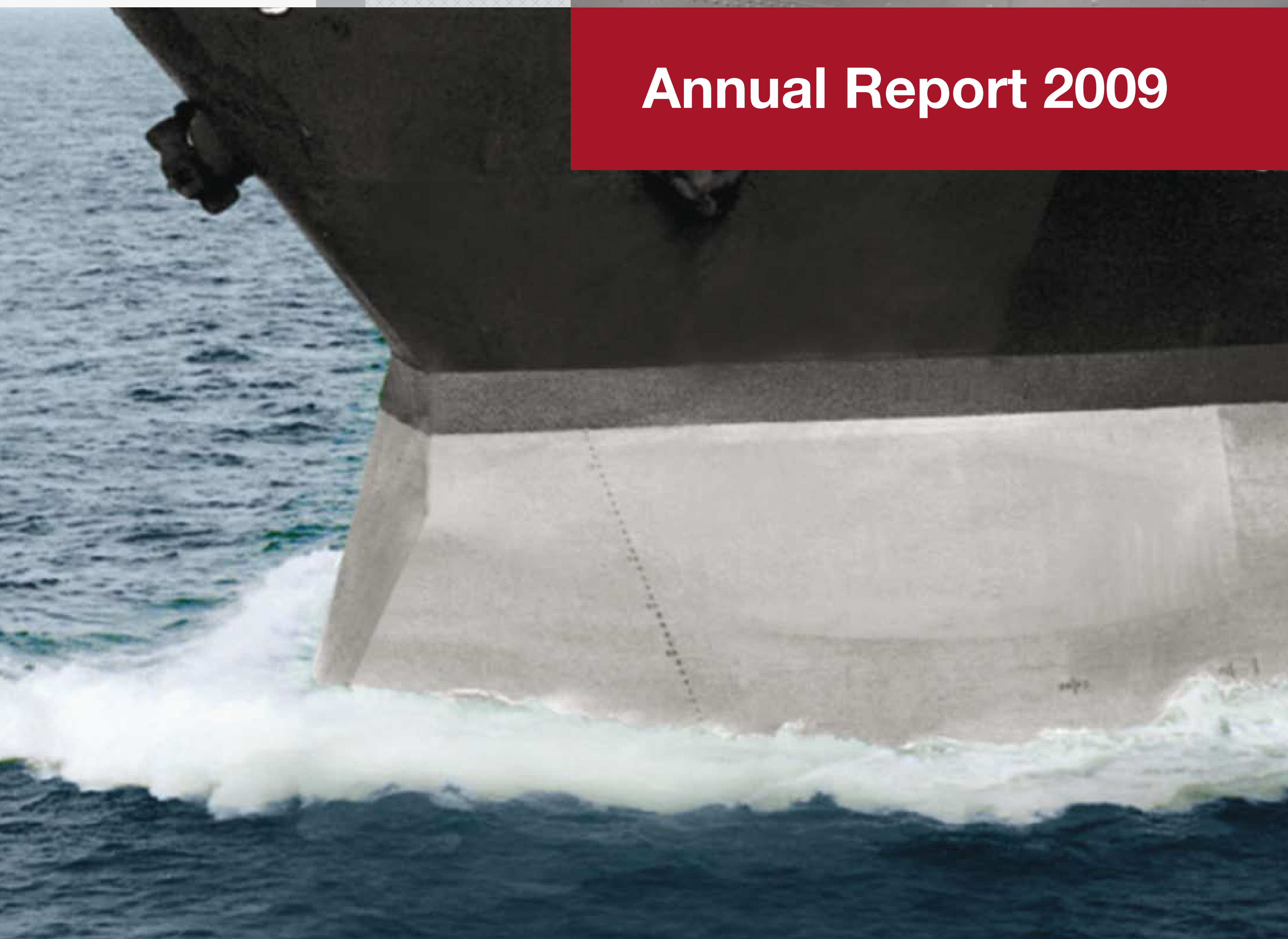
The National Shipping Company of Saudi Arabia

Annual Report 2009




NSCSA
KAHLA

The National Shipping Company of Saudi Arabia
Annual Report 2009


NCC MEKKA

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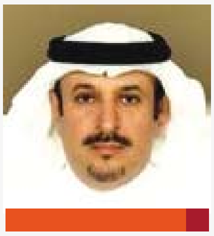
NSCSA

Members of the Board of Directors

Members of the Board of Directors

Abdullah Sulaiman Al-Rubaian
Board Chairman



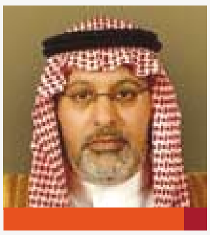
Mohammed Abdulaziz AlSarhan
Board Vice-chairman

Esam Hamad Al-Mubarak

Saleh Abdullah AlDebasi

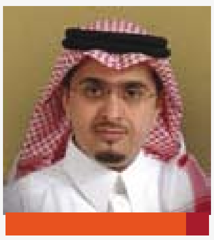
Abdulkarim Ibrahim Al-Nafie

Farraj Mansour Abothenain



Nasser Mohammed Al-Kahtani

Sami Abdullah Al-Saeed



Bander Barjas Al-Abdul Kareem


WATBAN
WATBAN
NSCSA

Chairman's Message

Dear Shareholders

On behalf of myself and the members of the Board of Directors, I am delighted to submit the annual report for the fiscal year 2009, which includes the operational results of the company, its achievements and the most important results and goals achieved. As shown in the company's financial statements, NSCSA has achieved a net profit of SAR (369) million during the fiscal year 2009.

As you are well aware, 2009 was a difficult year for the global economy in general and the shipping industry in particular. However, despite the repercussions of the global financial crisis, the company was able to overcome the difficulties it encountered in the course of the year. NSCSA met with the challenges which it had confronted and the changes brought about by recession in world trade and its impact on the shipping industry, and achieve positive results compared to the performance of international maritime transport industry in general.

During 2009, the overall strategic plan adopted by the company's Board of Directors in late 2008 was implemented. This strategic plan emphasized the importance of continuing the company's expansion and growth at various levels of corporate activities, in addition to monitoring the status of the markets and seeking opportunities to expand its current activities. Other viable options are to engage in relevant investment activities and capturing available opportunities, based on valid results of economic feasibility studies, rewarding returns and relevance to the company's competitive edge. To accommodate expansion requirements and new activities in an effective and smooth manner while maintaining the company's efficiency in the performance of its operations, it was imperative to restructure and develop the company's management systems and improve corporate methods of control, evaluation and follow-up.

With respect to crude oil transport sector, NSCSA took delivery of four VLCCs during the fiscal year 2009, bringing the fleet to (17) VLCCs, with a total capacity of 5.26 million DWT. Additionally, a Murabah contract has been signed with the Public Investment Fund to finance a part of the cost of eight VLCCs , for an amount of SAR 1,050 billion (one billion and fifty million Saudi Riyals).

In line with NSCSA's strategy regarding petrochemical transportation, National Chemical Carriers Co. Ltd. "NCC" (80% NSCSA-owned subsidiary) sold (3) chemical tankers that were approaching the end of their virtual trading life, leased (3) other carriers under a bareboat contract and reviewed the lease contracts of certain chemical tankers, leaving a positive impact on the company's results of operations for the fiscal year 2009.

To enhance its trade and operational capacity, in 2009 NSCSA has incorporated NCC Odfjell, a limited liability company based in Dubai, owned equally between the National Chemical Carriers Company and Odfjell International Company. This company will operate chemical tankers in the pool business between the two parties. The company commenced its operations in early 2010, aimed to manage a joint fleet that, God willing, will consist of no less than (31) tankers in the course of the coming three years after NCC takes delivery of (16) new contracted tankers, subject to increase depending on the increase of Odfjell's fleet in the new company.

In the area of general cargo transportation, NSCSA has entered into contract with an internationally renowned consulting firm specialized in this area to conduct a feasibility study on general cargo market and submit the necessary recommendations on the company's current fleet which is approaching the end of its useful life, and to recommend either to build or buy general cargo vessels to replace the current fleet whereby the Board of Directors will decide whatever deemed appropriate in this regard based on the recommendation of the consulting firm.

In 2009, a memorandum of understanding (MOU) was signed between the National Shipping Company of Saudi Arabia and the Arabian Agricultural Services

Company (ARASCO), which is the largest dry bulk importer in the region with ambitious growth strategy to establish a limited liability company for shipping of dry-bulk cargo, with (60%) of capital share owned by NSCSA. The agreement is expected to be finalized and the company is envisaged to be incorporated during the first half of 2010.

The administrative organizational restructuring recommended by the company's comprehensive strategic plan has been finalized, and NSCSA continues to focus on investing in the development of its human resources through ongoing professional competence training & development .

NSCSA started implementing its strategic information technology project (Manarah) and completed the initial phase of the ERP project, which is considered to be one of the most important phases of (Manarah) projects. This phase included re-engineering and development of procedures; preparation, installation and commissioning of the new systems prior to linking them to the information technology systems applied at the level of operating units, in order to subsequently interconnect all corporate systems, support joint planning for enhancing and development of reports to assist decision-making and measuring performance indicators and ensure compliance with governance requirements. God willing, this project is expected to go live by mid-2010.

To enhance the level of disclosure and transparency, NSCSA has prepared its own corporate governance regulations which have been approved by the Board of Directors. Rules and standards contained in these regulations are based on the company's articles of association, directives of the Capital Market Authority (CMA), corporate governance guidelines duly issued by CMA and Companies Act. These regulations will assist the Board of Directors and the Executive Management in the fulfillment of their obligations, improving the standards of efficiency and operation of the Board and its committees to ensure compliance with the best corporate governance practices that safeguard the rights of the shareholders and other stakeholders.

The Company continues to take its social responsibility by sponsoring various social and cultural events, participating in conferences, awareness enhancement seminars and forums, in addition to participating in several conferences for preserving the marine environment.

The company's outlook is manifested in its sustained endeavor to remain as one of the leading and highly professional international shipping companies, through deliberate growth and constant expansion while maintaining its commitment and high value to the society.

In conclusion, I would like to extend my heartfelt thanks to the Government of the Custodian of the Two Holy Mosques, owners and customers of NSCSA for their continued support to the company. I would also thank the members of the board, executive committees, executive management and employees of the company for their sustained efforts in 2009 for further leading the company in achieving the targets.

Wishing you all the best of success and guidance in your future endeavors.

Abdullah Sulaiman Al Rubaian
Chairman of the Board

Management Report

Management Report

The National Shipping Company of Saudi Arabia (NSCSA) was formed in 1979 as a Saudi Joint Stock Company by a Royal Decree No. M/5 dated 12/02/1398H (22/01/1978). Through implementing the successive strategic plans, the company continued to grow and to realize its mission and stated objectives through optimal utilization of resources to achieve the best return for the owners and for the shareholders. NSCSA services cover multiple markets around the world through its branch offices and a network of agents. NSCSA has also established subsidiaries and entered into several investments. In view of the importance of the shipping industry and its impact on the overall development of the Kingdom and associated imports and exports with global markets, NSCSA has been of significant support and continues to contribute to accelerating the wheel of development of the Kingdom. This is clearly manifested in the diverse shipping activities of NSCSA which include general cargo, crude oil, petrochemicals and liquefied petroleum gas (LPG) transportation. NSCSA's successive board of directors and executive management continued to extend distinct and constant development efforts at the domestic level, which included updating regulations and rules of implementation as well as upgrading and development of technologies and hardware used in financial operations, information technology and other operational systems, including the modernization and expansion of the company's fleet, besides recruitment, development and career building of staff at the levels of parent company, affiliates and branches.

With the grace of God, NSCSA has overcome the global economic crisis through balanced policies pursued by the company in chartering and operation of its vessels and diversification of its activities. Despite the manifested impact of the crisis on all global economic sectors, NSCSA successfully managed to achieve relatively good financial results in 2009, compared to the global shipping industry results.

Strategy and Future Objectives

At the end of 2008, the Board of Directors adopted NSCSA's new five-year plan (2009–2013), which was prepared in coordination with an international consulting firm. The findings of this plan confirmed NSCSA's sound financial and operational position and its competitive edge on the global markets, especially pursuing the expansion over the past three years of its VLCC fleet that has been delivered and put into operation. 16 new building chemical carriers are expected to be delivered during 2010-2012.

The current strategy recommends continuing the main activities of the company, which are manifested in the transportation of crude oil, petrochemicals, general cargo and at the same time continue to monitor carefully the shipping industry in order to explore other investment activities in the field of maritime transport and ancillary services. NSCSA will continue to take up the opportunities available in a timely manner, after conducting the necessary studies to ensure the economic feasibility of prospective projects based on a number of factors, including fair return on investment, prospective growth of activity and the ability to participate in such projects in a manner that asserts the competitive edge of NSCSA.

Recommendations of this plan also called for administrative and organizational restructuring of NSCSA to ensure the highest degree of operational, financial and administrative competence, to enhance the company's capability in tackling potential global changes and optimal use of available resources. In this regard, NSCSA finalized the administrative restructuring project of all its divisions and departments as well as those of its subsidiaries. Controls and governance systems have also been in place in line with generally accepted international practices and applicable regulations of the Kingdom of Saudi Arabia.

In 2009, NSCSA incorporated NCC Odfjell, a limited liability company based in Dubai, owned equally between the National Chemical Carriers Company and Odfjell International Company. The newly-incorporated company will be a chemical tankers operator in the pool business between the two parties. NCC Odfjell commenced business early 2010.

In mid-2009, a Memorandum of Understanding (MOU) was signed between the National Shipping Company of Saudi Arabia and the Arabian Agricultural Services Company (ARASCO), which is the largest dry bulk importer in the region in order to establish a Joint Venture limited liability company for shipping bulk cargo. The formation of the Joint Venture is in progress and expected to be incorporated during the first half of 2010.

Financial Statements & Operational Results

In 2009, NSCSA posted a net profit of SAR (369.30) million compared to SAR (749.97) million in 2008. The global economic crisis that began in mid-2008 continued to have a major factor for the decline of profits in 2009 compared to that of 2008.

