiary) owns five vessels specialize in transporting dry bulk cargo, all of which are leased to the Arabian Agricultural Services Co.(ARASCO).

2 - Significant accounting policies

A- Accounting convention

The accompanying consolidated financial statements are prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and under the historical cost convention, except for the investments held for trading and investments available for sale. Measurement of fair value of the group follows the accruals basis of accounting in recognizing revenues and expenses.

B- Period of financial statements

According to by-laws, the fiscal year of the Company starts on the 1st of January and ends on December 31st of each Gregorian year.

C- Basis of consolidation

- These consolidated financial statements include assets, liabilities and the results of operations of the company and its subsidiaries listed in Note (1) above.
- The subsidiary company is that in which the Company has, direct or indirect long term investment, comprising an interest of more than 50% in the voting capital and over which it exercises practical control. The subsidiary company is consolidated from the date the company obtains control until such control ceases.
- All significant inter-group accounts and transactions as well as realized and unrealized gains (losses) on these transactions are eliminated on consolidation.
- Non-controlling interest represents portion of profit or loss and net assets not owned by the Company, and is shown as a separate component in the consolidated balance sheet and consolidated statement of income.

D- Use of estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

E- Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise bank balances and cash, murabaha and short-term deposits, and investments convertible into known amounts of cash, and maturing within three months or less from the date of acquisition, which is available to the Group without any restrictions.

F- Trade accounts receivable

Trade accounts receivable are stated at net realizable value, net of provision for doubtful debts, A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables, Such provisions are charged to the consolidated statement of income within "General and administrative expenses", When an account receivable is uncollectible, it is written-off against the provision for doubtful debts, Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated statement of income.

G- Accounting for finance leases

The present value of lease payments for assets sold under finance leases together with the unguaranteed residual value at the end of the lease is recognized as a receivable net of unearned finance income, Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

H- Inventories

Inventories consisting of fuel and lubricants on board of the vessels are shown as inventories at the consolidated statement of financial position date, and the cost is determined using the First in First out (FIFO) method which is considered more appropriate to the Group's operations. The differences between the weighted average method and FIFO method are not significant to the consolidated statement of income. Spare parts and other consumables on board for each vessel are charged to operating expenses upon purchase.

I- Deferred dry-docking costs

Deferred dry-docking costs are amortized over a period of two to five years from the date of completion of dry-docking depending on the type of vessel. Where a vessel undergoes another dry-docking operation during the specified amortization period, any unamortized balance of deferred dry-docking costs of the related vessels are fully charge to the consolidated statement of income of the period in which new dry-docking operation is started.

J- Investments

1- Investments in associated companies

Investments in associated companies in which the Group has significant influence but not control over their financial and operational policies, and where the group generally holds an equity interest ranging between 20% and 50%, are accounted for using the equity method, where by the original cost of investment is adjusted by the post acquisition relating earnings (accumulated losses) and reserves of these companies based on their latest financial statement. When the Group acquires an interest in an associated companies for an amount in excess of the fair value of the acquiree's net assets, the difference is treated as goodwill and recorded as part of the investment account. Goodwill is impaired by the decline in value amount, if any.

2- Investments in securities

Investments in securities are classified into three categories as follows:

- **Investments held for trading**

  Certain investments in securities are classified as held for trading based on the management's intention. These investments are stated at fair value. Unrealized gains or losses are recorded in the consolidated statement of income.
- **Investments held to maturity**

  Certain investments in securities are classified as held to maturity based on the management's intention. These investments are stated at cost, adjusted by premium or discount, if any.
- **Investments available for sale**

  Certain investments are classified as available for sale if the conditions of classification as held for trading or investments held to maturity are not met, The available for sale investments are stated at fair value and unrealized gains or losses are recognized under shareholders' equity, The realized gains or losses from the redemption of units are recognized in the consolidated statement of income in the period in which these units are redeemed, If there is a permanent decline in the value of these investments or objective evidence for impairment, the unrealized loss is transferred to the consolidated statement of income. If there is an intention to sell the available for sale investment within 12 months from the consolidated balance sheet date, it is reported under investment current assets, otherwise under non-current assets.

If the fair value of the investments mentioned above is not available or the possibility of evaluating them by using alternative methods, cost is considered the most appropriate method for such securities.

K- Intangible assets

The long term substantial evaluation of transportation contracts (which resulted from purchasing the operations and assets of Vela Company) was recorded as intangible assets in the consolidated statement of income. The value of those intangible assets are amortized over the average useful life of purchased assets and estimated in accordance with the company's accounting policy of recording fixed assets and its depreciations. Amortization is charged to the consolidated statement of income.

