The National Shipping Company of Saudi Arabia

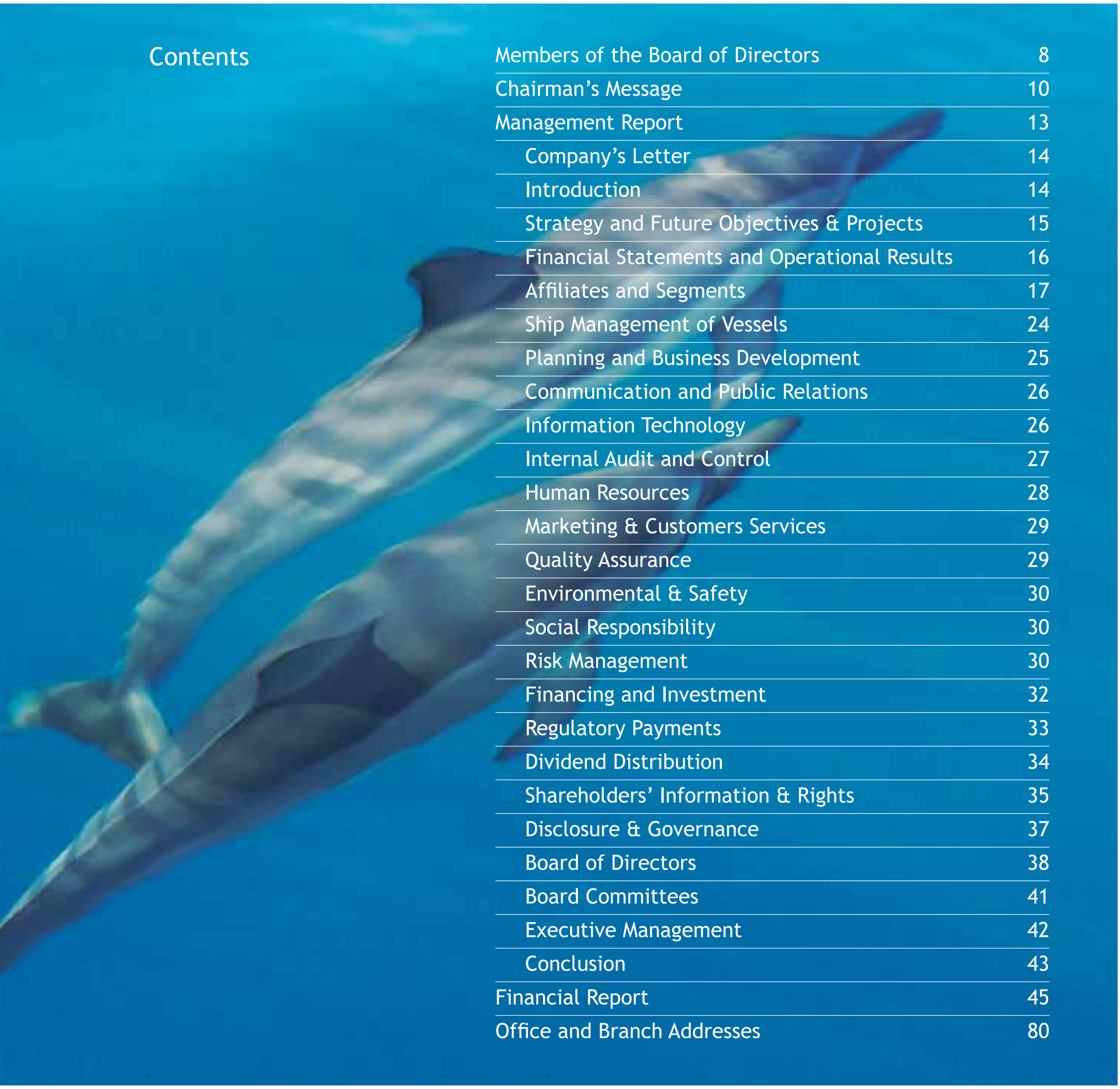
Annual Report 2010

Accuracy in performance!

The National Shipping Company of Saudi Arabia

Annual Report 2010

Proactive!...



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Inspired by nature!