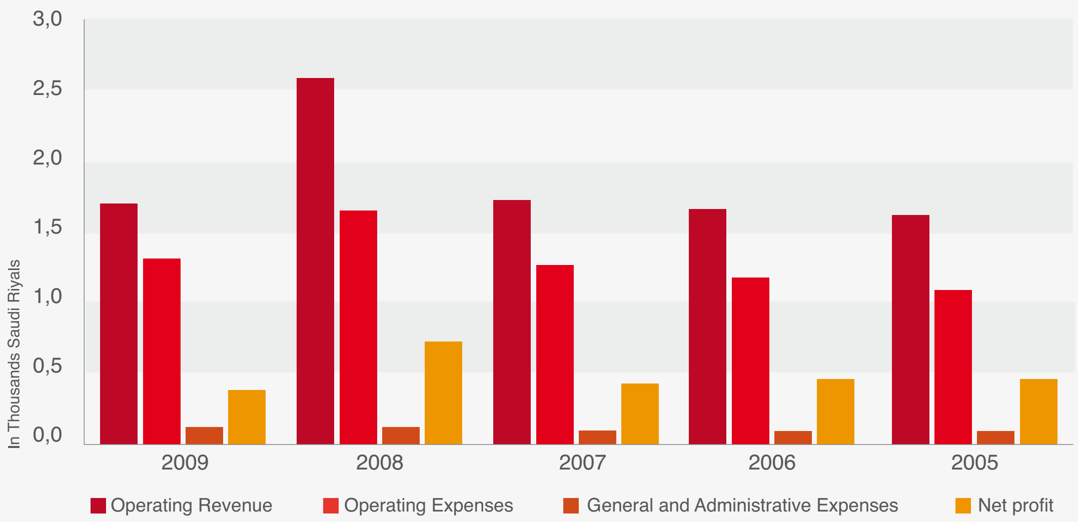
NSCSA results of operations are shown in the following tables and financial statements:

Financial Results for the past five years

Year	2009	2008	2007	2006	2005
Operating Income	1,672,016	2,594,530	1,703,294	1,651,281	1,602,270
Operating Expenses	(1,299,545)	(1,633,882)	(1,251,958)	(1,161,006)	(1,081,005)
Gross Operating Income	372,471	960,648	451,336	490,275	521,265
General and Administrative Expenses	(95,020)	(105,718)	(87,301)	(81,344)	(70,844)
Other Income (Expenses), Net	126,439	(50,491)	76,960	51,870	6,096
Zakat & Tax	(34,590)	(54,471)	(18,419)	(19,305)	(18,677)
Net Profit	369,300	749,968	422,576	441,496	437,840
Earning Per Share (SAR)	1.17	2.38	1.48	1.96	2.19

In Thousands Saudi Riyals

Diagram of Financial Statements & Operational Results



Statement of Assets and Liabilities

Caption	Year 2009	2008	2007	2006	2005
Current Assets	1,226,805	1,579,185	1,400,642	558,011	698,228
Current Liabilities	609,791	817,726	717,011	1,472,536	616,820
Operating Capital	617,014	761,459	683,631	(914,525)	81,408
Other Long Term Assets	2,381,013	2,581,331	1,761,709	1,788,351	789,227
Fixed Assets	6,730,766	5,658,910	4,634,435	3,650,744	3,346,742
Total Assets	10,338,584	9,819,426	7,796,786	5,997,106	4,834,197
Current Liabilities	609,791	817,726	717,011	1,472,536	616,820
Long Term Loans	4,516,180	3,709,941	2,229,291	1,336,078	1,432,898
Other Liabilities	34,974	37,888	37,002	34,612	41,741
Total Liabilities	5,160,945	4,565,555	2,983,304	2,843,226	2,091,459
Paid up Capital	3,150,000	3,150,000	3,150,000	2,250,000	1,999,290
Reserves & Retained Earnings	1,837,520	1,940,796	1,509,793	754,619	601,527
Minority Interests	190,119	163,075	153,689	149,261	141,921
Equities	5,177,639	5,253,871	4,813,482	3,153,880	2,742,738
Total Liabilities & Equities	10,338,584	9,819,426	7,796,786	5,997,106	4,834,197

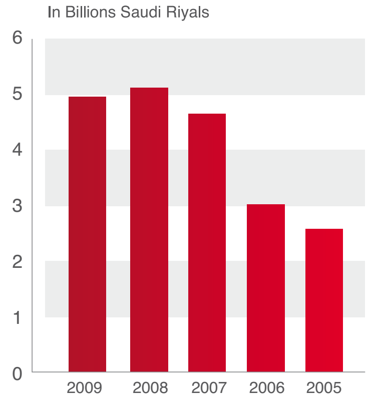
In Thousands Saudi Riyals

The company's financial results reflect noticeable increases in the shareholders' equity, which has grown significantly over the previous years.

Growth in Shareholders' Equity

Year	Shareholders' Equity	Variance	%
2009	4,987,520	(103,276)	(2%)
2008	5,090,796	431,003	9%
2007	4,659,793	1,655,174	55%
2006	3,004,619	403,802	16%
2005	2,600,817	470,782	22%

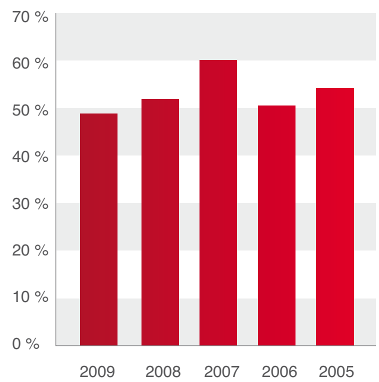
In Thousands Saudi Riyals



Shareholders' Equity to Assets

Year	Shareholders' Equity	Total Assets	%
2009	4,987,520	10,338,584	48%
2008	5,090,796	9,819,426	52%
2007	4,659,793	7,796,786	60%
2006	3,004,619	5,997,106	50%
2005	2,600,817	4,834,197	54%

In Thousands Saudi Riyals



Affiliates and Segments

The company owns or participates in a group of companies both within and outside the Kingdom of Saudi Arabia, as follows:

Company's Name	Activity	Head Office	Scope of Activity	Date of Incorporation	Ownership (%) 2009	Ownership (%) 2008
NSCSA (America) Inc.	NSCSA ships agent	USA	Global	1991	100%	100%
Mideast Ship Management Ltd.	Technical Ship Management	Dubai	Global	1996	100%	100%
National Chemical Carriers Ltd. Co.	Petrochemicals Transportation	Riyadh	Global	1990	80%	80%
Petredec Co. Ltd.	LPG transportation and Trading	Bermuda	Global	1980	30.3%	30.3%
Arabian United Float Glass Company	Glass Manufacturing & Trading	Riyadh	Regional	2006	10%	10%

Summary of Financial Results of Affiliates for the Fiscal year 2009

Company	Operating Revenue	Operating Expenses	General & Administrative Expenses	Other (Expenses) revenues	Net profit (Loss)	% Participation in Company Net Profits
NSCSA (America) Inc.*	21,539	(5,827)	(19,765)	63	(2,402)	(6,5%)
Mideast Ship Management Ltd. *	37,086	---	(32,379)	9	4,716	1,3%
National Chemical Carriers Ltd. Co.	304,706	(152,892)	(5,399)	6	135,221	36,6%

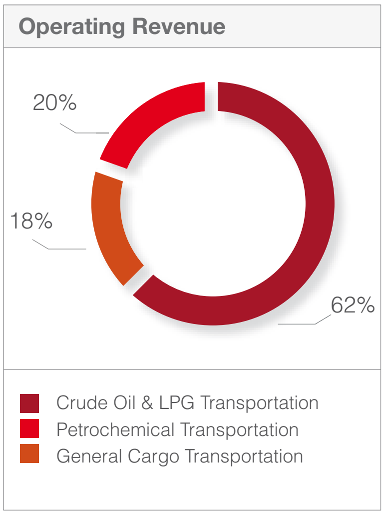
* Dependent entirely on the parent company in generating their income.

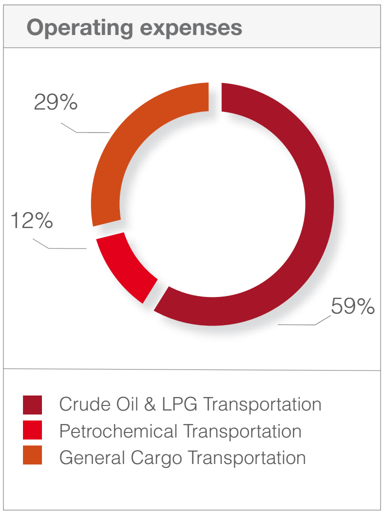
In Thousands Saudi Riyals

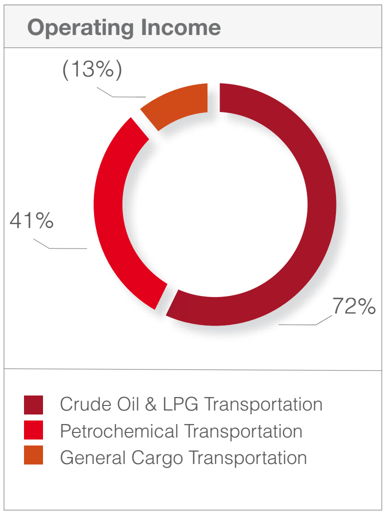
Revenues of the Company's Main Segments for the Fiscal Year 2009

Segment	Operating Revenue	Operating expenses	Operating Income	% Total
Crude Oil & LPG Transportation	1,040,228	(771,456)	268,772	72%
Petrochemical Transportation	304,706	(152,892)	151,814	41%
General Cargo Transportation	327,082	(375,197)	(48,115)	(13%)
Total	1,672,016	(1,299,545)	372,471	100%

In Thousands Saudi Riyals



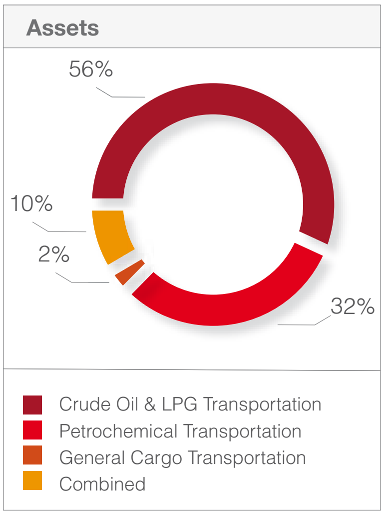


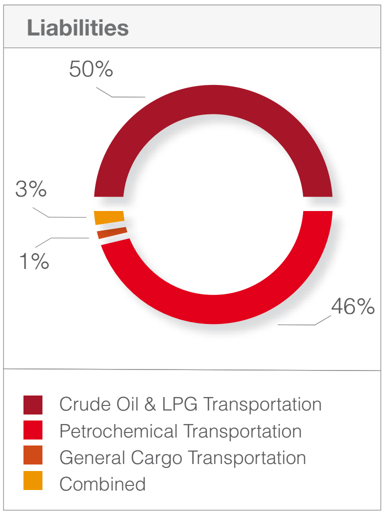


Asset and Liability Distributions over Company Segments as at 31/12/2009

	Crude Oil & LPG Transportation	Petrochemicals Transportation	General Cargo Transportation	Combined	Total
Assets	5,747,711	3,309,741	213,641	1.067.491	10,338,584
Percentage	56%	32%	2%	10%	100%
Liabilities	2,597,619	2,358,664	63,126	141,536	5,160,945
Percentage	50%	46%	1%	3%	100%

In Thousands Saudi Riyals





Transportation of Crude Oil and Gas

Crude oil transportation sector is the most important source of income for NSCSA. This segment has a fleet consisting of (17) VLCCs. In 2009, (4) VLCCs were received from a total of (6) VLCCs which were contracted to build in March 2006. This fleet is operated on the basis of long-term contracts (Time Charter) and in the spot market (Spot Market) through a balanced strategy for risk management of market price fluctuations based on driving a balance between variable and fixed transport costs according to a formula that ensures a minimum stable revenue and gives the company the opportunity to benefit from any rise in the spot market.

In 2009, (6) VLCCs were chartered on limited-term charter contracts, of which (3) were chartered to Korean Hanjin Company; (2) to Belgium Euronav Company, and (1) to Vela International Marine Ltd., a subsidiary of Saudi Aramco. Currently (11) VLCCs are operated on the spot market. The rates are determined according to prevailing market competitive rates that were internationally accepted upon signing of the respective charter contracts. Among the major customers of NSCSA on this market are Vela, Shell, BP, Chevron and Exxon Mobil.

Crude oil and liquefied petroleum gas (LPG) transportation sector posted an annualized operating income of SAR 268.8 million in 2009, compared to SAR 685.6 million in 2008, representing 72% of the total operating income in 2009.

VLCC's Fleet

S#	VLCC Name	Year of Manufacture	Type	Weight (Static Tons)	Length (Meter)	Width (Meter)	Number of Tanks	Speed (Knots)
1	Ramlah	1996	Double-Hull	300,361	340	56	17	15
2	Ghawar	1996	Double-Hull	300,361	340	56	17	15
3	Watban	1996	Double-Hull	300,361	340	56	17	15
4	Hawtah	1996	Double-Hull	300,361	340	56	17	15
5	Safaniyah	1996	Double-Hull	300,361	340	56	17	15
6	Harad	2001	Double-Hull	302,700	333	58	17	17.1
7	Marjan	2002	Double-Hull	302,700	333	58	17	17.1
8	Safwa	2002	Double-Hull	302,700	333	58	17	17.1
9	Abqaiq	2002	Double-Hull	302,700	333	58	17	17.1
10	Wafrah	2007	Double-Hull	318,000	333	60	17	16.7
11	Leyla	2007	Double-Hull	318,000	333	60	17	16.7
12	Jana	2008	Double-Hull	318,000	333	60	17	16.7
13	Habari	2008	Double-Hull	318,000	333	60	17	16.7
14	Kahla	2009	Double-Hull	318,000	333	60	17	16.7
15	Dorra	2009	Double-Hull	318,000	333	60	17	16.7
16	Ghazal	2009	Double-Hull	318,000	333	60	17	16.7
17	Sahba	2009	Double-Hull	318,000	333	60	17	16.7
			Total Capacity	5,256,605				

Growth of VLCC's Fleet

Description	Number of VLCCs	Capacity (Static Tons)
Fleet as at the beginning of 2009	13	3,984,605
VLCCs received in 2009	4	1,272,000
Fleet as at 31 December 2009	17	5,256,605

Transportation of Liquefied Petroleum Gas (LPG)

Petredec Co. Ltd. was founded in 1980 by a group of international investors, and it currently operates exclusively in trade and transport of liquefied petroleum gas. This Bermuda-based company has offices in Monaco, Singapore and the Bahamas. In 2005, the National Shipping Company of Saudi Arabia (NSCSA) bought a stake representing 30.3% of the share capital of Petredec Co. Ltd. The business activity of Petredec limited in the field of trade in liquefied natural gas is supported by a fleet of specialized gas carriers, consisting of (58) vessels of various sizes, of which (13) are company-owned and the remaining number of carriers are chartered on spot and long-term operational contracts. Petredec business covers Asian and European markets as well as the Caribbean region.