L- Fixed assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives using the following depreciation rates:

Category	Depreciation rate	Category	Depreciation rate
Buildings and improvements	5 to 33.3%	Vehicles	20 to 25%
Fleet and equipment *	4 to 15%	Computers	15 to 25%
Containers and trailers	8.33 to 20%	Containers yard equipment	10% to 25%
Furniture and fixtures	10%	Others	7 to 15%
Tools and office equipment	2.5 to 25%		

- RoCons and VLCCs are depreciated over a period of twenty-five years. Used vessels are depreciated based on their estimated remaining useful lives, 10% of the vessels' cost is calculated as residual value. Rolling vessel equipment is depreciated over a period of fifteen years.

Ships under construction are stated at actual cost plus all other attributable costs until to be ready for use. Upon completion, ships under construction are transferred to fixed assets and are depreciated over their estimated useful lives.

Gains or losses from disposal of fixed asset is determined by comparing proceeds from disposal with the carrying value and are recognized in the consolidated statement of income.

Expenditures for maintenance and routine repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated statement of income when incurred. Major renewals and improvements, if any, are capitalized and the assets replaced are retired.

M- Impairment of non-current assets

The carrying value of non-current assets is reviewed for any indication of a loss as a result of impairment. If such indication exists, the recoverable amount is determined. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. If the recoverable amount cannot be determined for an asset, the group will estimate the recoverable amount at the cash-generating units to which belongs to.

When the estimated recoverable amount is less than the carrying amount of the assets or cash-generating unit, carrying amounts reduced to the recoverable amount and the impairment loss is recognized as an expense immediately in the consolidated statement of income.

Except for goodwill, where the impairment loss is subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets in prior years. A reversal on an impairment loss is recognized as income immediately in the consolidated statement of income.

N- Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

O- Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

P- Zakat and taxes

Zakat is provided for in accordance with the regulations of the Department of Zakat and Income Tax (DZIT) in Kingdom of Saudi Arabia, and it is charged to the consolidated statement of income based on the higher of the zakat base or adjusted net income for each individual company. Provision is made for withholding tax on payments to non-resident parties and is charged to the consolidated statement of income. For subsidiaries outside the Kingdom of Saudi Arabia, income tax is provided for in accordance with the regulations applicable in the respective countries and is charged to the consolidated statement of income.

Q- Employees' end of service indemnity

Employees' end of service benefits are provided on the basis of the accumulated services period in accordance with the By-Laws of the Company, Saudi Labor Law, and the applicable regulations applied to overseas subsidiaries.

R- Hedge agreements and derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to certain portions of its interest rate risks arising from financing activities. The Group designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Group's policies, which provide principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in equity, if material and the ineffective portion is recognized immediately in the consolidated statement of income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability if recognized, the associated gain or loss on the derivative that had previously been recognized is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in consolidated statement of income in the same period in which the hedged item affects net income or loss.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in consolidated statement of income as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualified for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transactions occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to consolidated statement of income for the period.

S- Statutory reserve

In accordance with article (125) of Saudi Arabian Regulations for Companies, the company is required to transfer 10% of net income to the statutory reserve. The Company may discontinue such transfers when the reserve equals to half of the paid-up capital. The reserve is not available for distribution to shareholders.

T- Revenue recognition

The Group follows the accrual basis of accounting for the recognition of revenues and expenses for the period as follows:

- **Transport of Crude Oil, Petrochemicals, and Dry Bulk:** Revenues from transport of oil, petrochemicals, and dry bulk are recognized when earned over the agreed-upon period of the contract, voyage and services.
- **General Cargo Transportation:** the Group follows the complete voyage policy in determining the revenues and expenses of the period for vessels transporting general cargo. A voyage is considered to be a “Complete Voyage” when a vessel has sailed from the last discharging port of a voyage. Shipping revenues, direct and indirect operating expenses of incomplete voyage are deferred until it is completed. Incomplete voyages are shown at the net amount in the consolidated balance sheet as “Incomplete Voyages”.
- **Revenues from charter-in and other associated activities.** These are recorded when services are rendered over the duration of the related contractual services.
- Other income is recorded when earned.

U- Bunker subsidy

Bunker subsidy is computed on bunker quantities purchased and consumed by the Group, and these are recorded in the consolidated statement of income. Provisions are made for doubtful amounts.

V- Expenses

Direct and indirect operating costs are classified as operating expenses. All other expenses are classified as general and administrative expenses.

W- Borrowing costs

Borrowings are recognized at the proceeds received, net of transactions costs incurred, Borrowing costs that are directly attributable to the acquisition, construction or production of assets are capitalized as part of those assets. Other borrowing costs are charged to the consolidated statement of income.