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-Chairman's Message

Members of the Board of Directors

2008 - 2010

Abdullah Sulaiman Al-Rubaian
Board Chairman

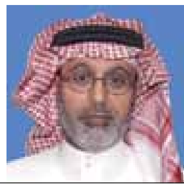
Mohammed Abdulaziz AlSarhan
Board Vice-chairman

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

Members of the Board of Directors

2011 - 2013

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

Ghassan Abdulrahman Al-Shibl

Abdullah Ali Al-Ajaji

Chairman’s Message

Dear Shareholders
On behalf of my Board Members for the session colleagues (2008-2010), and I, I am delighted to submit the annual report and the results of the fiscal year 2010, together with programs and projects executed and the consolidated financial statements for the year ended 31/12/2010. Also submitted, NSCSA’s financial position, where the net profit achieved in the year 2010 was approximately SAR (415) million despite of global financial difficulties.
The company under the guidance of previous term Board of Directors completed many important programs and projects that are in the interest of the company and helped to develop and grow. The most important accomplishments during the past three years are but not limited to the following:

- NSCSA adopted and implemented a strategic plan including the review of its strategy, current activities, and opportunities in the shipping markets due to the global changes in the transportation sector in general as well as the shipping industry in particular.

- Adoption of the Corporate Governance Regulation that aims to assist the Board of Directors and Executive Management and improve the efficient operation of the Board and its committees in order to ensure compliance with the best governance practices that ensure the rights of shareholders and stakeholders’ rights.

- Established a joint venture company for transporting Dry Bulk cargo between The National Shipping Company of Saudi Arabia (NSCSA) and the Arabian Agricultural Services Company (ARASCO) having (60%) & (40%) ownership respectively.

- Established a joint venture company between the National Chemical Carriers (NCC) and the Norwegian company (Odfjell) in Dubai to commercially operate the fleet of both companies with tanker size of (40,000) dwt. The fleet operates in a pool employed in chemical trades, vegetable oil and refined petroleum products around the world focusing on the Arabian Gulf as the most important area in the production and export of petrochemicals.

- Cancellation of (7) new building chemical tankers’ contracts signed between the National Chemicals Carriers company and (SLS) Shipbuilding Ltd. in the year 2006. It was mutually agreed due to the delay by the shipbuilding company in delivering the tankers within the agreed time.

Accordingly, the National Chemicals Carriers recovered the amount of SAR 701.6 million, including all the installments paid by the company to (SLS) for the contracts cancelled until 31 December 2010. This amounted to SAR 641.3 million and all other expenses incurred which amounted to SAR 45.2 million; resulting a net compensation of SAR 15.1 million.

- The National Chemicals Carriers signed a contract on 21 December, 2010 with (SLS) to purchase (2) of the cancelled tankers for an amount of SAR 322.5 million and an expected delivery during the first half of 2011. Considering that the company had contracted to build these tankers but due to delay in delivery they were cancelled; thus the company saved SAR 45 million, which is the difference between the amount of the original contract value and the value of the repurchase.

- Reorganizing the administrative structure of certain business sectors of the company.
- Amendment of some terms under the time charter agreements for chemical tankers with some customer(s) to benefit the company.
- Approved new building of a special petrochemical tanker with a capacity of (75,000) dwt.
- Complete the inspection and operational phase of the Enterprise Resources Planning (ERP) system in the company adopted by the Human Resources Management & Corporate Administration and the Finance Division.
- Settlement of the company issues with the Department of Zakat until the end of the year 2000, as well as finished payment of installments of tax interest claim for the period from 1982 to 1995. The final installment was paid at the end of June 2010, further more the status of the National Chemicals Carriers with zakat for the period from 1991 to 2004.
- In the year 2010, NSCSA obtained International Quality Certificate "ISO 9001:2008".
- NSCSA won first prize for the transparency award which was organized by the (BMG) Financial Group as the most transparent company in Saudi Arabia during 2010.

In conclusion, I would like to extend my gratitude to the Government of the Custodian of the Two Holy Mosques, represented by the Public Investment Fund for their continued support to the company and also extend my appreciation to the previous members of the Board of Directors for their sustained efforts during the previous session (2008-2010). I would also like to welcome my fellow Board Members for the current session (2011-2013) and wish to all the best of success and guidance in their endeavors.

I also extend my appreciation to the owners and customers of NSCSA for their support to the company, as well as all the employees for their commendable efforts in the implementation of the directives and decisions of the Board and the Management for the benefit of the company and its shareholders.

Abdullah Sulaiman Al Rubaian
Chairman of the Board

Cooperation for Integration!

Accept the challenge!

Management Report

Company’s Letter

NSCSA manages a portfolio of diversified marine assets for the purpose of creating long term shareholder value. NSCSA accomplishes this purpose by:

- Actively managing the commercial and technical operations of the marine business it is invested in.
- Strategically investing and divesting in marine sectors according to past performance and future outlook.
- Achieving the highest standards and maintaining transparency in the work.
- Participation in the national economic development.
- Achieving the best returns to shareholders.