Over the past years, NSCSA realized remarkable profits from this investment. The company's share in Petredec's net profits amounted to SAR 84.94 million in 2009, compared to SAR (3.84) million net loss in 2008.

Petrochemical Transportation

In 1990, NSCSA, in collaboration with the Saudi Basic Industries Corporation (SABIC), founded the National Chemical Carriers Company (NCC), with a capital of SAR 200 million and at a share of 80% and 20% respectively. The two founding companies have injected extra funds to support the expansion plans of the National Chemical Carriers with a capital currently amounting to (610) million Saudi Riyals.

In line with the strategic plan of the NCC to increase the capacity of its fleet to approximately 1.3 million static tons and the number of owned vessels to (29) carriers, NCC entered into a contract with SLS SHIPBUILDING CO. for building sixteen (16) new carriers that are expected to be delivered during the period from 2010 to 2012.

NCC signed a partnership agreement with the Norwegian company Odfjell in June 2009, to establish a company in Dubai on a 50-50 basis to commercial operate both companies fleet of coated vessels of 40,000 tons and above in size within one conglomerate operating in the field of shipment and trade of petrochemicals, vegetable oils and refined petrochemical products around the world with focus on the Arabian Gulf region as one of the most important regions in the production and export of petrochemicals.

The new company commenced operations on the 1st of January 2010 with the commercial operation of the current fleet of both companies, consisting of (15) carriers with a total capacity of approximately (660) thousand static tons, which is envisaged to rise to (31) carriers with a total capacity of up to 1.4 million tons within the coming three (3) years.

Odfjell is one of the largest global companies operating in the field of shipping chemicals around the world and one of the key players in this industry. The company operates (90) carriers with a total capacity of up 2.5 million tons in international and regional trade of shipping petrochemicals and vegetable oils and refined petrochemical products, in addition to running a network of reservoirs for the storage of liquid substances in important regions around the world. Odfjell is a joint stock company headquartered in the Norwegian city of Bergen, with (20) offices run by 3700 employees around the world. This partnership will enhance the position of the National Chemical Carriers in the global markets.

NCC operates three of its carriers through an international conglomerate run by Odfjell and three other carriers are chartered to the same company. NCC has a long-term charter contract of six of its carriers to Saudi Basic Industries Corporation “SABIC” in addition to one carrier chartered to Sipchem.

Petrochemical transportation sector realized a total operating income of SAR 151.81 million in 2009, compared to SAR 116.09 million in 2008, which constitutes 41% of the total operating income of the company in 2009.

Growth of Chemical Carriers Fleet

Description	Number of Carriers	Capacity (Static Tons)
Fleet at the beginning of 2009	16	645,228
Carriers sold in 2009	(3)	(70,728)
Fleet as at 31 December 2009	13	574,500
Carriers under construction, expected to be delivered during 2010-2011	16	720,000
Total	29	1,294,500

Chemical Carrier Fleet - Operational and Under Construction

S#	Carrier	Year Built	Weight (Static Tons)	Length (Meter)	Width (Meter)	Number of Tanks	Speed (Knots)
1	NCC Makkah *	1995	37,500	183,10	32,20	22	16
2	NCC Riyadh *	1995	37,500	183,10	32,20	22	16
3	NCC Jubail *	1996	37,500	183,10	32,20	22	16
4	NCC Najd	2005	46,200	183,02	32,20	22	15
5	NCC Hijaz	2005	46,200	183,02	32,20	22	15
6	NCC Tihama	2006	46,200	183,02	32,20	22	15
7	NCC Abha	2006	46,200	183,02	32,20	22	15
8	NCC Tabuk	2006	46,200	183,02	32,20	22	15
9	NCC Qassim	2006	46,200	183,02	32,20	22	15
10	NCC Rabegh	2007	46,200	183,02	32,20	22	15
11	NCC Sudair	2007	46,200	183,02	32,20	22	15
12	NCC Dammam	2008	46,200	183,02	32,20	22	15
13	NCC Hail	2008	46,200	183,02	32,20	22	15
14	Hull # 490	Expected in 2010	45,000	183	32,20	22	15
15	Hull # 491	Expected in 2010	45,000	183	32,20	22	15
16	Hull # 492	Expected in 2010	45,000	183	32,20	22	15
17	Hull # 493	Expected in 2010	45,000	183	32,20	22	15
18	Hull # 494	Expected in 2010	45,000	183	32,20	22	15
19	Hull # 495	Expected in 2010	45,000	183	32,20	22	15
20	Hull # 500	Expected in 2010	45,000	183	32,20	22	15
21	Hull # 501	Expected in 2010	45,000	183	32,20	22	15
22	Hull # 508	Expected in 2010	45,000	183	32,20	22	15
23	Hull # 509	Expected in 2010	45,000	183	32,20	22	15
24	Hull # 536	Expected in 2011	45,000	183	32,20	22	15
25	Hull # 537	Expected in 2011	45,000	183	32,20	22	15
26	Hull # 538	Expected in 2011	45,000	183	32,20	22	15
27	Hull # 539	Expected in 2011	45,000	183	32,20	22	15
28	Hull # 540	Expected in 2011	45,000	183	32,20	22	15
29	Hull # 541	Expected in 2011	45,000	183	32,20	22	15
	Total Capacity		1,294,500				

* Vessels NCC Makkah, NCC Riyadh and NCC Jubail have been chartered out under a bareboat contract to Odfjell for a period of ten years, with an option to exercise the right of purchase after the third year.

General Cargo Transportation

General cargo transport sector has witnessed a noticeable decline in 2009 as a result of global economic recession and consequent downfall in the volume of trade exchanges, coupled with intense competition. These circumstances, significantly affected NSCSA's market share in general cargo transportation. This is clearly manifested in the decline in the number of containers and bulk cargo shipments.
The company engaged an international professional consulting firm specialized in this field to conduct a feasibility study on the general cargo market and make necessary recommendations on the company's current fleet which is approaching the end of its useful life, whether to build or buy new vessels to replace the current fleet.

The general cargo transportation activity posted total operating losses in 2009 of SAR (48.12) million compared to an operating income of SAR 158.9 million in 2008.

General Cargo Fleet

Saudi Tabuk	Saudi Abha	Saudi Diriyah	Saudi Hofuf

Specifications of General Cargo Fleet

Type	Number	Weight (Static Tons)	Width	Length	Draft	Container Capacity	Horse power	Speed
Containers/RoRo	4	42,600	32,29m	236,95m	11,12	2,050	27,600	18

Container Yard

The company owns a spacious container yard in the Islamic Port of Jeddah. This yard is used for the storage of containers and related equipment, which contributes to the rapid handling of containers to and from vessels and speeds up the clearance of customer shipments.

NSCSA Owned Containers and Trailers

#S	Type	Number
1	20ft standard container	2,828
2	20ft open-top container	333
3	20ft flat bed	87
4	40ft standard container	558
5	40ft high cube container	1,341
6	40ft open-top container	146
7	40ft flat bed	153
8	20ft trailers (chassis)	227
9	40ft trailers (chassis)	250
10	20ft Mafi – 30 tons	4
11	20ft Mafi – 60 tons	69
12	20ft Mafi – 80 tons	8
13	20ft Mafi – 100 tons	212
14	62ft Mafi – 80 tons	15

Ship Management

The Mideast Ship Management Ltd., a wholly owned subsidiary of NSCSA, is responsible for technical management of NSCSA and its affiliate's vessels in accordance with the requirements of international maritime organizations. The company employs a specialized team of captains, engineers and technicians with high competence and extensive experience in the technical and administrative aspects of the management and operation of ships. The Mideast Ship Management recruits crew for the ships in accordance with specifications of high efficiency, and seeks to update and train crew on new plans and devices adopted and used by the company. Mideast also submits technical reports to NSCSA on the performance and status of ships, fuel consumption, results of periodic inspections and recommendations in this regard, in addition to periodic financial reporting on operating expenses and budgeting, along with several other reports. Mideast also provides trainings to new entrant Saudi sailors on board NSCSA vessels.

Planning and Business Development

Early 2006, NSCSA established Planning and Business Development division responsible for the corporate strategic planning functions including ongoing review and follow -up as well as a formal periodic planning function.

The division undertakes the functions of strategic planning and development among business units and supporting departments and follows-up their performance in line with the stated objectives contained in the strategic plans.

Brief functions of this division include follow-up of the processes of change & restructuring and exploration of appropriate opportunities consistent with the initiatives of overall corporate strategy. It also issues periodic information reports on maritime transport market and prepares comparative financials on the performance of NSCSA and peer companies both at the regional and international levels.

Customer Services and Public Relations

The company implements its marketing policies consistent with its marketing plans and promises to its customers and its achievements and practices, which would establish confidence and foster ties with customers. Over the past years, NSCSA has developed a core of distinctive clients and won their confidence and gave special attention, as usual with all customers. NSCSA has always been keen to foster its relationship with its clients and regards them as business partners.

NSCSA has maintained the level of services provided to its customers by providing the best services at minimal costs, handling speed, accuracy in voyage schedules, cargo insurance and timely delivery of shipments. In this regard, NSCSA adopts measures and policies of outstanding performance to improve services continuously, and seeks to create a better impression of this industry that reflects the national identity of the Company.

NSCSA participated in many activities, events and conferences in order to foster its relations with those related to the maritime transport industry and create a distinct presence on this market. This is highlighted by NSCSA's participation in the Islamic Ship-owners Forum and the World Maritime Day, which was held in the city of Jizan, Saudi Arabia, in October 2009.

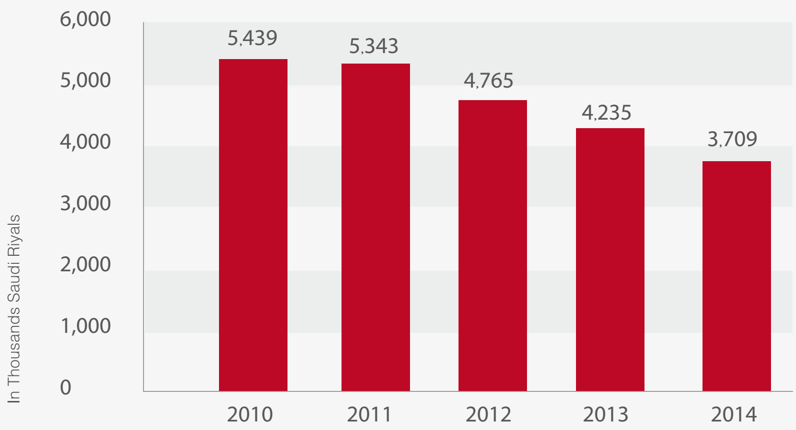
Financing and Investment

Over the last five years, NSCSA has adopted a financing and investment policy compatible with the precepts of Islamic Shariah. As a result of adopting this policy, all company investments and 82% of its loans have been converted into Shariah-compliant instruments and God willing, the Shariah-compliant financing will reach 100% upon completion of the current outstanding conventional loans. NSCSA follows a conservative investment policy of its available cash funds in low-risk investments that are easy to liquidate when such funds are needed to finance corporate needs.

NSCSA pursues a conservative financial policy commensurate with the nature of its business and assets by financing assets in line with the useful life of these assets and the expected revenues, which led to flexibility in the cash flows that enabled the company to meet all its domestic and international obligations.

By the end of 2009, total financing of the company's assets reached SAR 4.8 billion. It is expected that financing will reach its maximum level of SAR 5.3 billion in 2010 before it starts to diminish gradually, depending on the current financial data.

Murabaha financing and long-term loans balances



NSCSA and its subsidiary, the National Chemical Carriers finalized in 2007 the financing arrangements for their investment schemes, duly signed in 2006 and in 2007. This was a long term financing facility that extended for (10) years from the date of receipt of the carriers, and such financing is in line with the dates of accrued payments for the respective dockyards. In 2009, NSCSA signed a Murabah financing contract with the Public Investment Fund to finance part of the cost of eight VLCCs and to apply some of these financing funds for the payment of accrued debts and outstanding Murabah payments to commercial banks to finance VLCCs (Wafra, Dorra, Ghazal, Sahba) respectively under financing agreements with those banks.

Financing in 2009

Company	Loan balance at the beginning of the year	Change during the year	Loan balance at year end
NSCSA	1,864,714	617,674	2,482,388
NCC	2,047,237	211,987	2,259,224
Mideast Ship Management Ltd.	23,351	(1,991)	21,360
Total	3,935,302	827,670	4,762,972

Human Resources

NSCSA management conducts, from time to time, a review and update of corporate by-laws to organize work and maintain a distinct corporate structure that would enhance its distinct competitive edge of the company, which is based primarily on its human resources. In this regard, certain structural changes were carried out at the corporate and affiliate levels in line with the overall strategy of the company.

NSCSA is of the opinion that it is imperative to upgrade competency levels of staff in their respective fields of work through providing them with state-of-the-art technology and applications to develop their abilities. In this regard, NSCSA adopts a permanent policy of sponsoring, qualifying and training of the national human resources in all sectors. This is in line with NSCSA's conviction that these cadres constitute the core of any investment and accordingly, it sets up appropriate training plans for all disciplines on the grounds that training is a key component of knowledge and talent development.

NSCSA is keen that its employees acquire the technical skills and comply with professional ethics in their dealings, which would positively reflect on their performance. The company is also eager to provide an appropriate work environment for the employees that are conducive of enhancing their productivity and thereby creating an atmosphere of professionalism. In this regard, the company has adopted a special program to support some of its employees to complete their university studies; it also conducts English language training courses, in addition to holding numerous training courses for staff both in-house and outside in the fields of advanced technologies and disciplines required for company business.

In line with the conviction of NSCSA that Saudization is a national requirement, it has completed Saudization of most of the leadership positions in the company and its subsidiaries. Other functions are being Saudized gradually, according to a plan under which NSCSA has taken upon itself to train Saudi national cadets, rendering the percentage of Saudization in NSCSA to be 52%.

Information Technology

NSCSA is always strived to be state-of-the-art in technology and sophisticated systems in all sectors of corporate business and to keep pace with the trend of expansion and upgrading the level of services to support its competitive edge. Accordingly, NSCSA embarked on implementing a strategic information technology plan (Manarah), which determines the company's course of action and its future needs for modern information technology to keep pace with the company's strategic plan.

The initial phase of Enterprise Resource Management (ERP) project implementation, one of the most important part of Manarah project, has been finalized. This phase included re-engineering and development of operating procedures, taking into consideration the application of best internationally accepted practices and methods in harmony with the company's current technical system and the nature of its business. New corporate systems have been prepared, installed and commissioned. Preparations are underway to link the new system with the technical systems currently applied at the level of corporate operating units, and subsequently connect all information systems of the company to support the joint planning effort for the development of reports to assist in decision-making, performance measurement parameters, compliance with corporate governance and fulfillment of risk management requirements. God willing, this project is due to be finalized by mid-2010 following system test runs and trainings of the concerned staff.