X- Foreign currency transactions

Foreign currency transactions are translated into Saudi riyals at prevailing exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Saudi riyals at the prevailing exchange rates on that date. Exchange differences are included in the consolidated statement of income.

Assets and liabilities shown in the financial statement of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi riyals at exchange rates prevailing at the consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi riyals at average exchange rates for the year, the components of equity, other than retained earnings (or accumulated losses, if any) are translated at the date of occurrence of each component. Exchange differences, if material, are included in a separate line item within shareholders' equity.

Y- Operating leases

Operating lease payments are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Z- Earnings per share and proposed dividends

Earnings per share from operating income, other operations and net income for the year is calculated based on the weighted average number of shares outstanding during the year. Proposed dividends, after the year end, are treated as part of retained earnings and not as liabilities unless the General Assembly approves it before the year end. Once approved by the General Assembly, the amount is recognized as a liability in the same year until paid.

AA- Sector reporting

The operating segment is a group of assets, processes or entities:

- That are engaged in revenue operating activities
- Whose results of operating which are continuously analyzed by management in order to make decisions related to resource allocation and performance appraisal
- Their financial information is available separately.

3- Cash and cash equivalents

Cash and cash equivalents represent bank balances and cash, investments in murabaha and short-term deposits, of which SR76.76 million as of December 31, 2014 (2013:SR 74.90 million) are restricted for repayment of current portion of loan installments due within 180 days from the consolidated balance sheet date.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents as of December 31 comprise the following:

Description	2014	2013
Bank balances and cash	**168,957**	106,525
Amounts restricted by banks	**-**	(9,428)
	168,957	97,097
Murabaha and short-term deposits	**221,111**	237,940
Amounts restricted by banks	**(76,760)**	(65,471)
	144,351	172,469
Cash and cash equivalents at year end	**313,308**	269,566

4- Murabaha and short-term deposits

Murabaha and short- term deposits comprise the following at December 31:

Description	2014	2013
Murabaha and short-term deposits in Saudi Riyals	**40,130**	75,250
Murabaha and short-term deposits in USD	**180,981**	162,690
	221,111	237,940

5- Trade receivables, net

Trade receivables, net comprise the following at December 31:

Description	2014	2013
Trade receivables	**650,546**	590,638
Provision for doubtful debts	**(8,379)**	(4,062)
	642,167	586,576

Movement in provision for doubtful debts is as follows:

Description	2014	2013
Balance at the beginning of the year	**4,062**	5,786
Charge for the year (note 21)	**4,360**	8
Amounts written-off during the year	**(43)**	(1,732)
Balance at the end of the year	**8,379**	4,062

6- Bareboat lease receivable, net

On January 30, 2009, National Chemical Carriers Ltd. Co. signed agreements with Odfjell to charter three vessels under a bareboat arrangement for a period of ten years with a purchase option after three years. These ships were delivered to Odfjell on February 1, 2009. The arrangement is considered as a finance lease as it transfers to Odfjell substantially all the benefits and risks and also gives Odfjell a purchase option under the arrangement. The net bareboat lease receivable balance as of December 31 is summarized as follows:

Description	2014	2013
Future minimum lease receipts	**292,860**	354,105
Unguaranteed residual value at the end of the lease term	**247,875**	247,875
	540,735	601,980
Unearned income	**(161,313)**	(207,301)
Net bareboat lease receivable balance	**379,422**	394,679

The above amount is classified as the following at December 31		
Current portion	**21,140**	15,256
Non-current portion	**358,282**	379,423
Net bareboat lease receivable balance	**379,422**	394,679

The future minimum lease receipts and unguaranteed residual value at the end of lease term to be received during the next five years and thereafter for the year ended 31 December as follows:

Description	2014	2013
Within one year	**65,351**	61,245
1-2 years	**69,649**	65,351
2-3 years	**73,564**	69,649
3-4 years	**77,670**	73,564
4-5 years	**254,501**	77,670
Thereafter	**-**	254,501
	540,735	601,980

Income related to the above arrangement for the year ended December 31, 2014 amounted to SR 45.99 million (2013: SR 47.17 million) and is included in operating revenues in the consolidated statement of income.