Introduction

The National Shipping Company of Saudi Arabia was formed in 1979 as a Saudi Joint Stock Company by the Royal Decree No. M/5 dated 12/02/1398H (22/01/1978) to be the national carrier and a leading shipping company in the region. The Government of the Custodian of the Two Holy Mosques through the Public Investment Fund has a share of 28% of NSCSA’s capital.
NSCSA started its operations in the General Cargo sector in the year 1983. In 1985, as a part of strategic planning to diversify the sources, NSCSA entered into the transporting of petrochemical products. In 1995, NSCSA entered into the crude oil transportation, and also purchased a share in Petredec Co. Ltd. for the transportation of LPG.
Establishing this national entity aims to have a role in developing the country’s economy. Shipping acts as the main method for the Kingdom’s trade with the world and NSCSA provides a realiable shipping transportation to the Kingdom. NSCSA services cover multiple markets around the world in various sectors of the marine transportation through its branch offices and a network of agents. NSCSA has also established subsidiary and joint venture companies to expand its investments to ensure continues high profits each year.
NSCSA also works to provide high quality services to meet their customer’s requirements, in addition to creating employment opportunities for the qualified Saudi cadets and participating in building the national economy.
Since its inception, NSCSA committed itself to complete transparency in its dealings in all its activities and the disclosure of the financial results as well as factual information. NSCSA adopts all safety standards in its operations to preserve the environment and is committed to its social responsibility. Furthermore, NSCSA won the first prize for the (BMG) transparency award for the year 2010.
Through implementing the successive strategic plans, NSCSA continues to grow and focus on the mission and stated objectives by utilizing its resources in order to achieve the best returns for the owners and shareholders.

Strategy, Future Objectives & Projects

NSCSA has adopted a well-established and consistent strategy for growth and expansion in the Chemical and Dry Bulk sectors. This allowed the strengthening of core business and expansion into various other shipping activities.

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 in the global markets, which includes the expansion of its VLCC fleet over the past three years in which the vessels are now in operation. 16 new chemical carriers have also been ordered which are expect to be delivered by 2010-2011. In 2010, (7) tankers' contracts were cancelled due to the delay of delivery by the ship builders. NSCSA recovered a compensation amounting to SAR 15.1 million. NSCSA repurchased the first (2) tankers that were cancelled, which saved a total amount of SAR 45 million compared to the orginal purchase price which will be delivered in the first half of 2011. The remaining tankers are expected to be delivered during 2011- 2013.

NSCSA continued to make good progress in line with the strategy. The rationale is to broaden the scope of the business which has several diverse routes consisting of fleet growth, operational expansion,and administrative restructuring.

New Projects Implemented:

- National Chemical Carrier / Odfjell LTD "NCC Odfjell Chemical Tankers JLT" (NOCT), which is located in Dubai UAE. It has commenced commercial operations in January 2010 with a pooled fleet of 15 (45,000 DWT IMO2) chemical tankers.
- On July 4, 2010, National Chemical Carrier (NCC) signed a contract with Daewoo Shipbuilding and Marine Engineering Co. Ltd. (DSME) to build a specialized chemical tanker carrying a capacity of 75,000 DWT. It is expect to be delivered during the year 2013.
- On August 28, 2010, NSCSA signed an agreement with Arabian Agricultural Services Company "ARASCO" to establish a joint venture company to transport dry-bulk cargo which was named "Bahri Dry Bulk".

Financial Statements & Operational Results

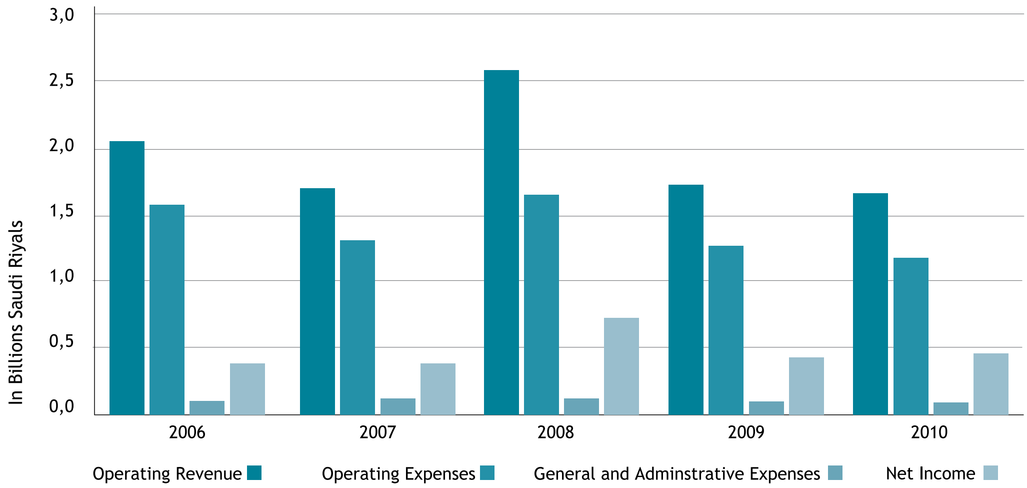
In 2010, NSCSA achieved a net profit of SAR 414.88 million compared to SAR 369.3 million in 2009. The total profit from operations during 2010 is SAR 344.08 million compared to SAR 277.45 million during 2009 with an increase of 24% which was due to the improvement in average time charter equivalent (TCE) rates in the Very Large Crude Carrier (VLCC) spot market and due to the cancellation of the contracts to build seven chemical tankers through its subsidiary company National Chemical Carriers Ltd. Co. (80% owned) recovering a total compensation of SAR 15.1 million.