Internal Audit and Control

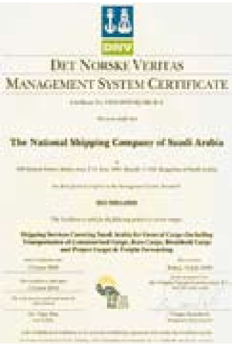
The Internal Audit and Control Department employs a selected group of highly qualified professional auditors who are well experienced in their respective filed. They constantly develop the efficiency and skills of their employees through the use of modern technology in their work, applying audit development programs, preparing plans and projects for risk management audit in compliance with generally accepted auditing standards. The Internal Audit and Control Department also verifies the authenticity of internal control procedures which aim at the protection of company assets against any unauthorized use, maintenance of accounting records and proper application of accounting policies, by-laws and internal procedures of the company.

The Internal Audit and Control Department conducted preliminary training courses on international quality control system (ISO) for internal auditors and lead auditors in order to enhance and strengthen the quality management system (QMS). The Department also conducted other in-house courses and examination on the verification and implementation of (ISO) applications.

In coordination with the Information Technology Department (ITD), the Internal Audit and Control Department endeavors to fully apply several important options in (SIS) to satisfy the needs of the regional offices of the company and its affiliates.

The Internal Audit and Control Department conducted an audit and review of company accounts for the fiscal year 2009 in accordance with the stated plan and submitted its recommendations and suggestions in due course.

Quality and Environmental Safety



Since its inception, NSCSA continued to provide services to its clients in an optimal and best possible manner. At an earlier stage, NSCSA created a special unit for quality control, through which it endeavored to lay the foundations for a clear and sound quality of service and performance. NSCSA continued to improve and develop performance and level of service and commitment to schedules and delivery deadlines so as to safeguard the interests of its clients.

NSCSA is also committed to comply with all the regulations imposed by the legislative bodies and environmental organizations globally, to preserve the integrity of the marine environment and climate. NSCSA is determined to observe all the requirements necessary for this purpose in the technical specifications of its fleet, and firm to minimize as much as possible, the negative impact on the environment by pollution from ship engines and equipment used on board the fleet. NSCSA conducts periodic inspections of the fleet and equipment through global consulting firms to ensure safety and conformity to the technical specifications and standards adopted universally. NSCSA regularly conducts renovation and modernization of safety equipments on board the fleet to conform to the latest systems. In 2006, NSCSA was awarded (ISO 9001-2000) and (ISO 14001-2004) quality certificates, International Maritime Organization (ISM) certificate and Lloyd's certificate. Further in 2009, NSCSA was awarded ISO 9001 – 2008 for Quality Management System(QMS).

During 2009, NSCSA was also awarded with the Certificate of Excellence in Global Business for the Middle East and The Best Logistics Service Provider award by Dubai based ITP Group.

In December 2009, a field audit was conducted by DNV to ensure NSCSA compliance with international systems and procedures of quality, which resulted in the approval to continue the company's quality certificate. Additionally, the Mideast Ship Management Company Ltd. (a fully-owned subsidiary of NSCSA) which is responsible for technical management of NSCSA vessels, has also achieved the ISO 9001-2000 certification.

NSCSA has participated in events that aim at enhancing public environmental awareness and safety of the oceans, including:

- Arab Sea Conference and Exhibition held in Dubai on 11th December 2009.
- World Maritime Day, held in the city of Jizan, Saudi Arabia, on 9th October 2009.

Social Responsibility

In line with its national mission and stated objectives, it is the conviction of NSCSA that social work constitutes an important success factor, and promotes the concept of national affiliation at the level of the company and its employees. For this reason, the company is interested to participate in various social events, conferences and exhibitions that serve the objective of establishing an active presence in the field of social responsibility. NSCSA always adheres to religious and ethical values and pays special attention to social, humanitarian and advocacy activities at the local level besides its economic and developmental role and as such, NSCSA has earmarked a special provision in its budget for social and scientific activities, awareness-raising and general development projects.

Among the most important contributions of NSCSA to social activities are the following:

- Support a campaign about Diabetic Patients conducted by the Health Awareness Committee;
- Support swine flu (H1N1) awareness campaign organized by the Health Awareness Committee;
- Support to the Down Syndrome Charity Association (DSCA);
- Support to the Charitable Society for Orphans (Ensan);
- Sponsorship of certain Islamic awareness publications.

Regulatory Payments

Zakat & Tax

NSCSA and its affiliate (National Chemical Carriers) compute and file Zakat returns at the end of each year, and pay the applicable zakat dues in a timely manner. All tax deductions on payments to non-resident foreign parties are also paid on a regular periodic basis pursuant to applicable regulations.
NSCSA has not received any zakat assessments from the Department of Zakat & Income Tax (DZIT) for the period from 2001 to 2008 and tax assessments for the period 2001-2004. Additionally, NSCSA's affiliate did not receive any zakat and tax assessments for the period from 2005 to 2008.

NSCSA and its affiliate allocated what they believe to be a sufficient provision to meet any zakat and tax claims for these periods. The zakat and tax provisions shown in the statement of financial position covers zakat and tax claims by the DZIT or related committees.

NSCSA Claims

Period	Zakat Claims	Tax Claims	Remarks
1982-1995	---	2,000	Case closed and payments are being made in semi-annual installments. This amount represents the final payment which is due in June 2010.

In Thousands Saudi Riyals

NCC Claims

Period	Zakat Claims	Tax Claims	Remarks
1991-1993	15,825	12,585	These years have been settled with the Department of Zakat and Income Tax (DZIT).
1994-1996	4,671	12,218	NCC objection is being reviewed by the DZIT.
1997-2004	11,363	22,424	These years have been settled with the DZIT.
2004	672	2,299	This year has been settled with the DZIT.
Additional Assessment	4,787	---	NCC objection is being reviewed by the DZIT.
Total	37,318	49,526	

In Thousands Saudi Riyals

Social Insurance:

Total NSCSA contributions to the General Organization for Social Insurance in 2009 amounted to SAR 1,723,052, compared to SAR 1,916,873 in 2008.

Other Government Charges (Visas, Passports, etc.):

Visas and passport-related charges paid to the government treasury in 2009 amounted to SAR 186,503, compared to SAR 419,569 in 2008.

Dividend Distribution

Dividend distribution depends on the company's results of operations, cash liquidity, working capital needs and capital investments. Based on this data, the Board of Directors, in its meeting held on January 18, 2010, recommended to the General Assembly to distribute an amount of SAR (315) million in dividends to shareholders for the fiscal year 2009, i.e. at the rate of one Saudi Riyal per share.

Dividends are distributed to shareholders after deducting all general expenses and other costs and statutory reserve in accordance with the provisions of Article (34) of the memorandum and articles of association of the company. Members of the Board of Directors are also entitled to remuneration for attending Board meetings, in addition to lump sum annual bonuses in accordance with applicable regulatory rules.

The following table shows the net profits generated during the years 2005 - 2009 and dividend distributions made proportionate to net profit averaging (55%) and dividend distributions proportional to capital averaging (11.5%) during the past five years.

Fiscal Year	Net Profit (SAR 000)	Cash Dividends SAR (000)	Bonus Share Distributions	Cash Dividends to Net Profits Ratio (%)	Distribution to Capital Ratio (%)
2005	437,840	---	One bonus share for each 8 shareholdings	---	12,5%
2006	441,496	225,000	---	51%	10%
2007	422,576	315,000	---	74,5%	10%
2008	749,968	472,500	---	63%	15%
2009 *	369,300	315,000	---	85,3%	10%
Total	2,421,180	1,327,500	---	Annual average 55%	Annual average 11,5%

* Subject to the approval in the Extraordinary General Assembly.

Shareholders' Rights & Communications

NSCSA shareholders enjoy all the rights and privileges pursuant to the provisions of the company's memorandum of association and in line with the provisions of the Companies Act and the Corporate Governance Regulations duly issued by the Capital Market Authority. NSCSA Board of Directors and executive management are keen to create a favorable environment for enjoyment by the shareholders of all those rights through easy access to the company's management or Shareholders' Department. In addition to their right of nomination to membership of the Board of Directors subject to satisfying the applicable regulatory conditions of eligibility, shareholders also have the right to vote in the general assemblies and select their representatives to Board membership. Many shareholders participate in the discussions of all company activities and its future plans by attending general assembly meetings. When the General Assembly adopts any dividend distribution, such information will be announced forthwith and the company immediately starts payment of dividends to shareholders who are registered in the records of the Stock Depository Center (SDC) at the end of trading on the day of General Assembly meeting. Dividends will be deposited in shareholders' portfolios with the respective local banks within a deadline of thirty days from the date of adoption of such dividend distribution by the General Assembly.

The company communicates with its shareholders on an ongoing basis and informs them of its performance and activities through official channels such as "Tadawul" website to appraise them of any developments of any significant financial impact or financial results in accordance with the directives of the Capital Market Authority and the disclosure policy duly approved by the company as part of the corporate governance regulations duly adopted by the Board of Directors of the company on 20/12/2009.
The company participates in investment forums organized by certain investment companies and also meets with potential investors or current shareholders through meetings organized by interested investing parties. Additionally, the company received many officers from various investment entities. However, it is to be noted here that the information provided by the company was restricted to nominal which it had previously disclosed through the official channels of communication consistent with the guidelines of the Capital Market Authority and the Ministry of Commerce and Industry.

Through its website, (www.nscsa.com.), the company offers information services to its shareholders on prior years entitlements such as unreceived dividends earnings, the price of stocks sold in a public auction or oversubscription funds left unclaimed by subscribers.

■ Dates of Significance to Shareholders for the Fiscal Year 2010 *

3rd April, 2010		21st April 2010	21st July 2010	20th Oct. 2010	20th Jan. 2011
Extraordinary General Assembly Meeting	2009 dividend distribution, within two weeks from the date of General Assembly meeting.	Date of publication of the 1st quarter financial statements	Date of publication of the 2nd quarter financial statements	Date of publication of the 3rd quarter financial statements	Date of publication of the 4th quarter financial statements

• The above dates represent deadlines for publication of quarterly financial statements which may be published prior to these deadlines, depending on the circumstances and audit of these financial statements.

Risk Management

The shipping industry is replete with risks at the financial, informational and operational levels. The company has paid great attention to these risks and proceeded to apply a set of measures to address such risks through a control system in which all departments of the company are involved in a variety of ways.

Financial Operations:

The company established a special treasury department managed with distinctive competence to monitor the financial markets, analyze data, study market trends, follow up changes in exchange and interest rates in order to avoid the risk of inflation, credit risks, fluctuations in exchange and interest rates and to determine the best ways to reduce financial risks and explore the available investment opportunities to utilize the company's surplus cash funds.

Information Security:

The Information Technology Department adopts the best practices in the areas of security system and protection of computer hardware and software used in the field of information and communications. In this regard, a set of software and means of protection are currently in place to achieve full safety and to safeguard confidentiality of information against attempts of cyber crimes.

Operations:

In applying the necessary precautionary measures to safeguard corporate property and protect the interests of the shareholders from damage and loss and to cover the extraordinary costs arising from unforeseen events and serious dangers that overshadow the maritime shipping industry, the company has endeavored to avoid the risks that may hinder the smooth flow of work and minimize the impact of such risks. For this reason, the company has participated in protection clubs and held a variety of agreements with insurance companies in the following areas:

* **Marine insurance -** including insurance coverage of the fleet and equipment as well as crew and cargo carried on the vessels, civil liability and the consequent marine risks whereby certain countries stipulate that to enter their ports, vessels must have proper insurance coverage consistent with the requirements of these countries.

* **Non-maritime insurance -** including comprehensive coverage of the company's offices, buildings and vehicles and personnel as needed in addition to medical insurance of the employees in accordance with the guidelines of the Health Insurance Council.
* **Protection & Indemnity Clubs** - The size of the company and its fleet enabled it to be an active member in two of the largest clubs of protection in the United Kingdom, where these clubs cover risks arising from the accidents of ships and damaged cargo. Being a member of the clubs, the company is entitled to vote on certain resolutions of the Club related to protection and compensation strategy. This membership will be of great benefit to the company through the exchange of experience and avoiding exposure to any additional contingent costs.

Professional analysis and follow up specialists conduct constant assessment of the company's ongoing needs for insurance coverage to cope with market development consistent with its business activities and safeguarding of its interests. Because of the high cost of Marine Insurance, the company opted to conclude all its agreements with highly experienced, large and financially sound insurance companies.

Disclosure & Governance

NSCSA is committed to a high degree of transparency through adopting clear-cut policies in its dealings with all related parties, publishing all data and financial results, disclosing all its activities and outlook for the future and events of substantial effect. NSCSA publishes it annual reports and resolutions relating to its activities in the local newspapers with details displayed on Tadawul website and the Company's website www.nscsa.com to be available to all stakeholders including shareholders and prospective investors. The reports include all the trends relating to the operational activities and analysis of financial statements. The financial statements and accompanying notes as set forth in the annual report are in conformity with generally accepted accounting standards in force in Saudi Arabia, and with the requirements of presentation, disclosure and transparency as set out in the Corporate Governance Regulations.

The Board of Directors confirms that the Company maintains regular electronic accounting books and records and that the attached consolidated financial statements and their accompanying notes which form an integral part whereof have been prepared by the Company management and reviewed and approved by the Board in accordance with generally accepted accounting principles and standards duly issued by the Saudi Organization of Certified Public Accountants (SOCPA) and reflect fairly the Company's assets and liabilities and that the Company is in a position to proceed with its activities as a going-concern and to continue implementing its future expansion plans. The Board is keen to optimize the utilization of the Company's resources and operation of its assets to the best interest of its shareholders and utilize the latest relevant tools and systems in this regard. It is to be noted here that the 2009 annual report includes all applicable presentations and disclosures as stipulated in clause (b), Article (27) of the Listing Regulations and clause (c), Article (1) of the Corporate Governance Regulations duly issued by the Capital Market Authority. Excluded from the above is the geographical distribution of income and expenses, which is not applicable to the nature of the work of the Company and cumulative voting, where the company applies the regulations issued by the Ministry of Commerce and Industry that are based on the Companies Act with regard to the voting system at general assemblies. In the upcoming General Assembly Meeting, NSCSA will procure the adoption of cumulative voting in the selection of members of the Board of Directors.