7- Prepaiyments and other receivables

Prepayments and other receivables comprises the following at December 31:

Description	2014	2013
Prepaid expenses	**122,449**	57,986
Advances to suppliers	**5,509**	9,579
Insurance claims	**8,182**	4,738
Employee receivables	**1,978**	3,169
Others	**23,923**	16,668
	162,041	92,140

8- Inventories

Inventories on board of ships comprises the following at December 31:

Description	2014	2013
Fuel	**270,306**	198,164
Lubricants	**51,714**	32,462
Others	**5,470**	2,508
	327,490	233,134

9- Accrued bunker subsidy, net

Accrued bunker subsidy, net comprises the following at December 31:

Description	2014	2013
Accrued bunker subsidy	**235,447**	146,194
Provision for doubtful bunker subsidy	**(38,040)**	(22,314)
	197,407	123,880

10- Investments in an associated companies

The movement of investment in the associated company for the year ended December 31 is as follows:

Description	2014	2013
Balance at the beginning of the year	**841,985**	651,982
Share in results of an associated company*	**131,956**	291,235
Dividends received during the year	**(68,183)**	(96,591)
Transferred to a subsidiary company (note1)	**-**	(4,641)
Balance at the end of the year	**905,758**	841,985

* The company's share of Petredec Limited Company operations includes an unrealized losses of SR 61.71 million as of December 31, 2014 (2013: unrealized gain SR 53.57 million) arising from commodity swaps.

11- Deferred dry-docking costs, net

Deferred dry-docking costs, net comprise the following at December 31:

Description	2014	2013
Total dry-docking costs	**446,147**	381,688
Accumulated amortization	**(323,981)**	(277,016)
	122,166	104,672

Movement in the dry-docking costs is as follows:

Description	2014	2013
Balance at the beginning of the year	**104,672**	98,675
Additions during the year	**64,459**	52,009
Amortization during the year	**(46,965)**	(46,012)
Balance at the end of the year	**122,166**	104,672

12- Intangible assets, net

Intangible assets, net comprise the following at December 31:

Description	2014	2013
Balance at the beginning of the year	**-**	-
Additions during the year*	**918,750**	-
Amortization during the year	**(15,249)**	-
Balance at the end of the year	**903,501**	-

* Additions to intangible assets represents the difference between the fair value of the acquired vessels from Vela per the most recent market value report at the date of completing the transaction, and the total value of the transaction. The market value of the vessels at the completion of the transaction amounted to SR 3.956 million, and the total value of the transaction amounts to SR 4.875 million.

13- Fixed assets, net

Movement in fixed assets, net during the year is summarized as follows:

Description	Cost				Accumulated depreciation				Net book value	
	Balance as at 1/1/2014	Additions / Transfers during the year	Disposals	Balance as at 31/12/2014	Balance as at 1/1/2014	Charged for the year	Disposals	Balance as at 31/12/2014	31/12/2014	31/12/2013
Land	1,854	-	-	1,854	-	-	-	-	1,854	1,854
Buildings and improvements	45,763	87	(147)	45,703	(9,442)	(2,333)	147	(11,628)	34,075	36,321
Fleet and equipment *	11,481,337	5,002,033	-	16,483,370	(3,021,417)	(532,447)	-	(3,553,864)	12,929,506	8,459,920
Containers and trailers	51,092	130	(5,488)	45,734	(50,961)	-	5,485	(45,476)	258	131
Furniture and fixtures	7,439	1,141	(933)	7,647	(5,557)	(550)	917	(5,190)	2,457	1,882
Tools and office equipment	4,232	170	(619)	3,783	(3,965)	(247)	618	(3,594)	189	267
Motor vehicles	1,561	539	(153)	1,947	(1,463)	(322)	153	(1,632)	315	98
Computer equipment	56,525	4,647	(422)	60,750	(47,049)	(4,411)	222	(51,238)	9,512	9,476
Container yard facilities	12,283	18	(12)	12,289	(10,331)	(312)	-	(10,643)	1,646	1,952
Others	738	8	(5)	741	(487)	(51)	2	(536)	205	251
Total	**11,662,824**	**5,008,773**	**(7,779)**	**16,663,818**	**(3,150,672)**	**(540,673)**	**7,544**	**(3,683,801)**	**12,980,017**	**8,512,152**

* Included in fleet and equipment are VLCCs, petrochemical carriers and dry bulk carriers financed by banks and pledged to the lending banks as mentioned in Note (16).

14- Ships under construction and others

The movement in the account of ships under construction and others for the year ended December 31 is summarized as follows:

2014				
	The Company	National Chemical Carriers	Bahri Dry Bulk Company	Total
Beginning Balance	440,313	-	236,155	676,468
Additions	125,503	-	276,021	401,524
Disposals	-	-	-	-
Transferred to fixed assets	(553,777)	-	(512,176)	(1,065,953)
Ending Balance	12,039	-	-	12,039

2013				
	The Company	National Chemical Carriers	Bahri Dry Bulk Company	Total
Beginning Balance	697,969	322,988	151,034	1,171,991
Additions	818,744	132,008	209,609	1,160,361
Disposals	-	(184,854)	-	(184,854)
Transferred to fixed assets	(1,076,400)	(270,142)	(124,488)	(1,471,030)
Ending Balance	440,313	-	236,155	676,468

Capitalized borrowing costs during the year 2014 amounted to SR 1.6 million (2013: SR 10.14 million).