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

Financial Results for the Past Five Years (In Thousands Saudi Riyals)

Year	2010	2009	2008	2007	2006
Operating Revenue	2,049,830	1,672,016	2,594,530	1,703,294	1,651,281
Operating Expenses	(1,601,945)	(1,299,545)	(1,633,882)	(1,251,958)	(1,161,006)
Operating Income	447,885	372,471	960,648	451,336	490,275
General and Administrative	(103,801)	(95,020)	(105,718)	(87,301)	(81,344)
Other Income (Expenses), Net	107,159	126,439	(50,491)	76,960	51,870
Zakat & Tax	(36,365)	(34,590)	(54,471)	(18,419)	(19,305)
Net profit	414,878	369,300	749,968	422,576	441,496
Earning Per Share (SAR)	1.32	1.17	2.38	1.48	1.96

Diagram of Financial Statements & Operational Results for the Past Five Years



Statement of Assets and Liabilities for the Past Five Years
(In Thousands Saudi Riyals)

Caption	2010	2009	2008	2007	2006
Current Assets	1,578,464	1,226,805	1,579,185	1,400,642	558,011
Current Liabilities	736,030	609,791	817,726	717,011	1,472,536
Operating Capital	842,434	617,014	761,459	683,631	(914,525)
Other Long Term Assets	1,977,930	2,381,013	2,581,331	1,761,709	1,788,351
Fixed Assets	6,409,885	6,730,766	5,658,910	4,634,435	3,650,744
Total Assets	**9,966,279**	**10,338,584**	**9,819,426**	**7,796,786**	**5,997,106**
Current Liabilities	736,030	609,791	817,726	717,011	1,472,536
Long Term Loans	3,818,540	4,516,180	3,709,941	2,229,291	1,336,078
Other Liabilities	33,326	34,974	37,888	37,002	34,612
Total Liabilities	**4,587,896**	**5,160,945**	**4,565,555**	**2,983,304**	**2,843,226**
Paid up Capital	3,150,000	3,150,000	3,150,000	3,150,000	2,250,000
Reserves & Retained Earnings	1,939,691	1,837,520	1,940,796	1,509,793	754,619
Minority Interests	288,692	190,119	163,075	153,689	149,261
Equities	5,378,383	5,177,639	5,253,871	4,813,482	3,153,880
Total Liabilities & Equities	**9,966,279**	**10,338,584**	**9,819,426**	**7,796,786**	**5,997,106**

Affiliates and Segments

NSCSA owns or participates in a group of companies both within and outside the Kingdom of Saudi Arabia, as shown in the table below:

Company's Name	Activity	Head Office Location	Geographical Scope of Activity	Date of Incorporation	Ownership (%) 2010
NSCSA (America) Inc.	NSCSA ships agent	USA	Global	1991	100%
Mideast Ship Management Ltd.	Technical Ship Management	Dubai	Global	1996	100%
National Chemical Carriers Ltd. Co.	Petrochemicals Transportation	Riyadh	Global	1990	80%
Bahri Dry Bulk	Dry bulk transportation	Riyadh	Global	2010	60%
Petredec Co. Ltd.	LPG transportation and Trading	Bermuda	Global	1980	30.3%
Arabian United Float Glass Company	Glass Manufacturing & Trading	Riyadh	Domestic	2006	10%

Summary of Financial Results of Affiliates for the Fiscal year 2010

(In Thousands Saudi Riyals)

Company's Name	Operating Revenue	Operating Expenses	General & Administrative Expenses	Other income (Expenses)	Net profit (Loss)	Percentage contribution in Company's Net Profit
NSCSA (America) Inc.*	23,651	(6,696)	(19,426)	915	(1,556)	(0.4%)
Mideast Ship Management Ltd. *	34,658	---	(34,124)	(266)	268	(0.1%)
National Chemical Carriers Ltd. Co.	266,744	(153,855)	(6,765)	(13,256)	92,868	(22.4%)