The Board of Directors confirms that internal controls are being implemented effectively and that there are no risks or constraints affecting the company's ability to continue its work as an ongoing concern. Additionally, no punishment, penalty, or precautionary restrictions have been imposed on the Company by the CMA or any other supervisory, regulatory or judicial body in the course of 2009.

The company has prepared its own Corporate Governance Regulations based on the memorandum and articles of association of the company and consistent with the Rules of Implementation duly issued by the Capital Market Authority and Companies Act in Saudi Arabia. The Corporate Governance Regulations were adopted by the Board of Directors in its meeting held on 20/12/2009. The aim of these Regulations is to assist the Board of Directors in fulfilling its obligations, improving the efficiency of the Board and its Committees and achieving the stated objectives of the company. These Regulations have been prepared according to the directives of the Board of the Capital Market Authority (CMA) and the provisions of the CMA Guideline Regulations to ensure compliance with best corporate governance practices that protect the rights of shareholders and stakeholders and keep pace with the requirements and take advantage of new opportunities to work effectively and meet the expectations of shareholders and other stakeholders.

These Regulations are binding to the company, Board members, all employees and shareholders. The rules contained in these Regulations are based primarily on the company's Articles of Association, Capital Market Law (CML) and its Rules of Implementation and relevant resolutions, and the Companies Act.

Board of Directors

The Board of Directors, in its current session (2008-2010) consists of nine members. Responsibilities of the Board are manifested in leading the Company through exercising its role of guidance, control and drawing Company strategies. The Executive Committee is in charge of steering Company business within the framework of the policies, plans and controls duly adopted by the Board and the General Assembly.
In 2009, the Board of Directors held 6 meetings in addition to two general assembly meetings.

Board and General Assembly Meetings

Session 2008-2010

Name	Classification	Meetings
Abdullah Sulaiman Al-Rubaian	Independent/non-executive	8
Mohammed Abdulaziz AlSarhan	Independent/non-executive	8
Esam Hamad Al-Mubarak	Independent/non-executive	7
Nasser Mohammed Al-Kahtani	Independent/non-executive	8
Saleh Abdullah AlDebasi	Independent/non-executive	8
Abdulkarim Ibrahim Al-Nafie	Independent/non-executive	7
Farraj Mansour Abothenain	Independent/non-executive	7
Bander Barjas Al-Abdul Kareem	Independent/non-executive	7
Sami Abdullah Al-Saeed	Independent/non-executive	8

The Board of Directors represents that, except for shares owned by members of the Board as set forth in this table, there are no special interests or affiliations of the members of the Board, senior executives or their spouses or their minor children in the Company, in the form of shares, options or subscription rights, commitments under work contracts directly or indirectly with the parent Company or any of its affiliates.

Name	Title	Ownership Year- Beginning	Change During the Year	Ownership Year-end
Abdullah Sulaiman Al-Rubaian	Board Chairman	81,805	(25,000)	56,805
Mohammed Abdulaziz AlSarhan	Board Vice-chairman	219,060	(117,060)	102,000
Esam Hamad Al-Mubarak	Board Member	65,000	(65,000)	---
Nasser Mohammed Al-Kahtani	Board Member	---	---	---
Saleh Abdullah AlDebasi	Board Member	6,000	---	6,000
Abdulkarim Ibrahim Al-Nafie	Board Member	13,000	---	13,000
Farraj Mansour Abothenain	Board Member	25,000	---	25,000
Bander Barjas Al-Abdul Kareem	Board Member	2,000	---	2,000
Sami Abdullah Al-Saeed	Board Member	4,000	---	4,000

Membership of Board Members in Other Joint Stock Companies In 2009

Name	Membership
Abdullah Sulaiman Al-Rubaian	Board Member – Arab Shield Insurance Co.
Mohammed Abdulaziz AlSarhan	Board Member – Saudi Public Transport Co. (SAPTCO)
Esam Hamad Al-Mubarak	Nil
Nasser Mohammed Al-Kahtani	Nil
Saleh Abdullah AlDebasi	Nil
Abdulkarim Ibrahim Al-Nafie	Nil
Farraj Mansour Abothenain	Board Member – Astra Industrial Group
Bander Barjas Al-Abdul Kareem	Nil
Sami Abdullah Al-Saeed	Nil

Remunerations and Compensations for 2009

Description	Executive Board Members	Non-executive Board Members	Senior Executives*
Salaries & Remunerations	---	---	5,477
Allowances	---	342	1,722
Periodic and Annual Bonuses	---	1,800	890
Incentive Plans	---	---	
In-kind compensations & other benefits	---	1,400	
Total	---	3,542	8,089

* The number of Senior executives is 6, including the General Manager and the Financial Manager.

Board Committees

Three committees have emerged from the Board of Directors, namely, Strategy and Follow-up Committee, Audit Committee and Nominations and Remuneration Committee, each entrusted with specific powers by the Board of Directors, as follows:

Strategy and Follow-up Committee:

This committee is entrusted to lay down the basic principles for the Company's strategies, review of these strategies on a periodic basis, optimal utilization of the company's resources, maximizing return on investment and deliberating the issues referred to it by the Board of Directors.

Strategy and Follow-up Committee Meetings in 2009

Name	Title	Sessions Attended
Abdullah Sulaiman Al-Rubaian	Chairman	5
Mohammad Abdul Aziz AlSarhan	Member	5
Saleh Abdullah AlDebasi	Member	4
Abdulkarim Ibrahim Al-Nafie	Member	6
Farraj Mansour Abothenain	Member	6

Audit Committee:

This committee is responsbile for verifying the adequacy of the internal control system in a manner that would achieve the objectives of the company and safeguard the interests of shareholders. The Audit Committee is authorized to examine all relevant information and data, reports, records or other matters, which it considers important to access; review the interim and annual financial statements and accounting policies; nominate the Company's auditor for the respective fiscal year and verify the independence of internal auditors.

The Committee, having reviewed the current control system as manifested in the systems duly adopted by the Internal Audit Department, confirms the validity and effectiveness of the internal audit and control system that is being implemented in an orderly and effective manner by a team of qualified auditors and specialists in risk management and quality control. The Board of Directors has selected members of the Audit Committee and determined their term of office and method of work of the Committee to be presented to the General Assembly at its upcoming meeting.

Audit Committee Meetings in 2009

Name	Title	Sessions Attended
Nasser Mohammed Al-Kahtani	Chairman	7
Ahmad Abdullah Al-Moghamis	Member	5
Saleh Abdullah AlDebasi	Member	5

Nominations and Remuneration Committee:

This committee is in charge of nomination for the next session of membership of the Board of Directors, annual review of the needs and skills required for membership of the Board, review of the structure of the Board of Directors and recommending changes as necessary, identifying weaknesses and strengths of the current Board of Directors and proposing to have them addressed in the subsequent session, developing clear-cut policies for the compensation and emoluments of the members of the Board of Directors and senior executives based on their performance. The Board of Directors has selected members of this Committee and determined their term of office and method of work of the Committee to be presented to the General Assembly at its upcoming meeting.

Nominations and Remuneration Committee Meetings in 2009

Name	Title	Sessions Attended
Abdullah Sulaiman Al-Rubaian	Chairman	2
Mohammad Abdul Aziz AlSarhan	Member	2
Nasser Mohammed Al-Kahtani	Member	2
Sami Abdullah Al-Saeed	Member	2

Executive Management

The Senior Executive Management which is commissioned by the Board of Directors to manage company affairs, is led by the Chief Executive Officer , assisted by Vice Chief Executive Officers and heads of various business sectors/affiliates. The Executive Management assumes the responsibility of financial, administrative, technical, operational and informational, risk management and related company activities. Ad hoc committees are also formed by the Executive Management to provide assistance in following up certain activities and contingent tasks on an as-needed basis.

Pursuant to the authorities vested in it by the Board of Directors, the Executive Management is committed to act in line with the stated policies and to implement Board resolutions and strategic and operational plans that aim at development and growth of company activities and serve the interests of shareholders. No investments or reserves have been created for the benefit of Company employees other than their legal entitlements. It is also to be noted here that senior executives who are six (6) in number, including the Chief Executive Officer and Vice Chief Executive Officer (finance), do not hold any shares in the Company according to Tadawul records as at 31/12/2009.

Conclusion

The Board of Directors would like to avail itself of this opportunity to express its gratitude and deep appreciation to the Custodian of the Two Holy Mosques King Abdullah bin Abdul Aziz - may The God protect him, and to His Royal Highness Prince Sultan bin Abdulaziz, Crown Prince, Deputy Premier and Minister of Defense and Aviation, may The God protect him, His Royal Highness Prince Nayef bin Abdul Aziz, Second Deputy Premier and Minister of the Interior, may The God protect him, and to his rightly-guided government, especially the Ministry of Finance, the Ministry of Commerce and Industry, the Ministry of Transport, Capital Market Authority and the Public Investment Fund.

The Board is also pleased to thank the shareholders and customers of the company and to express its deep gratitude for their support and cherished confidence which motivates the Board to pay more effort and giving. The Board of Directors would also extend its deep appreciation to the employees of the company for their sincere efforts to develop and improve further the performance of the company to achieve the company’s stated goals.

God bless,

Board of Directors
Riyadh, the 26th of Safar 1431 H,
corresponding to the 10th of February, 2010.

Consolidated Financial Statements Together with the Auditors' report

For the year ended December 31, 2009

Auditors' report

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITORS' REPORT

February 21, 2010

To the Shareholders of The National Shipping Company of Saudi Arabia:
(A Saudi Joint Stock Company)

We have audited the accompanying consolidated balance sheet of The National Shipping Company of Saudi Arabia, a Saudi Joint Stock Company, (the "Company") and subsidiaries (the "Group") as of December 31, 2009 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the accompanying notes which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company to comply with applicable articles of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. 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 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 basis for our opinion.

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2009 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers Al Juraid

By: ____________________
Rashid S. Al Rashoud
License Number 366

PricewaterhouseCoopers Al Juraid, License No. 25
Licensed Partners: Walid I. Shukri (329), Rashid S. Al Rashoud (366), Omar M. Al Sagga (369), Khalid A. Mahdhar (368)

Consolidated Balance Sheet
As of December 31, 2009

ASSETS

Current assets	Notes	2009	2008
Cash in hand and at banks	3	78,545	225,545
Investments in Murabaha and short-term deposits	3/4	707,112	882,847
Trade receivables and other debit balances, net	5	182,431	181,406
Prepaid expenses		67,183	65,123
Bareboat lease receivable, net	6	5,925	-
Agents' current accounts, receivables		14,626	17,815
Inventories		116,801	66,916
Investment held to maturity		-	77,149
Investments held for trading		16,317	12,413
Accrued bunker subsidy, net	7	31,252	49,971
Incomplete voyages		6,613	-
Total current assets		**1,226,805**	**1,579,185**
Non-current assets:			
Investment in government bonds		604	604
Bareboat lease receivable, net	6	418,974	-
Investments held to maturity (Sukuk)		30,000	-
Investments available for sale		29,739	29,160
Investments in affiliates and other	8	299,342	239,756
Deferred charges, net	9	51,479	115,031
Fixed assets, net	10	6,730,766	5,631,376
Goodwill	8/A	119,177	119,177
Ships under construction and other	11	1,431,698	2,105,137
Total non-current assets		**9,111,779**	**8,240,241**
Total assets		**10,338,584**	**9,819,426**

In Thousands Saudi Riyals

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements

LIABILITIES AND EQUITY

Current liabilities:	Notes	2009	2008
Accounts payable and other credit balances	12	214,454	303,779
Current portion of Murabaha financing and long-term loans	13	246,793	225,362
Short-term Murabaha finance		-	71,250
Unclaimed dividends	22	29,189	23,430
Agents' current accounts, payables		569	3,435
Provision for zakat and tax	14	118,786	183,086
Incomplete voyages		-	7,384
Total current liabilities		**609,791**	**817,726**
Non-current liabilities:			
Murabaha financing and long-term loans	13	4,516,180	3,709,941
Obligation from fluctuations in swap fair market value for loans commission rates		3,530	5,024
Tax obligation provision	14	-	4,000
Employees' end of service benefits provision		31,444	28,864
Total non-current liabilities		**4,551,154**	**3,747,829**
Total liabilities		**5,160,945**	**4,565,555**
Equity: **Shareholders' equity**			
Paid-up share capital		3,150,000	3,150,000
Share premium	15	---	524,416
Statutory reserve	15	802,170	240,824
Retained earnings		1,037,273	1,177,403
Hedging reserve for loans commission	16	(3,530)	(5,024)
Unrealized gain from available for sale investments		1,607	3,177
Total shareholders' equity		4,987,520	5,090,796
Minority interest		190,119	163,075
Total equity		**5,177,639**	**5,253,871**
Total liabilities and equity		**10,338,584**	**9,819,426**

In Thousands Saudi Riyals

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements

Consolidated Income Statement
For the year ended December 31, 2009

	Notes	2009	2008
Operating revenues	17	1,672,016	2,594,530
Operating expenses	17/18/19	(1,299,545)	(1,633,882)
Gross operating income		**372,471**	**960,648**
General and administrative expenses	20	(95,020)	(105,718)
Operating income		**277,451**	**854,930**
Company's share in profit (loss) of affiliates, net	8	84,942	(3,840)
Financing charges	13	(77,669)	(105,833)
Other income (expense), net	21	62,998	(4,292)
Profit before bunker subsidy, zakat, tax, and minority interest		**347,722**	**740,965**
Bunker subsidy		83,212	72,859
Profit before zakat, tax, and minority interest		**430,934**	**813,824**
Zakat provision	14	(32,627)	(40,211)
Tax provision	14	(1,963)	(14,260)
Profit before minority interest		**396,344**	**759,353**
Minority interest in consolidated subsidiaries' net profit		(27,044)	(9,385)
Net profit for the year		**369,300**	**749,968**
Earnings per share from operating income (SR)	22	0,88	2,71
Earnings per share from net profit (SR)	22	1,17	2,38