On December 24, 2012, The National Chemical Carriers (subsidiary) terminated the contract for building the last vessel as a result of Shina Co. failure to deliver it within the timeline specified in the contract signed in 2007 and its amendments signed in 2012. The contract states that NCC Company has the right to terminate the contract if the delay period exceeded the allowed period. On February 2013, all paid installments were recovered amounting to USD 41.6 million plus compensation. As a result of this settlement, an amount of SR 16.3 million was recognized as other income (Note 22).

15- Accounts payable and accruals

Accounts payable and accruals comprise the following at December 31:

Description	2014	2013
Trade payables	**453,738**	208,769
Value of sold shares (related to previous shareholders)	**21,744**	22,004
Accrued expenses	**17,087**	77,130
Others	**4,056**	1,047
	496,625	308,950

16- Murabaha and long-term financing

The Group has signed various Murabaha and short term financing agreements to finance the acquisition of Vela's vessels and its related expenses as well as to finance its working capital requirements a. The Group has also signed various Murabaha and long term financing agreements to finance the building and acquisition of new vessels in different sectors.

The following table shows the details of the Murabaha and long-term as of 31 December:

2014				
Financing	The Company	Subsidiaries	Total	%
Murabaha financing	1,338,306	2,026,135	3,364,441	71%
Commercial loans	32	-	32	-
Public Investment Fund	1,074,375	-	1,074,375	23%
"Murabaha"	1,074,375	-	1,074,375	23%
Commercial loans from Public Investment Fund	-	272,344	272,344	6%
Total Murabaha and long term financing	2,412,713	2,298,479	4,711,192	100%
Murabaha and long-term financing -current portion	(328,950)	(229,354)	(558,304)	-
Non-current portion of long-term financing	2,083,763	2,069,125	4,152,888	-

2013				
Financing	The Company	Subsidiaries	Total	%
Murabaha financing	1,825,756	1,958,186	3,783,942	76%
Commercial loans	32	-	32	-
Public Investment Fund	825,000	-	825,000	17%
"Murabaha"	825,000	-	825,000	17%
Commercial loans from Public Investment Fund	23,250	308,657	331,907	7%
Total Murabaha and long term financing	2,674,038	2,266,843	4,940,881	100%
Murabaha and long-term financing -current portion	(343,592)	(220,700)	(564,292)	-
Non-current portion of long-term financing	2,330,446	2,046,143	4,376,589	-

- The finance cost is calculated as per the financing agreements at market prevailing rates.
- Some of the group's vessels that are financed by banks and pledged to the lending banks.

The aggregate maturities of the outstanding financing as at December 31, are as follows:

Description	2014	2013
Within one year	**558,304**	564,292
From 1 year to 5 years	**2,457,255**	2,460,315
More than 5 years	**1,695,633**	1,916,274
	4,711,192	4,940,881

17- Earnings per share and dividends

Earnings per share is calculated based on the weighted average number of shares outstanding during the two years ended December 31, 2014 and 2013 amounting 338.41 million shares and 315 million shares respectively (note 26).

The General Assembly approved in its meeting held on 31 March 2014, a distribution of cash dividends of 10% of the share capital amounting to SR 315 million, representing SR (1) per share for the year 2013. The balance of unclaimed dividends as 31 December 2014 amounted to SR 33.88 million (2013: SR 32.09 million).

The board of directors recommended in its meeting held on 19 Safar 1436H (corresponding to 11 December 2014) to distribute cash dividends of SR 393.75 million to the shareholders, representing 10% of the company's share capital of SR (1) per share for the year 2014. This is subjects to the shareholders approvals during the next meeting of the company's General Assembly.

18- Zakat and withholding tax

The main components of the zakat base of the Group under zakat and income tax regulations are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less net book value of fixed assets, investments and certain other items. The zakat expense is charged to the consolidated financial statements.

The Company and its subsidiaries filed their zakat returns for each company separately.