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

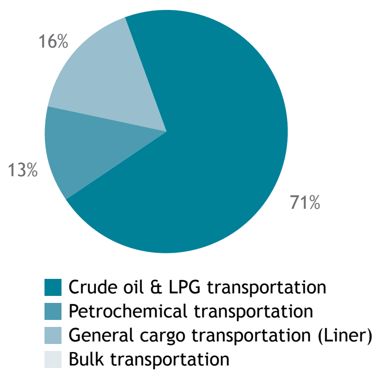
NSCSA operates an independent strategy for the oil & gas sectors, chemical transportation, general cargo and the dry bulk sector. The chemical and dry bulk sectors operate through a limited liability subsidiary companies National Chemical Carrier (NCC) and Bahri Dry Bulk respectively. Given that they consist of strategic partners.

Revenues of the Company's Main Segments for the Fiscal Year 2010

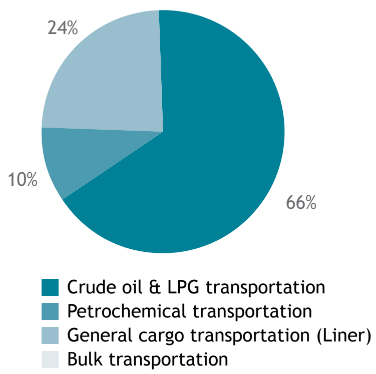
(In Thousands Saudi Riyals)

Segment	Operating Revenue	Operating expenses	Operating Income	% Total
Crude Oil & LPG Transportation	1,445,532	(1,070,421)	375,111	84%
Petrochemical Transportation	266,744	(153,855)	112,889	25%
General Cargo Transportation (liner)	337,554	(377,669)	(40,115)	(9%)
Bulk Transportation	---	---	---	---
Total	**2,049,830**	**(1,601,945)**	**447,885**	**100%**

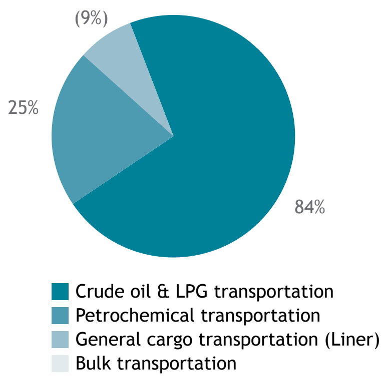
Operating Revenue



Operating Expenses



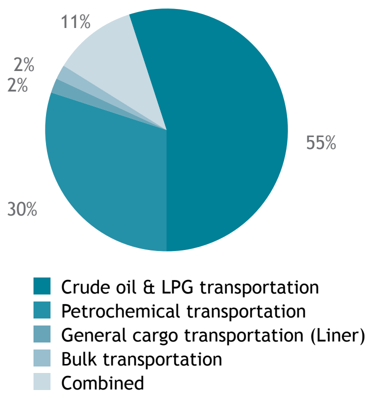
Gross Operating Income



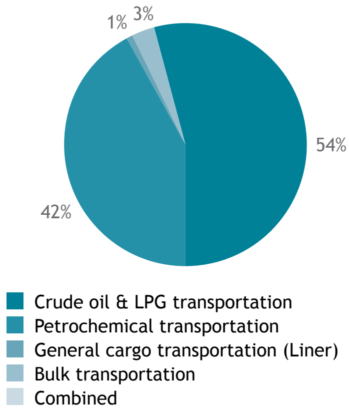
Asset and liability distributions over the company's segments as of 31st December 2010 (In Thousands Saudi Riyals)

	Crude Oil & LPG Transportation	Petrochemicals Transportation	General Cargo Transportation	Bulk Transportation	Combined	Total
Assets	5,519,163	2,961,285	207,488	200,000	1,078,343	9,966,279
Percentage	55%	30%	2%	2%	11%	100%
Liabilities	2,460,319	1,917,823	61,724	---	148,030	4,587,896
Percentage	54%	42%	1%	---	3%	100%

Assets



Liabilities



Crude Oil & LPG Transportation Sector:
The Oil & Gas sector is responsible for operating a fleet of 17 VLCCs (Very Large Crude Carriers) in the Spot & Time charter markets. The risk management strategy is to balance employment between the fixed and the variable income which should not be less than 35% of the fleet to be on time charter contracts. At Year end 2010, 6 VLCCs were on time charter and 11 VLCCs were in the spot market. Charter rates are determined according to the internationally acceptable prevailing rates at the time of signing the contracts.
Crude oil and Liquefied Petroleum Gas (LPG) transportation sector represents a major source of NSCSA's income and posted an annualized operating income of SAR 375.11 million in 2010, compared to SAR 268.77 million in 2009, representing 84% of the total operating income in 2010.
The fleet transported approximately 196 million barrels of crude oil during 2010. Note that the company's 17 operating crude oil fleet has the capability to transport 36 million barrels. The total number of ports docked during the year 2010 was 309.