In Thousands Saudi Riyals

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended December 31, 2009

Cash flows from operating activities:	Notes	2009	2008
Net profit for the year		369,300	749,968
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation	10	296,070	266,208
Amortization of deferred charges	9	64,694	66,443
Gain from investment - held to maturity		(3,008)	---
Company's share in dividends from investment held for trading		(197)	---
Impairment of investments in financial instruments		---	42,667
Unreleased gain on investments held for trading		(3,707)	---
Company's share in (profit) loss of affiliates, net	8	(84,942)	3,840
Gains from sale of fixed assets	21	(30,489)	(70)
Minority interest in consolidated subsidiaries' net profit		27,044	9,385
Provision for zakat and tax	14	34,590	54,471
Reversal of excess zakat and withholding tax provision	14	(12,050)	---
Employees' end of service benefits provision		2,580	1,862
Changes in operating assets and liabilities:			
Trade receivables and other debit balances, net		(1,025)	10,360
Prepaid expenses		(2,060)	(16,277)
Bareboat lease receivable		4,826	---
Agents' current accounts, receivables		3,189	(3,648)
Inventories		(49,885)	21,713
Accrued bunker subsidy, net		18,719	(8,119)
Accounts payable and other credit balances		(89,325)	(15,831)
Agents' current account, payables		(2,866)	676
Zakat and tax paid	14	(90,840)	(20,336)
Incomplete voyages		(13,997)	(21,021)
Net cash provided by operating activities		**436,621**	**1,142,291**
Cash flows from investing activities:			
Investments in Murabaha and short-term deposits		25,192	(23,655)
Investments in available for sale and held to maturity		48,008	(21,821)
Investments in affiliates and other		(153)	(10,000)
Dividends from affiliates	8	25,509	---
Additions of fixed assets	10	(23,366)	(28,374)
Proceeds from sale of fixed assets		88,083	371
Ships under construction and others	11	(1,185,974)	(2,078,126)
Deferred charges	9	(1,142)	(35,228)
Net cash used in investing activities		**(1,023,843)**	**(2,196,833)**

Cash flows from financing activities:			
Short-term Murabaha finance		(71,250)	71,250
Murabaha financing and long-term loans		1,637,295	1,720,746
Repayments against Murabaha financing and long-term loans		(809,625)	(219,583)
Dividends paid		(466,741)	(310,007)
Net cash provided by financing activities		**289,679**	**1,262,406**
Net change in cash and cash equivalents during the year		**(297,543)**	**207,864**
Cash and cash equivalents at beginning of the year		1,059,161	851,297
Cash and cash equivalents at end of the year	3	**761,618**	**1,059,161**
Non-cash items:			
Ships under construction transferred to fixed assets	10/11	1,859,413	1,235,076
Bareboat lease receivable against sale of fixed assets		429,725	---
Unrealized loss (gain) from available for sale investments		1,570	(1,059)

In Thousands Saudi Riyals

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2009

	Paid-up capital	Share premium	Statutory reserve	Retained earnings	Hedging reserve	Unrealized gains (losses) from available for sale investments	Total
Balance at December 31, 2007	**3,150,000**	**524,416**	**165,827**	**817,432**	**---**	**2,118**	**4,659,793**
Net profit for the year	---		---	749,968	---	---	749,968
Statutory reserve	---	---	74,997	(74,997)	---	---	---
Hedging reserve for loans commission	---	---	---	---	(5,024)	---	(5,024)
Dividends	---	---	---	(315,000)	---	---	(315,000)
Unrealized gains from available for sale investments	---	---	---	---	---	1,059	1,059
Balance at December 31, 2008	**3,150,000**	**524,416**	**240,824**	**1,177,403**	**(5,024)**	**3,177**	**5,090,796**
Net profit for the year	---	---	---	369,300	---	---	369,300
Statutory reserve	---	---	36,930	(36,930)	---	---	---
Transfer of share premium to statutory reserve (Note 15)	---	(524,416)	524,416	---	---	---	---
Hedging reserve for loans commission	---	---	---	---	1,494	---	1,494
Dividends	---	---	---	(472,500)	---	---	(472,500)
Unrealized loss from available for sale investments	---	---	---	---	---	(1,570)	(1,570)
Balance at December 31, 2009	**3,150,000**	**---**	**802,170**	**1,037,273**	**(3,530)**	**1,607**	**4,987,520**

In Thousands Saudi Riyals

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows
For the year ended December 31, 2009

1. ORGANIZATION AND OPERATIONS

The National Shipping Company of Saudi Arabia, a Saudi joint stock company (the "Company"), was established by Royal Decree No. M/5 dated 12/02/1398H, corresponding to 21/01/1978, and registered under Commercial Registration No. 1010026026 dated 01/12/1399H, corresponding to 22/10/1979, issued in Riyadh.

The Company is primarily engaged in purchasing, chartering and operating vessels for the transportation of cargo and passengers and other activities related to sea shipping industry. The Company has operations through three distinct segments which are very large crude carriers (VLCCs), chemical transportation, and goods transportation (liners).

The authorized capital of the Company is SR 3,150 million from 315 million shares for the nominal value of SR 10 each as of December 31, 2009 and 2008.

The Company owns seventeen Very Large Crude Carriers (VLCCs), one of which is chartered to Vela International Marine Limited, a subsidiary of Saudi Aramco, two to Euronav Company, three to Hanjin Company (A Korean Company) and eleven are operating in spot market. The Company owns four Roll-On Roll-Off (RoRo) vessels operating on liner trade between North America, Europe, the Middle East and Indian Subcontinent.

The National Chemical Carriers Ltd. Co. ("Subsidiary") owns thirteen chemical tankers, out of which three were leased to Odfjell SE ("Odfjell"), a Norwegian company, on January 30, 2009 under a bareboat capital lease arrangement (see Note 6), three were directly chartered to "Odfjell" Company for the first six months of 2009 and are operating in a pool with Odfjell tanker for the second half of 2009, six are chartered to the International Shipping and Transportation Company Limited (ISTC), a subsidiary of Saudi Basic Industries Corporation (SABIC), and one tanker is chartered out to Saudi International Petrochemical Company (SIPCHEM).

The Subsidiary signed a 50 percent joint venture agreement with "Odfjell SE" on June 15, 2009 to establish a company in Dubai, (United Arab Emirates), by the name of NCC-Odfjell Chemical Tankers JLT (hereinafter referred as "Joint Venture"), to commercially operate the two companies' combined fleet of coated chemical tankers in a pool for trading in the chemicals, vegetable oils and clean petroleum products markets on a world-wide basis with emphasis on the growing production and export of the Arabian Gulf Region. The new company will commence operations in the beginning of 2010 with 15 vessels with total capacity of approximately 660,000 tons, which is expected to grow to 31 vessels with 1.4 million tons over the next three years. As of December 31, 2009, the Subsidiary contributed SR 153 thousand representing 50% of its ownership interest in the equity of the Joint Venture and also advanced a loan of SR 514 thousand repayable by July 15, 2010. Such loan carries no commission charges. The first financial period of the Joint Venture is from the date of its establishment (December 22, 2009) to December 31, 2010.

Also in January 2009, the Subsidiary sold three of its old tankers (see Note 21).

The accompanying consolidated financial statements include the activities of the Company and its subsidiaries, in which the Company owns more than 50% of owners' equity and/or has control over those subsidiaries. The Company established and/or invested in the following subsidiaries and affiliates:

Name	Activity	Location	Date of incorporation	Ownership % 2009	Ownership % 2008
Consolidated Subsidiaries:					
National Shipping Company of Saudi Arabia (America) Inc.	Company's ships agent	USA	1991	100%	100%
Mideast Ship Management Ltd.	Ship management	Dubai	1996	100%	100%
National Chemical Carriers Ltd. Co. (NCC)	Petrochemicals transportation	Riyadh	1990	80%	80%
Non-consolidated affiliates:					
Petredec Ltd.	Liquefied petroleum gas transportation	Bermuda	1980	30,3%	30,3%
Arabian United Float Glass Co.	Glass Manufacturing & Trading	Riyadh	2006	10%	10%

2. SIGNIFICANT ACCOUNTING POLICIES

a) Accounting convention

The accompanying consolidated financial statements are prepared in accordance with the standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and under the historical cost convention, except for the investment in financial instruments and derivative financial instruments at fair value. The Company applies the accrual basis of accounting in recognizing revenues and expenses.

b) Period of financial statements

According to the by-laws of the Company, 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

For the purpose of consolidating accounts, inter-company transactions and balances are eliminated in the consolidation process. Minority interest relating to third parties (other partners in the subsidiaries) is also accounted for in the subsidiaries' net assets and 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 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 event and actions, actual results ultimately may differ from those estimates.

e) Accounting for finance lease

The present value of lease payments for assets sold under finance lease together with unguaranteed residual value at 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.

The Company accounts for the assets acquired under a lease arrangement as a finance lease when the lease transfers to the lessee ("the Company") substantially all the benefits and risks incident to the ownership of leased assets.

f) Cash and cash equivalents

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents represent cash in hand, bank balances, Murabaha and short-term deposits, and investments that can be liquidated to cash and maturing within three months or less from the date of acquisition which is available to the Company and its subsidiaries without any restrictions.

g) Investments

1- Investments in affiliates and others:

Investment in affiliates in which the Company has significant influence, but no control, over the investee's financial and operation policies, or in which the Company owns equity interest ranging between 20% and 50% are accounted for using the equity method. Due to the timing difference between Petredec Ltd. fiscal year and the Company's fiscal year, the Company's share in Petredec Ltd. profits or losses are recognized in the Company's books according to the latest financial statements prepared by Petredec Ltd. The gap period between the latest financial statements prepared by Petredec Ltd. and the date of the Company's consolidated financial statements is two months.

Investments in other companies which are not listed in market and the Company own equity interest of less than 20% is accounted for using the cost method.

2- Investments in government bonds:

Investments in government bonds are held to maturity and are stated at adjusted cost by premium or discount. In case of a permanent decline in value, unrealized losses are charged to the consolidated income statement.

3- Investments in financial instruments:

Investments in financial instruments represent investments in mutual funds units and investment portfolios managed by local banks, which were classified into three categories as follows:

- Investments held to maturity
  Certain investments in financial instruments are classified as held to maturity based on the Company's management intention. These investments are stated at adjusted cost by premium or discount, if any.
- Investments held for trading
  Certain investments in financial instruments are classified as held for trading based on the Company's management intention. These investments are stated at fair value. Unrealized gains or losses are recorded in the consolidated income statement.
- Investments available for sale
  Certain investments are classified as available for sale when the conditions of classification as investments held to maturity or for trading are not met. The available for sale investments are stated at fair value. Unrealized gains or losses are recognized under shareholders' equity, whereas the realized gains or losses from the redemptions of units are recognized in the consolidated income statement in the period in which these units are redeemed. If there is a permanent decline in the value of these investments or an objective evidence for impairment, the unrealized loss is transferred to the consolidated income statement. If the investment available for sale is within 12 months from the ending date of the financial statements, it is reported under current assets otherwise under non-current assets.

h) Inventories

Inventories representing fuel and lubricants on board of the vessels are shown as inventories at the balance sheet date, and its cost is determined using First in First out (FIFO) method which is considered more appropriate to the Company's operations. The differences between the weighted average method and FIFO method are not significant to the consolidated income statement.

i) Intangible assets, net:

1- Deferred charges:

Deferred dry-docking charges 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 charges related to the previous dry-docking of the vessel is amortized in the consolidated income statement in the period that ends at the beginning of the new dry-docking operation.

2- Goodwill:

Goodwill paid on the purchase of investments, representing the excess of the purchase price over the value of purchased net assets, is re-evaluated at the end of each fiscal year and shown in the financial statements at cost after adjustment for any impairment in its value, if any.

j) Fixed assets, net

Fixed assets are recorded at actual cost and are depreciated using the straight line method as follows:

1. RoRo' vessels are depreciated over a period of twenty years, while VLCCs are depreciated over a period of twenty-five years. Used vessels are depreciated based on their estimated remaining useful lives, after taking into consideration 10% of the vessels' cost as residual value. RoRos' equipment are depreciated over a period of fifteen years.

2. Other fixed assets items are depreciated using depreciation rates appropriate to those assets' estimated useful lives which are as follows:

Buildings and improvements	From 5 to 33,3%
Containers and trailers	From 8,33 to 20%
Furniture and fixtures	10%
Tools and office equipment	From 2,5 to 25%
Motor vehicles	From 20 to 25%
Computers equipment	From 15 to 25%
Container yard	From 10 to 25%
Others	From 7 to 15%

k) Impairment of non-current assets

At each balance sheet date, the carrying amounts of non-current assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount, which is the higher of an asset's fair value less cost to sell and value in use, is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.
If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the consolidated income statement immediately.
Where an impairment loss 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 asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated income statement. Impairment losses recognized on intangible assets are not reversible.

l) Employees' end of service benefits provision

Employees' end of service benefits provision is provided for on the basis of accumulated services period in accordance with the By-Laws of the Company and in conformity with the Saudi Labor Law. End of service benefits in respect of subsidiaries outside the Kingdom of Saudi Arabia are provided for based on the applicable regulations applied to these subsidiaries.

m) Revenue recognition

The Company adopted the completed voyage policy to determine the revenues and expenses for the period of the voyages. A voyage is considered to be a "Completed Voyage" when a vessel has sailed from the last discharging port of a voyage. Freight revenues, direct and indirect operating expenses associated with incomplete voyages are deferred until completion of voyage. Incomplete voyages are shown at net amount in the consolidated balance sheet under "Incomplete Voyages".

Revenues from chartering and other associated activities are recorded when services are rendered and are recorded in conformity with contract periods, voyages durations, and agreed upon services. Other income is recorded when earned.

n) Bunker subsidy

Bunker subsidy is computed on bunker quantities purchased and recorded in the consolidated income statement. Provisions are made against any amounts that might not be collectable.

o) Expenses

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

p) Borrowing costs

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

q) Foreign currency transactions

Foreign currency transactions are translated into Saudi riyal at prevailing exchange rates on transaction date. Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Saudi riyal at the prevailing exchange rates on that date. Gains and losses resulting from fluctuation of exchange rates, which were not significant for 2009 and 2008, are recognized in the consolidated income statement.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are converted into Saudi riyal at exchange rates prevailing at the consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies are converted into Saudi riyal at average exchange rates during the period. Also the components of shareholders' equity excluding retained earnings (deficit) are converted applying the exchange rate prevailing at the dates the related items originated.

Exchange differences arising from such conversion, if material, are included in a separate line item under shareholders' equity.

r) Zakat and income taxes matter

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

s) Hedging reserve for loans commission

The Company uses commission rate swaps and caps agreements to hedge its long-term loans against fluctuations in market commission rates. Changes in the fair market value of the commission rate swaps that qualifies for hedge accounting are recorded in the hedging reserve which is included in shareholders' equity; also, the hedging reserve is adjusted based on the periodical valuation of commission rate swaps.

t) Earning per share and proposed dividends

Earning per share from operating income, other operations and net profit is calculated based on the weighted average number of shares outstanding during the year. Dividends proposed after year end are treated as a part of retained earnings and not as liabilities unless the General Assembly's approval was before the end of the year.

u) Trade accounts receivables

Trade accounts receivables are stated at net value after deducting provision for doubtful debts.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2009 represent cash in hand and at banks, Murabaha and short-term deposits, out of which SR 0.43 million (2008: SR 5.84 million) are subject to bank restrictions for letters of guarantee issued for the DZIT and other parties.