Provision of Zakat and withholding tax

Following is the movement in provision for zakat and withholding tax during the year ended December 31:

Description	2014	2013
Provision for zakat and withholding tax at the beginning of the year	**138,907**	118,778
Provision for zakat for the year	**33,440**	43,593
Provision for withholding tax for the year	**3,996**	6,265
Payments during the year	**(33,445)**	(29,729)
Provision for zakat and withholding tax at year end	**142,898**	138,907

The Company's Zakat and Tax status

The Company has filed its zakat returns up to 2012. The zakat assessments have been agreed with the Department of Zakat and Income Tax ("DZIT") for all the years up to 2000. The "DZIT" has raised the zakat assessment for the years 2001 to 2007 claiming additional zakat liabilities of SR 22 million. The Company filed an appeal against these certain items included in these assessments and DZIT treatment. The DZIT has accepted this appeal in form and discussed the appeal with the second Preliminary Appeal Committee. The company has paid its Zakat expense for the year 2013, and it will fill the Zakat return for 2013 during 2015. The Company did not receive the final assessments for the years from 2008 until 2012.The Company considers that adequate provision is maintained as at December 31, 2014 for any potential zakat and withholding tax.

Zakat and tax status of NCC

NCC has submitted the zakat returns for all fiscal years up to 2013 and the withholding tax returns up to November 2014 and paid the zakat and withholding taxes due accordingly. This subsidiary company has received zakat and withholding tax assessments for the years 1991 to 2004. This subsidiary company has filed an appeal against some items included in these assessment and treatment. In April 2010, the subsidiary company reached an agreement with the DZIT for a final settlement of the above assessments in the amount of Saudi Riyals 54 million, the subsidiary company paid Saudi Riyals 26 million of this amount during 2011 and the remaining balance is to be paid in installments over five years starting July 2012 . The subsidiary company has received the zakat and withholding tax assessments for the years 2005 to 2008. The subsidiary company has filed an appeal against some items included in these assessments and their treatments, which is still pending. The subsidiary company's management considers that the provision for zakat and withholding tax is adequate as of 31 December 2014.

Zakat and tax status of Bahri Dry Bulk LLC

Bahri Dry Bulk has submitted its zakat returns for the years up to 2012, and has not received any Zakat assessment from the DZIT yet. The company will submit its zakat and withholding tax returns for the years up to 2013 during 2015. The Company believes that it maintains an adequate provision for zakat and withholding tax as at December 31, 2014.

19- Other liabilities

This item represents the total amounts received from one of the ships building companies as at December 31, 2014 and 2013 against charging this company with the repair costs of the tanks related to the new six vessels built for National Chemical Carrier Company (subsidiary). Therefore, it was agreed to charge the ships building company a total amount of SR 36.75 million i.e. SR 6.12 million for each ship. During the year ended December 31, 2013, repair of tanks for one of these vessels was made during its maintenance period, which resulted in saving of SR 5.2 million. This amount was recognized as other income (note 22). As the National Chemical Carrier Company do not have a maintenance plan for the remaining vessels for the next 12 months, the item was classified as non-current liabilities.

20- Related party transactions

During the ordinary course of business, the Group transacts with related parties.

The details of such transactions during the year are as follows:

Description	2014	2013
Operating Revenues	**1,485,744**	1,143,369
Refunded compensations of cost and expenses	**15,857**	15,911

Balances of such transactions as at December 31 are as follows:

Amounts due from related parties shown under trade receivables are as follows:

	2014	2013
ARAMCO (shareholder)	**194,831**	275,269
International Shipping and Transportation Company (affiliate)	**16,204**	33,278

21- General and administrative expenses

General and administrative expenses for the year ended December 31 comprises the following:

Description	2014	2013
Employees' salaries and benefits	**65,856**	57,913
Professional, legal, and consultation fees	**10,415**	7,528
Depreciation	**6,006**	3,588
Provision for Doubtful Debts (Note 5)	**4,360**	8
Others	**12,238**	10,086
	98,875	79,123

22- other (expenses) income, net

Other income (expenses), net for the year ended December 31 comprises the following:

	2014	2013
Gains from sale of fixed assets	**3,096**	75,496
Net gain from investments	**(2,386)**	18,452
Increase recoveries from insurance claims	**2,290**	6,649
Cancellation of building ships under construction settlement (Note 14)	**-**	16,316
Vessel repair settlement (note 19)	**-**	5,242
Decline other than temporary in investment available for sale	**-**	(17,667)
Others	**(4,053)**	3,223
	(1,053)	107,711

23- Capital contingent liabilities

The Group has capital commitments relating to building of Rocon Ships as at 31 December 2014 amounting to Nil (2013: 67 million). The capital commitments of subsidiary companies to build chemical tankers and ships specialized in dry bulk transportation at December 31, 2014 amounted SR nil (2013: SR 27 million). The Group has outstanding letters of guarantee of SR 275.59 million as at December 31, 2014 (2013: SR 236.90 million) issued during the normal course of business.

The Group is involved in litigation matters during the ordinary course of business, which are being defended. Where the ultimate results of these matters cannot be determined with certainty, the management does not expect that they will have a material adverse effect on the Group's consolidated results of operations or its financial position.