VLCCs Fleet

Sequence	VLCC Name	Year Built	Type	Weight (Static Tons)	Length (Meter)	Width (Meter)	Number of Reservoirs	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**				

Transportation of Liquefied Petroleum Gas (LPG):
Petredec Co. Ltd. was founded in 1980 by a group of international investors, and currently operates exclusively in the trade and transport of liquefied petroleum gas. This Bermudan based company has offices in Monaco, Singapore and the Bahamas. In 2005, the National Shipping Company of Saudi Arabia (NSCSA) bought a 30.3% stake in the share capital of Petredec Co. Ltd. The business activity of Petredec limited in liquefied petroleum gas is supported by a fleet of specialized gas carriers, consisting of (60) vessels of various sizes, of which (16) vessels 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. NSCSA's share in Petredec's net profits amounted to SAR 36.93 million in 2010, compared to SAR 84.94 million in 2009.

Petrochemical Transportation Sector:

In 1990, NSCSA in collaboration with Saudi Basic Industries Corporation (SABIC) founded the National Chemical Carriers Company (NCC) with a capital of SAR 200 million and ownership of 80% and 20% respectively. Later, additional funds were injected to support the expansion plans of the National Chemical Carriers with a capital currently amounting to SAR 610 million.

As of 31st December 2010, NCC owns (13) chemical tankers. On January 31, 2009 (3) tankers were leased to Odfjell, a Norwegian company, under a bare-boat capital lease arrangement. On June 15, 2009, NCC signed a 50% joint venture agreement with Odfjell to establish a company in Dubai, UAE in the name of NCC Odfjell Chemical Tankers JLT (NOCT). The joint venture started operating in January 2010 with (15) tankers with a capacity of approximately 660,000 tons. (3) NCC tankers were assigned to the joint venture and are operating under a pool arrangement with other Odfjell tankers. (6) tankers are chartered to the International Shipping and Transportation Company (ISTC) a subsidiary of SABIC and (1) tanker is chartered to Saudi International Petrochemical Company (SIPCHEM).

In line with the strategic plan of 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 in 2006 with SLS Shipbuilding Co. of South Korea to build (10) new carriers and another contract during 2007 to build (6) additional petrochemical carriers. These were expected to be delivered during the period 2010 to 2012. However, in May 2010 and September 2010, it was mutually agreed by both parties to cancel the contracts for (7) tankers under construction due to the delays by (SLS) to deliver the tankers as stipulated in the contract. As a result, NCC realized a gain on the cancellation of the new-buildings for SAR 15.1 million.

Also on July 4, 2010, NCC signed a contract with Daewoo Shipbuilding and Marine Engineering Co. Ltd of South Korea to build a (1) specialized chemical tanker of 75,000 DWT at a contract price of SAR 245 million. This vessel is expected to be delivered in 2013. Moreover, on 21 December, 2010 the BODs of NCC agreed to sign a contract with SLS Shipbuilding of South Korea to purchase (2) tankers.

The Petrochemical transportation sector realized a total operating income of SAR 112.89 million in 2010, compared to SAR 151.81 million in 2009, which constitutes 25% of the total operating income of the company in 2010.

Growth of Chemical Carriers Fleet

Description	**Number of Carriers**	**Capacity** (Static Tons)
Fleet as of 31 December 2010	13	574,000
Carriers under construction and expected to be delivered during 2011-2013	12	645,000
Total	**25**	**1,219,500**