It also includes SR 22.55 million as of December 31, 2009 (2008: SR 42.36 million) restricted for repayment of current portion of Murabaha financing and long-term loans maturing within 180 days from the balance sheet date.

It also includes restricted bank balances in Mideast Ship Management Ltd. amounting to SR 0.51 million as of December 31, 2009 (2008: SR 0.48 million), and in National Shipping Company of Saudi Arabia (America) Inc. amounting to SR 0.54 million as of December 31, 2009 (2008: SR 0.54 million).

For the purpose of preparing the statement of cash flows, cash and cash equivalents as of December 31 comprises the following:

	2009	2008
Cash in hand and at banks	78,545	225,545
Amounts restricted by banks	(14,183)	(17,905)
	64,362	207,640
Investment in Murabaha and short-term deposits	707,112	882,847
Amounts restricted by banks	(9,856)	(31,326)
	697,256	851,521
	761,618	**1,059,161**

In Thousands Saudi Riyals

4. INVESTMENTS IN MURABAHA AND SHORT-TERM DEPOSITS

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

	2009	2008
Investments in Murabaha and short-term deposits in Saudi riyals	455,130	437,020
Investments in Murabaha and short-term deposits in USD	246,504	441,740
Investments in Murabaha and short-term deposits in EURO	5,478	4,087
	761,618	**882,847**

In Thousands Saudi Riyals

5. TRADE RECEIVABLES AND OTHER DEBIT BALANCES, NET

Trade receivables and other debit balances, net at December 31 comprise the following:

	2009	2008
Trade receivables	150,987	98,622
Insurance claims	27,894	25,978
Other debit balances	21,787	78,708
	200,668	203,308
Provision for doubtful debts	(18,237)	(21,902)
	182,431	**181,406**

In Thousands Saudi Riyals

Movement in provision for doubtful debts is as follows:

	2009	2008
Balance at beginning of the year	21,902	10,118
Additions	719	12,993
Write-offs	(4,384)	(1,209)
Balance at end of the year	**18,237**	**21,902**

In Thousands Saudi Riyals

6. BAREBOAT LEASE RECEIVABLE, NET

On January 30, 2009, the National Chemical Carriers Ltd. Co. signed agreements with Odfjell to charter three vessels under bareboat arrangement for a period of ten years with purchase option after three years. These ships were delivered to Odfjell on February 1, 2009. The arrangement qualifies as a capital 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, 2009 is summarized as follows:

Description	Amount
Future minimum lease payments	577.873
Un-guaranteed residual value at the end of lease term	247.875
Unearned income	(400.849)
Net bareboat lease receivable balance	**424.899**

In Thousands Saudi Riyals

The above amount is classified at December 31, 2009 as under:

Description	Amount
Current	5.925
Non-current	418.974
Net bareboat lease receivable balance	**424.899**

In Thousands Saudi Riyals

The future minimum lease payments and unguaranteed residual value at the end of lease term to be received during the next five years and thereafter is as follows:

Year ending December 31	Amount
2010	55.434
2011	55.435
2012	55.586
2013	57.313
2014	61.245
Thereafter	540.735
	825.748

In Thousands Saudi Riyals

Income related to the above arrangement for the year ended December 31, 2009 amounted to SR 45.9 million (2008: Nil) and is included in the operating revenue in the accompanying consolidated income statement.

7. ACCRUED BUNKER SUBSIDY, NET

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

	2009	2008
Accrued bunker subsidy	61,719	69,853
Provision for doubtful bunker subsidy	(30,467)	(19,882)
	31,252	**49,971**

In Thousands Saudi Riyals

Net provision made during the year amounted to SR 10.6 million (2008: SR 8.4 million).

8. INVESTMENTS IN AFFILIATES AND OTHER

Summary of the movement in investments in affiliates for the year ended December 31 is as follows:

	2009	2008
Investments balance at the beginning of the year	239,756	233,596
Company's share in affiliates' profit (loss)	84,942	(3,840)
Investment in the Arabian United Float Glass Company	---	10,000
Investment in a Joint Venture (Note 1)	153	---
Dividends received during the year	(25,509)	---
	299,342	**239,756**

In Thousands Saudi Riyals

A - Petredec Ltd.

Petredec Ltd. was incorporated on February 20, 1980 under the laws of Bermuda. It is specialized in Liquefied Petroleum Gas (LPG) trading and shipping. The registered office of the company is located in Bermuda and the company also has offices in Monaco, Singapore and Bahamas. The Company signed an agreement on February 22, 2005 to acquire 30.3% share of the capital of Petredec Ltd. for total amount of SR 187.5 million (equivalent to US$ 50 million). The difference between the net investment value and the value of the net assets acquired was considered as goodwill (Note No. 2-i-2).

Petredec financial year starts on September 01 and ends on August 31 of each Gregorian year. The Company's share in Petredec net profit amounted to SR 84.94 million up to October 31, 2009 (October 31, 2008: SR 3.84 million net loss), which was included in the consolidated income statement.

B - The Arabian United Float Glass Company

The Company signed a contract for establishing the Arabian United Float Glass Company as a founder member. It was established by a ministerial decision No. (1299) dated 11/05/1427H (corresponding to 08/06/2006). An investment of SR 20 million was made for the ownership of fully paid 2,000,000 shares representing 10% of the share capital. Also, an amount of SR 1.2 million was paid until December 31, 2009 representing the Company's share in establishing and developing costs.

9. DEFERRED CHARGES, NET

Deferred charges, net at December 31 comprise the following:

	2009	2008
Total dry-docking cost	182,525	181,404
Accumulated amortization expenses	(131,137)	(66,443)
Dry-docking cost – net	51,388	114,961
Deferred tax benefits	91	70
	51,479	**115,031**

In Thousands Saudi Riyals

Movement in the dry-docking cost is as follows:

	2009	2008
Beginning of the year	114,961	146,196
Additional dry-docking cost	1,121	35,208
Amortization expenses	(64,694)	(66,443)
End of the year	**51,388**	**114,961**

In Thousands Saudi Riyals

10. FIXED ASSETS, NET

Movement in fixed assets during the year 2009 was as follows:

Particulars	Cost				Accumulated Depreciation				Net Book Value		
	Balance at 01.01.2009	Additions during the year	Disposals	Balance at 31.12.2009	Balance at 01.01.2009	Charged for the year	Disposals	Balance at 31.12.2009	31.12.2009	31/12/2008	Depreciation Rate %
Land	13,593	---	---	13,593	---	---	---	---	13,593	13,593	---
Buildings and improvements	4,878	37	---	4,915	(3,046)	(236)	---	(3,282)	1,633	1,832	5 - 33,3%
Fleet and equipment *	8,436,306	1,880,582	(1,167,950)	9,148,938	(2,837,253)	(289,318)	681,397	(2,445,174)	6,703,764	5,599,053	4 - 15%
Containers and trailers	56,558	---	(1,221)	55,337	(47,043)	(3,985)	1,120	(49,908)	5,429	9,515	8,33 - 20%
Furniture and fixtures	5,169	331	(9)	5,491	(4,454)	(218)	7	(4,665)	826	715	10%
Tools and office equipment	4,190	212	(62)	4,340	(3,681)	(154)	---	(3,835)	505	509	2,5 - 25%
Motor vehicles	1,348	194	---	1,542	(973)	(244)	---	(1,217)	325	375	20 - 25%
Computers equipment	41,144	517	(762)	40,899	(36,994)	(1,714)	161	(38,547)	2,352	4,150	15 - 25%
Container yard	10,734	861	---	11,595	(10,173)	(191)	---	(10,364)	1,231	561	10 - 25%
Others	1,483	45	---	1,528	(410)	(10)	---	(420)	1,108	1,073	7 - 15%
Total	**8,575,403**	**1,882,779**	**(1,170,004)**	**9,288,178**	**(2,944,027)**	**(296,070)**	**682,685**	**(2,557,412)**	**6,730,766**	**5,631,376**	

In Thousands Saudi Riyals

* Fleet and equipment above includes VLCCs and petrochemical carriers financed by bank financing and mortgaged in favor of lending banks as mentioned in Note 13.

11. SHIPS UNDER CONSTRUCTION AND OTHERS

The Company signed during October 2006 two contracts with Hyundai Samho Heavy Industries Company Ltd. to construct six VLCCs with a total cost of SR 2.7 billion (USD 719.8 million). The Company received all VLCCs of which two VLCCs were received in 2008 and remaining four VLCCs, “Kahla”, “Dorra”, “Ghazal” & “Sahba” were received in 2009 on March 12, 2009, May 06, 2009, July 3, 2009 and September 25, 2009, respectively, and deployed in the spot market on April 24, 2009, June 4, 2009, August 2, 2009 and October 6, 2009, respectively, and were transferred from the ships under construction to fixed assets during 2009.

The National Chemical Carriers Ltd Co., “Subsidiary”, signed contract with SLS Shipbuilding Co. Ltd, South Korea to build 10 petrochemical carriers and another contract during the year 2007 to build six additional petrochemical carriers with a total cost of SR 3.01 billion (USD 802 million) of which SR 1.32 billion has been incurred as of December 31, 2009. These tankers are scheduled to be delivered during 2010 through 2012.

Also, the National Chemical Carriers Ltd Co. received two new chemical tankers in the first half of 2008 which were deployed for chemical transportation. These tankers were part of above contracts.

The following table presents cost incurred towards ships under construction and others as of December 31:

	2009	2008
The Company	9,020	1,008,269
Mideast Ship Management Ltd.	28,863	27,534
The National Chemical Carriers Ltd Co.	1,393,815	1,069,334
	1,431,698	**2,105,137**

In Thousands Saudi Riyals

The movement in ships under construction and others is as follows:

	2009	2008
Balance, beginning of the year	2,105,137	1,262,087
Additions	1,185,974	2,078,126
Transfers to fixed assets	(1,859,413)	(1,235,076)
Balance, end of the year	**1,431,698**	**2,105,137**

In Thousands Saudi Riyals

The balance of ships under construction and others includes SR 1.66 million as of December 31, 2009 (2008: SR 1.66 million) which represents amounts incurred for the construction of the Company’s new building.

The Company received all VLCCs under construction and there are no capital commitments to shipyards related to VLCCs as of December 31, 2009 (2008: SR 0.81 billion). The National Chemical Carriers Ltd Co. capital commitments for constructing chemical tankers amounted to SR 1.68 billion as of December 31, 2009 (2008: SR 1.98 billion). Capital commitments related to a new office in Dubai for Mideast Ship Management Ltd. amounted to SR 4.48 million as of December 31, 2009 (2008: SR 4.48 million). The capitalized portion of financial charges related to financing granted for the construction of carriers and new office in Dubai during the year 2009 amounted to SR 23.13 million (2008: SR 57.8 million).

12. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

Accounts payable and other credit balances at December 31 comprise the following:

	2009	2008
Trade payables	22,567	37,153
Accrued operating expenses	113,582	173,031
Accrued insurance expenses	23,874	23,270
Accrued finance charges	12,435	25,295
Other credit balances	41,996	45,030
	214,454	**303,779**

In Thousands Saudi Riyals

13. MURABAHA FINANCING AND LONG-TERM LOANS

The Company and its subsidiaries have entered into various Murabaha financing and long-term loans agreements totaling to approximately SR 6.13 billion principally to finance building of new VLCCs, petrochemical carriers and new office in Dubai. The balance of these financing as at December 31 comprises the following:

	2009	2008
Financing to the Company	2,482,388	1,864,714
Financing to the subsidiaries	2,280,585	2,070,589
Total Murabaha financing and long-term loans	**4,762,973**	**3,935,303**
Current portion of Murabaha financing and long-term loans	(246,793)	(225,362)
Non-current portion of Murabaha financing and long-term loans	**4,516,180**	**3,709,941**

In Thousands Saudi Riyals

Break down of Murabaha financing and long-term loans are listed below at December 31:

2009

Financing	Parent Co.	%	Subsidiaries	%	Total	%
Murabaha Finance	1,001,241	40%	1,844,835	81%	2,846,076	60%
Commercial Loans	257,897	10%	---	---	257,897	5%
Public Investment Fund "Murabaha Finance"	1,050,000	43%	---	---	1,050,000	22%
Conventional Loans from Public Investment Fund	173,250	7%	435,750	19%	609,000	13%
Total	**2,482,388**	**100%**	**2,280,585**	**100%**	**4,762,973**	**100%**

In Thousands Saudi Riyals

2008

Financing	Parent Co,	%	Subsidiaries	%	Total	%
Murabaha Finance	1,359,167	73%	1,634,839	79%	2,994,006	76%
Commercial Loans	294,797	16%	---	---	294,797	8%
Conventional Loans from Public Investment Fund	210,750	11%	435,750	21%	646,500	16%
Total	**1,864,714**	**100%**	**2,070,589**	**100%**	**3,935,303**	**100%**

In Thousands Saudi Riyals

The cost of financing is calculated as per the respective financing agreements. The aggregate maturities of the outstanding Murabaha financing and long-term loans at December 31, 2009, are as follows:

	Amount
2010	246,793
2011	427,540
2012	577,546
2013	529,586
2014	526,740
Thereafter	2,454,768
	4,762,973

In Thousands Saudi Riyals

The Murabaha financing and long-term loans agreements contain covenants related to liquidity, indebtedness and other conditions. Moreover, the financed carriers and vessels are mortgaged in favor of the lending banks.

The total Murabaha financing and long-term loans facilities of the Company and its subsidiaries amounted to SR 6.13 billion out of which SR 1.37 billion remained unutilized at December 31, 2009 relating to NCC.

Total financing charges on Murabaha financing and long-term loans amounted to SR 100.8 million for the year 2009 (2008: SR 163.64 million), out of which SR 48.31 million related to the subsidiary (NCC) (2008: SR 90.41 million) and SR 1.33 million related to the subsidiary, Mideast Ship Management Ltd., (2008: SR 1.4 million). Financing charges related to financing of VLCCs, petrochemical carriers and new office for a sum of SR 23.13 million (2008: SR 57.8 million) were capitalized, see Note 11.

14. ZAKAT AND INCOME TAX

The Company's zakat and tax status

The Company finalized its zakat and tax status with the DZIT up to 2000. The Company submitted the zakat returns for all fiscal years from 2001 up to 2008 and paid the zakat due according to these returns. The Company has not received zakat assessments from the DZIT for these years. The Company also has not received the final tax assessments for the years 2001 up to the end of July 2004 the date of enforcement of the new tax law. Since the enforcement of the new tax law, the Company pays regularly the withholding tax on payments to non-resident parties. The Company believes that adequate provision is maintained at December 31 2009 for any potential zakat and tax claims by DZIT for the concerned years.