24- Segmental information

A- The following schedule illustrates the distribution of the Group's activities according to the operating segments for the year ended December 31, 2014:

2014					
	Oil transportation *	Petrochemical Transportation	General Cargo Transportation	Dry Bulk Transportation	Total
Operating revenues	2,152,259	802,922	550,392	120,839	3,626,412
Bunker cost	(916,902)	(190,239)	(99,608)	-	(1,206,749)
Other operating expenses:					
Vessel related expenses	(471,139)	(202,947)	(58,209)	(46,378)	(778,673)
Cargo related expenses	-	-	(237,485)	-	(237,485)
Voyage related expenses	(122,432)	(106,775)	(83,882)	-	(313,089)
Depreciation and amortization	(355,677)	(163,954)	(50,821)	(20,705)	(591,157)
Others	(12,003)	(13,861)	(17,105)	-	(42,969)
Total other operating expenses	(961,251)	(487,537)	(447,502)	(67,083)	(1,963,373)
Total operating expenses	(1,878,153)	(677,776)	(547,110)	(67,083)	(3,170,122)
Gross operating income before bunker subsidy	274,106	125,146	3,282	53,756	456,290
Bunker subsidy	174,434	23,816	19,686	-	217,936
Gross operating income	448,540	148,962	22,968	53,756	674,226

* Operating revenues include an amount of SR 1.2 billion (2013: SR .85 billion) representing the total revenues of the Group from one customer (ARAMCO- shareholder) during the year ended December 31, 2014. This amount represents more than 10 % of the Group's operating revenues (Note 20).

- The Group's vessels are operating in several parts of the world.

2013					
	Oil transportation	Petrochemicals transportation	General cargo transportation	Dry bulk transportation	Total
Operating revenues	1,506,756	663,874	562,162	113,906	2,846,698
Bunker cost	(701,566)	(109,529)	(132,311)	-	(943,406)
Other operating expenses:					
Vessel related expenses	(267,302)	(186,216)	(46,164)	(73,014)	(572,696)
Cargo related expenses	-	-	(222,649)	-	(222,649)
Voyage related expenses	(81,051)	(62,634)	(60,594)	-	(204,279)
Depreciation and amortization	(281,285)	(157,037)	(20,871)	(373)	(459,566)
Others	(11,761)	(7,006)	(16,881)	-	(35,648)
Total other operating expenses	(641,399)	(412,893)	(367,159)	(73,387)	(1,494,838)
Total operating expenses	(1,342,965)	(522,422)	(499,470)	(73,387)	(2,438,244)
Gross operating income before bunker subsidy	163,791	141,452	62,692	40,519	408,454
Bunker subsidy	143,943	6,497	20,668	-	171,108
Gross operating income	307,734	147,949	83,360	40,519	579,562

B- The following schedule illustrates the distribution of the Group's assets and liabilities per operating segments as of December 31:

2014						
	Oil transportation	Petrochemicals transportation	General cargo transportation	Dry bulk transportation	Shared assets and liabilities*	Total
Assets	10,180,032	3,393,587	1,784,598	696,520	1,067,793	17,122,530
Liabilities	4,768,574	2,065,533	1,210,729	434,818	457,607	8,937,261

2013						
	Oil transportation	Petrochemicals transportation	General cargo transportation	Dry bulk transportation	Shared assets and liabilities*	Total
Assets	5,273,014	3,516,252	1,730,364	412,784	1,090,299	12,022,713
Liabilities	1,652,778	2,263,322	1,224,998	184,070	510,122	5,835,290

* Shared assets and liabilities represent amounts that cannot be allocated to a specific segment such as cash on hand, deposits, investments held to maturity, unclaimed dividends, and etc...

25- Financial instruments and risk management

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value risk, and cash flow commission rate exposure and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial instruments carried on the balance sheet principally include cash and cash equivalents, investments, receivables, financing, payables, certain accrued expenses and derivative financial instruments.

Financial assets and liabilities are offset and net amounts are reported in the consolidated financial statements when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Risk management is carried out by senior management. The most important types of risk are as follows:

Commission rate risks

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission rate bearing assets and liabilities, including bank deposits and loans. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

Credit risks

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow-ups.

At 31 December 2014, trade accounts receivable include balances totaling SR 273 million (2013: SR 353 million) due from Government and quasi-Government institutions.

Liquidity risks

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available.

Currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group transactions are mainly dominated in Saudi Riyals, UAE Dirhams and US Dollars. The balance in UAE Dirhams and US Dollars are not considered to represent significant currency risk, as these currencies are pegged to the Saudi Riyal.