Chemical Carrier Fleet - Operational and Under Construction

Sequence	Carrier Name	Year Built	Weight (Static Tons)	Length (Meter)	Width (Meter)	Number of Reservoirs	Speed (Knots)
1	NCC Makkah *	1995	37,500	183.10	32.2	52	16
2	NCC Riyadh *	1995	37,500	183.10	32.2	52	16
3	NCC Jubail *	1996	37,500	183.10	32.2	52	16
4	NCC Najd	2005	46,200	183.02	32.2	22	15
5	NCC Hijaz	2005	46,200	183.02	32.2	22	15
6	NCC Tihama	2006	46,200	183.02	32.2	22	15
7	NCC Abha	2006	46,200	183.02	32.2	22	15
8	NCC Tabuk	2006	46,200	183.02	32.2	22	15
9	NCC Qassim	2006	46,200	183.02	32.2	22	15
10	NCC Rabegh	2007	46,200	183.02	32.2	22	15
11	NCC Sudair	2007	46,200	183.02	32.2	22	15
12	NCC Dammam	2008	46,200	183.02	32.2	22	15
13	NCC Hail	2008	46,200	183.02	32.2	22	15
14	NCC Noor **	Expected in 2011	45,000	183	32.2	22	15
15	NCC Huda **	Expected in 2011	45,000	183	32.2	22	15
16	NCC Amal **	Expected in 2011	45,000	183	32.2	22	15
17	NCC Safa **	Expected in 2011	45,000	183	32.2	22	15
18	NCC Danah **	Expected in 2011	45,000	183	32.2	22	15
19	NCC Nesmah **	Expected in 2011	45,000	183	32.2	22	15
20	NCC Shams **	Expected in 2011	45,000	183	32.2	22	15
21	NCC Najm **	Expected in 2011	45,000	183	32.2	22	15
22	NCC Reem **	Expected in 2011	45,000	183	32.2	22	15
23	NCC Samaa **	Expected in 2011	45,000	183	32.2	22	15
24	NCC Bader **	Expected in 2011	45,000	183	32.2	22	15
25	NCC Fajer	Expected in 2013	75,000	228	36.8	30	14
Total Capacity			**1,144,500**				

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

**** The schedule of delivery shown is as per the latest update from (SLS) company and there could be a possible delay in delivery until the year 2012.**

General Cargo Transportation Sector:

The General Cargo sector is considered to be the oldest operating sector for NSCSA. It operates on a liner service between the eastern coast of the US and Canada to the Indian sub-continent passing through the ports of Italy, Jeddah Islamic Port on the Red Sea, King Abdulaziz port in Dammam as well as Jebel Ali port in Dubai. The General cargo vessels transported approximately 1,257,282 tons of cargo during 2010, compared to 1,060,956 tons during 2009. There was an increase in the tonnage transported of approximately 19%; however, the transport rates for this sector were lower than expected and the transport rates are forecasted to increase during 2011.

During 2010, the management of the company reached a decision based on its strategic plan to replace the four vessels which should be between 2012 and 2013 in which the four current vessels will end their service. The management study ensured the investments in this sector and the investments in building new modern vessels with lower operating cost percentage. NSCSA completed the vessel design during 2010 to be constructed and the company's management are reviewing the proposed offers from ship building yards; the decision will be taken when a suitable offer is considered.

The General Cargo transportation activity posted total operating losses in 2010 of SAR (40.11) million compared to an operating loss of SAR (48.11) million in 2009. This contributes to (9%) of the consolidated gross operating revenue in 2010.

General Cargo Fleet

Saudi Hofuf	Saudi Diriyah	Saudi Abha	Saudi Tabuk

Specifications of General Cargo Fleet

Type	Number	Weight (Static Tons)	Length (meter)	Width (meter)	Draft (meter)	Container Capacity	Horse power	Speed (knots)
Containers/RoRo	4	42,600	236.95	32.29	11.12	2,050	27,600	18

NSCSA Owned Containers and Trailers as of Dec, 31st 2010

Sequence	Type	2010	2009
1	20ft standard container	2,835	2,828
2	20ft open-top container	332	333
3	20ft flat bed	55	87
4	40ft standard container	556	558
5	40ft high cube container	1,340	1,341
6	40ft open-top container	146	146
7	40ft flat bed	153	153
8	20ft trailers (chassis)	225	227
9	40ft trailers (chassis)	248	250
10	20ft Mafi - 30 tons	4	4
11	20ft Mafi - 60 tons	69	69
12	20ft Mafi - 80 tons	8	8
13	20ft Mafi - 100 tons	212	212
14	62ft Mafi - 80 tons	15	15

Container Yard:
NSCSA owns a spacious container yard in the Jeddah Islamic Port. This yard is used as a work shop for repairing NSCSA containers and for the storage of containers and related equipments. This contributes to the rapid handling of containers to and from vessels and speeds up the clearance of customer shipments.

Ship Management of Vessels

Mideast Ship Management is responsible for the technical management of NSCSA and its affiliate's fleet in accordance with the requirements of International Maritime Organizations (IMO) which is affiliated with the regulation of the countries that the vessels visit their ports. These regulations are continuesly becoming more stringent, the company ensures to have continues improvements of its operations such as human resources and the information technology of the Mideast Ship Management (100% owned).