The Company had appealed zakat assessments issued by DZIT for the years 1989 up to 2000 and the tax assessments for the years 1996 up to 2000. Higher Appeal Committee issued decisions number (924,925,926,927,928) in the year 1430H and the Company received the final amended assessments issued by DZIT in accordance with the said decisions. The Company had previously established provision against these appeals in the amount of SR 50.5 million, whereas the final amended assessments by the DZIT amounted to only SR 38.5 million which was paid in full and resulted in excess provision of SR 12 million which was written-back to other income during 2009.

Zakat and Tax status for the subsidiary (NCC)

NCC submitted the zakat returns for all fiscal years up to 2007 and paid the zakat due according to these returns. NCC received additional zakat and withholding tax assessments for the years 1991 to 2004 amounting to SR 59 million. NCC filed appeals against some items in these assessments and their treatments. The appeals are still pending with DZIT as of the date of these consolidated financial statements. NCC is of the opinion that adequate provision for zakat and withholding tax is maintained as of December 31, 2009.

Zakat returns are prepared separately for the Company and NCC.

Provision for zakat and tax

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

	2009	2008
Balance at beginning of the year	187,086	152,951
Amounts paid during the year	(90,840)	(20,336)
Reversal of excess zakat and withholding tax provision	(12,050)	---
Provisions:		
Zakat	32,627	40,211
Withholding tax	3,550	14,260
Income tax (benefit)	(1,587)	---
Total zakat and tax provision	**118,786**	**187,086**
Tax obligation – non current	---	(4,000)
Provision for zakat and tax	**118,786**	**183,086**

In Thousands Saudi Riyals

15. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company is required to transfer 10% of the net income to the statutory reserve until such reserve equals 50% of the paid-up capital. This reserve is not currently available for distribution to shareholders.

The Board of Directors of the Company in its meeting held on January 18, 2010, approved to transfer the share premium reserve to the statutory reserve in accordance with Article (98) of the Saudi Arabian Regulations for Companies.

16. HEDGING RESERVE FOR LOANS COMMISSION

The Company uses the commission rates swaps and caps to avoid fluctuations in commission rates on the long-term loans. The change in the market value of the commission rate swaps are recorded in the hedging reserve which is included in the shareholders' equity.

17. SEGMENT INFORMATION

A) The following schedule illustrates the distribution of the Company's and subsidiaries' activities according to the operational segments as of December 31:

2009

	Operating revenue	Operating expenses	Gross operating income
Crude Oil Transportation	1,040,228	(771,456)	268,772
Petrochemical Transportation	304,706	(152,892)	151,814
General Cargo Transportation (Liner)	327,082	(375,197)	(48,115)
	1,672,016	**(1,299,545)**	**372,471**

In Thousands Saudi Riyals

2008

	Operating revenue	Operating expenses	Gross operating income
Crude Oil Transportation	1,352,448	(666,829)	685,619
Petrochemical Transportation	618,937	(502,843)	116,094
General Cargo Transportation (Liner)	623,145	(464,210)	158,935
	2,594,530	**(1,633,882)**	**960,648**

In Thousands Saudi Riyals

B) The following schedule illustrates the distribution of the Company's and subsidiaries' assets and liabilities according to the operational segments as of December 31 :

2009

	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Shared Assets and Liabilities *	Total
Assets	5,747,711	3,309,741	213,641	1,067,491	**10,338,584**
Liabilities	2,597,619	2,358,664	63,126	141,536	**5,160,945**

In Thousands Saudi Riyals

2008

	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Shared Assets and Liabilities *	Total
Assets	5,032,373	3,072,196	292,065	1,422,792	**9,819,426**
Liabilities	1,995,025	2,256,403	99,804	214,323	**4,565,555**

In Thousands Saudi Riyals

* Shared assets and liabilities represent amounts which can not be determined for a specific segment such as cash, deposits, government bonds, unclaimed dividends, etc.

18. OPERATING EXPENSES

Operating expenses for the year ended December 31 comprise the following:

	2009	2008
Bunker consumption	395,986	539,592
Vessel related expenses	310,012	414,437
Cargo related expenses	123,397	172,407
Voyage related expenses	115,388	170,061
Depreciation and amortization	344,525	324,562
Others	10,237	12,823
	1,299,545	**1,633,882**

In Thousands Saudi Riyals

19. OPERATING EXPENSES REDUCTION

a) NCC reached an agreement on certain amendments to charter party agreements with a charterer with retrospective application. This resulted in a reduction of operating expenses. Total reduction in operating expenses was determined at SR 14.71 million for the period from January 1, 2008 to December 31, 2008 and SR 16.43 million for the period January 1, 2009 to December 31, 2009. These amounts related to 2008 and 2009 were reversed against the operating expenses for the year ended December 31, 2009.

b) NCC provided a provision for contingent liability in 2007 and 2008 for SR 13.5 million and SR 17.0 million, respectively, related to potential Time Charter Hire Performance claims. During 2009 total claim amount for the years 2006 through 2008 was mutually agreed with the charterer for SR 2.3 million resulting in excess provision of SR 28.2 million which was credited against operating expenses during the year ended December 31, 2009.

20. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2009	2008
Employees' costs	73,525	82,042
Other general and administrative expenses	15,651	19,335
Depreciation	1,948	1,298
Boards of Directors expenses for the Company and its subsidiaries	3,896	3,043
	95,020	**105,718**

In Thousands Saudi Riyals

21. OTHER INCOME (EXPENSE), NET

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

	2009	2008
Income from Murabaha and short-term deposits	10,552	27,976
Income (losses) from investments, net*	6,912	(32,629)
Bank commissions and amortization of government bonds' premium	22	902
Gains on sale of fixed assets	30,489	70
Reversal of excess zakat and withholding tax provision (Note 14)	12,050	---
Foreign currency exchange differences	997	(1,850)
Others	1,976	1,239
	62,998	**(4,292)**

In Thousands Saudi Riyals

* In 2008 losses from investments available for sale include SR 43 million representing an impairment loss in the value of the investment portfolio.

22. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share was calculated based on the number of shares outstanding during the years ended December 31, 2009 and 2008 totaling to 315 million shares.

The Board of Directors, in its meeting held on 01/12/1429H (November 29, 2008), proposed to the General Assembly for the approval of dividends at rate of 15% of capital equal to SR 1.5 per share for 2008.

The General Assembly approved the dividends on March 30, 2009 and the distribution was completed on April 14, 2009. The balance of unclaimed dividends as of December 31, 2009 amounted to SR 29.19 million.

The earning per share from non-operating income is SR 0.29 for 2009 (2008: loss per share of SR 0.33).

23. CONSOLIDATION OF SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and its subsidiaries, after eliminating all intercompany balances. Following is a summary of the financial position and results of operations of these subsidiaries as of and for the year ended December 31:

2009

NAME	Total assets	Total liabilities	Gross operating income	Net (loss) profit
NSCSA (America) Inc.	16,465	(7,665)	15,712	(2,402)
Mideast Ship Management Ltd.	50,626	(34,578)	37,086	4,716
National Chemical Carriers Ltd Co.	3,309,582	(2,358,988)	151,814	135,221

In Thousands Saudi Riyals

2008

NAME	Total assets	Total liabilities	Gross operating income	Net (loss) profit
NSCSA (America) Inc.	20,811	(9,609)	29,066	3,625
Mideast Ship Management Ltd.	50,992	(39,658)	22,542	(7,976)
National Chemical Carriers Ltd Co,	3,071,264	(2,255,890)	116,094	46,927

In Thousands Saudi Riyals

24. COMMITMENTS AND CONTINGENCIES

The Company has issued letters of guarantee of SR 6.58 million which include guarantee of SR 4 million in favor of the DZIT related to zakat, withholding taxes and penalties imposed by the Appeals Committee as explained in Note 14. These guarantees were issued against restricted cash, Murabaha, and short-term deposits of SR 0.43 million.

The Company has also certain outstanding legal proceedings that have arisen in the normal course of business. Although, the outcome of these litigations has not yet been determined, management does not expect that these cases will have a material adverse effect on the Company's result of operations or its financial position. Also see Note 14 for zakat contingencies.

In addition, refer to Note 11 in relation to future capital commitments to build chemical carriers and office building.

25. RECLASSIFICATION

Certain amounts previously reported in 2008 consolidated financial statements have been reclassified to conform to current year presentation, which principally relate to capital work in progress for buildings and improvements reclassified from fixed assets to "ships under construction and others" amounting to SR 27.5 million.

26. SUBSEQUENT EVENTS

The Board of Directors of the Company in its meeting held on January 18, 2010, proposed to the General Assembly for the approval of dividends amounting to SR 315 million for the financial year ended December 31, 2009 at one Saudi riyal per share, to be distributed to shareholders who are registered in Tadawul at the end of trading on the day of General Assembly. The date of General Assembly session will be announced later.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Financial asset and liability is offset and net amounts reported in the financial statements, when the Company 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 summarized below.

Credit risk

Credit risk is the risk that counterparties do not meet their obligations, so the other party incurs a financial loss. At the balance sheet date, there was no significant concentration of credit risk. The Company and its subsidiaries maintains its cash with high credit rated banks. Receivables are carried net of provision for doubtful debts.

Commission rate exposure

This relates to the Company's and subsidiaries' exposure to the risk of fluctuations in commission rates in the market and the potential impact on the consolidated financial position of the Company and its cash flows. The Company's and subsidiaries' commission rate risk arises mainly from its short-term deposits and borrowings. The Company is using commission rate swaps to fix the commission rates and uses commission rate caps to hedge the risk of increase in commission rate for its long-term loans. The Company monitors the commission rate changes and believes that expected commission rate changes on the Company after considering its hedges is not significant.

Currency risk

This relates to the risk of change in the value of financial instruments due to change in foreign currency rates. The Company's and subsidiaries' transactions are mainly in Saudi riyals, UAE Dirhams and US dollars. Management monitors the currency rate changes and believes that the impact of currency rate changes is not significant.

Price risk

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 Company diversifies its portfolio.

Liquidity risk

This represents risks that the Company, including subsidiaries, will be unable to meet its funding requirements related to financial instruments. The liquidity risk arises if the entity cannot sell its financial assets quickly with an amount near to its fair value. Liquidity risk is managed by systematic monitoring to ensure availability of funds to meet any future liabilities as they become due.

Fair Value

Fair value is the amount used to exchange assets or to settle liabilities between parties having the knowledge and desire to do so on an arms-length basis. As the consolidated financial instruments of the Company are compiled based on historical cost convention, except for the investments in financial instruments, differences might occur between book value and estimates of fair values. The management believes that the fair value of financial assets and liabilities does not materially differ from its book value.

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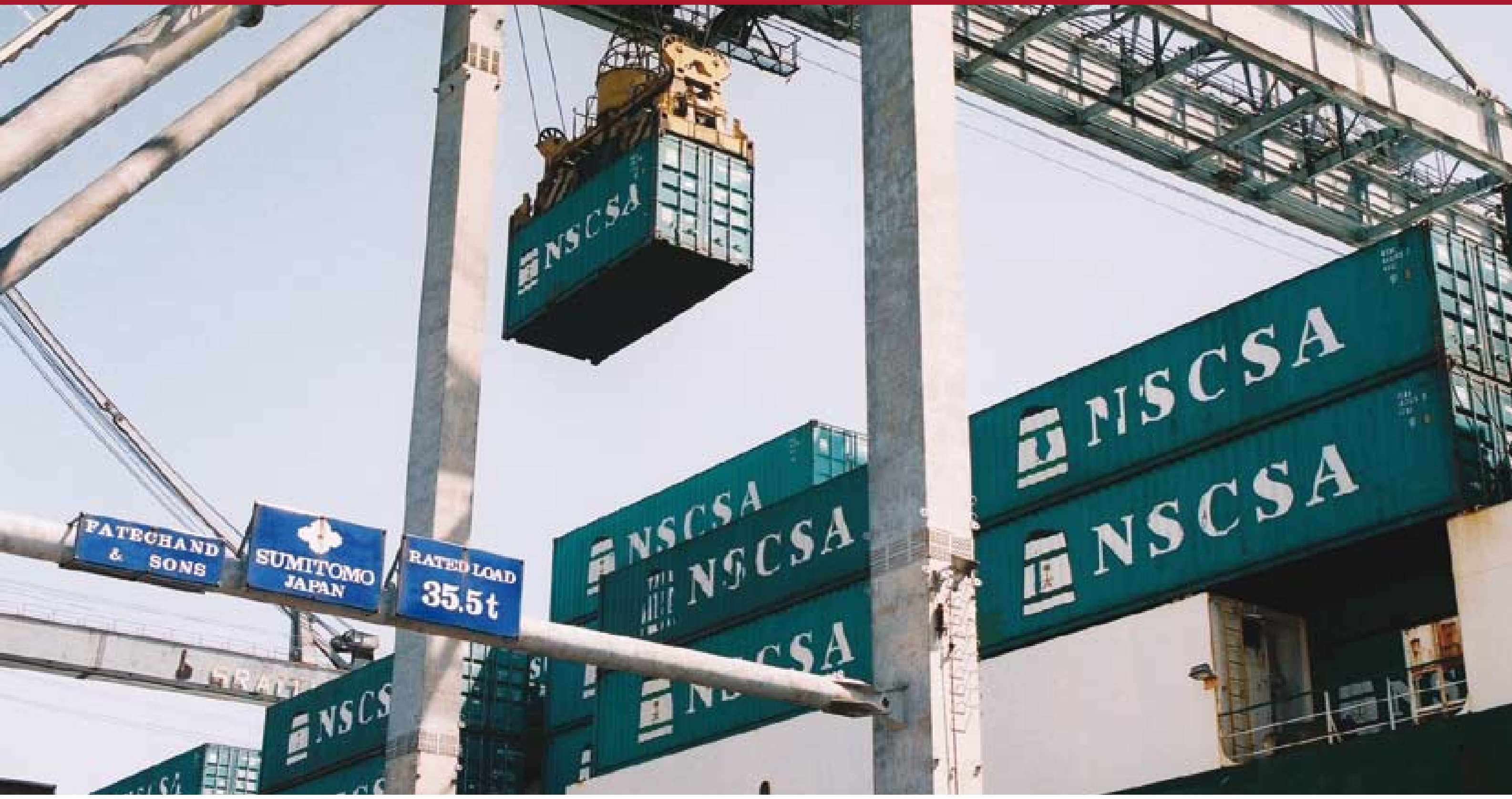
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& SONS
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