Price risks

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Fair value

Fair value is the amount used to exchange assets or to settle liabilities between knowledgeable willing parties on an arms-length basis. As the consolidated financial statements of the Group are compiled based on the historical cost convention, except for the investments in financial instruments and derivative financial instruments at fair value, differences might occur between carrying value and fair value estimates. The management believes that the fair values of financial assets and liabilities are not materially differ from their carrying values.

26 - The signed agreements with Aramco and Vela

A- Overview of the agreements

On November 4, 2012 the Company signed an agreement with Saudi Aramco whereby the ownership of all Vela International Marine Ltd.'s fleet. (Vela) will be transferred to the Company after obtaining required regulatory approvals. The Vela's fleet consists of twenty oil tankers as follows:

- Fourteen VLCCs.
- One VLCC for floating storage.
- Five refined petroleum product tankers.

Pursuant to the merger agreement, Bahri will pay to Vela a total consideration of approximately SR 4.88 billion (equivalent to US$1.3 billion). The consideration will comprise a cash payment amounting to SR 3.12 billion (equivalent to US$ 832.75 million) in addition to 78.75 million new Bahri shares to be issued to Vela at an agreed price of SR 22.25 per share. The Company's post merger issued number of shares will be 393.75 million shares and the new shares issued to Saudi Aramco Developing Company (which is wholly owned by Saudi Aramco) will equal 20% of Bahri's share capital and it will have a fair representation in Bahri's Board.

According to the terms of a long-term shipping contract with a minimum period of 10 years, the Company will be the exclusive carrier to Saudi Aramco for the transportation of crude oil sold by Saudi Aramco on the FOB basis. According to this contract and to meet Saudi Aramco's demand which is estimated to be 50 VLCCs, the Company plans to best optimize the utilization of its post-merger fleet which will total 32 VLCCs in addition to charter VLCC's when necessary.

The long-term shipping contract includes an agreed upon terms to protect the Company when freight rates falls below the minimum agreed limit. On the other hand, if freight rates increased above specific limit agreed on (compensation limit) the Company will compensate Saudi Aramco for the amounts previously paid to the company upon the decline of freight rates below the minimum limit.

Bahri and Vela have also agreed on temporary arrangements for the operation of the VLCCs owned currently by Bahri within Saudi Aramco's program to transport oil via VLCC's. The temporary arrangement started on January 1, 2013 until the long-term shipping contract became effective on the 21st of July, 2014 according to the terms of the merger agreement.

B- Launching the transfer phase

The company received the first VLCC from Vela fleet on the 21st July 2014, i.e. this date is the date of the commencement of the long-term shipping contract with Saudi Aramco. The company has received all twenty oil tankers from Vela during the second half of 2014.

C- Increasing share capital

The share capital of the company has been increased by the value of six oil tankers received from Vela and its ownership has been legally transferred to the company on 8 September, 2014. On 15 September 2014, the underlying legal formalities are completed to effect the capital increase at 20% for Saudi Aramco Developing Company (including the amendment of the company's commercial registration) have been completed. The capital has been increased from SR 3.150 billion to SR 3.938 billion through the issuance of 78.75 million shares to Saudi Aramco Developing Company and have been placed in its investment portfolio. The number of shares before the capital increase was 315 million shares and increased to 393.75 million shares. The par value of 10 per share relating to capital increase amounting to SR 787.50 million has been included within the capital increase, the share premium (of SR 12.25 per share) amounting to SR 964.69 million has been included within the statutory reserve.

D- Statutory reserve

The breakdown of the statutory reserve as of 31 December is as follow:

	2014	2013
Transferred from Net Income	**1,051,444**	998,060
Premiums of New Issued Shares	**964,688**	-
	2,016,132	998,060

E- Murabaha financing and cash consideration

On June, 22 2014, the Company signed Murabah agreement with various banks for an amount of

SR 3,182,812,500 to finance the cash consideration for the merger of Vela fleet and operations, as well as the merger's related expenses. This bridge financing is for 12 months, and the Company is now arranging for Sharia compliant financing agreements for the repayment of this bridge financing.

27- Derivitives financial insturments

The Group has derivative financial instruments including commission rate swaps agreements. The nominal amount of these financial instruments is SR 1.53 billion as of December 31, 2014 (2013: SR nil). The unrealized losses from the revaluation of such agreements for the year amounted to SR 16.4 million (2013: Nil), and these losses are included in the Financial charges. These agreements are revaluated in a regular basis to recorded any unrealized gains or losses, if any.

28- Approval of consolidated financial statements

The board of directors has approved the consolidated financial statements for the year ended 31 December 2014 on its meeting held on 4 Jamadu Alawal 1436H (corresponding to 23 February 2015).

29- Reclassification

Certain amounts previously reported in the 2013 consolidated financial statements have been reclassified to conform to the current year presentation.


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