Mideast Ship Management recruited crew for the ships in accordance with the specifications of high efficiency and seeks to update and train the crew on all new plans and devices adopted and used by the company. The total number of crew members in charge of the vessels were approximately 827 employees from 28 different nationalities. 750 of those employees are employed on board of the vessels and 77 are employed off shore in the Dubai office. These employees are a highly competent specialized team of captains, engineers and technicians with extensive experience in the technical and administrative aspects of the management and operations of the fleet.

Mideast submits technical reports to NSCSA on the performance and status of ships, fuel consumption, results of periodic inspections and makes their recommendations in this regard. Mideast Ship Management also provides periodic financial reports on operating expenses and budgeting along with several other reports.

Planning and Business Development

In accordance with the strategic plan recommendations and considering the role of NSCSA in the Kingdom, current comprehensive development as the first national carrier in all segments (Crude Oil, Petrochemicals & General Cargo). As per the expansion strategy of the company's activities in marine transportation, NSCSA signed an agreement with Arabian Agricultural Services Company (ARASCO) to establish a joint venture company for transporting dry bulk cargo with a capital of SAR 200 million out of which NSCSA owns 60% and 40% for ARASCO. NSCSA is primarily engaged in purchasing, chartering and operating the vessels for the transportation of dry cargo. The joint venture is expected to commence its operations in transportating dry bulk cargo during the year 2011 after the acquisition of the Panamax sized vessels in which each holds a capacity of 76,000 DWT.
The size of the investment in the newly established company is estimated to be SAR 656 millions and shall be increased to reach around SAR 1.3 billion during the next three years. 30% of this project shall be financed by partners and 70% through shareiah compliance loans from local financial institutions. Let it be known that the Chairman of the Board of the Directors for the National Shipping Company of Saudi Arabia is also the Chairman of the Board of Directors of the Arabian Agriculture Service Company and owner.
By signing this agreement and establishing this company, NSCSA adds to its activities the dry bulk cargo transportation.
As a commitment from the company to serve all commercial sectors in general and the national obligations in particular, an extensive study was made to explore new opportunities to improve the General Cargo sector. In this regard, a feasibility study for replacement of the existing aged RO-RO vessels was made during May 2010 and a final design for the new vessels for this sector was completed in October 2010. NSCSA is currently studying the offers received from the shipyards and the project bid shall be awarded in due time.

Communication & Public Relations

NSCSA has professionally managed the Communication and Public Relations department, which consists of a qualified team engaged in public relations initiatives, government liaison, media relations management, conferences and exhibitions within and outside the Kingdom.
During 2010, NSCSA and its affiliates participated or organized the following functions:

- Saudi Oil & Gas 2010 Exhibition.
- NSCSA was one of the sponsors of the business meeting with HRH Prince Salman held in Delhi, India on 12th April, 2010.
- Maritime Saudi Arabia 2010 Conference & Exhibition.
- NSCSA India office participated in several local news papers on the occasion of Saudi National Day.
- NSCSA America, along with NSCSA Jeddah Office held the National Sales Meeting in Jeddah on December 5th – 8th, 2010.
- London IP Week Feb 2010.
- Posedonia Greek Shipping Conference June 2010.
- APPEC Singapore Sept 2010.
- Vela Reception Dubai Oct 2010.
- Islamic Ship owners Conference Dubai Oct 2010.

Information Technology

NSCSA plans to upgrade the information systems were put into action successfully during the second half of the year 2010 and the implementation was gradually carried out as per the project plans. The implementation was based on the project management institute (PMI) methodology and Oracle international methodology for completing successfully such a project and in accordance with the Information technology strategy (Manarah) which has been aligned with the company strategic plans. It introduced the advanced and most appropriate technology solutions and systems for achieving the desired strategic business goals to support the various divisions and departments of the company; moreover, this helped to keep pace with the growth and advancement in the level of services provided and maintains NSCSA competitive edge.

Among the most important projects implemented by the company is the Oracle Enterprise Resources Planning (Oracle ERP) which follows and applies the best international practices and methods. This new system will support the ability to measure and identify the company Key Performance Indicators (KPIs) with a wide range of business reports that will help in the decision making. It is also worth to mention that prior to the implementation of the new systems, Business Process Improvements (BPI) including updating the procedures and policies were conducted to ensure the company readiness and improve the business activities practices as well as bridging the gaps with the new systems.

In addition, the implementation has been completed for the consolidated company budget system that is based on (Oracle Hyperion), which aims to smooth the budget preparation and monitoring process for the annual budget. This new system also will facilitate the integration between the corporate and business unit systems to generate the financial consolidated reports and leverage the finical forecasting and cash flow monitoring.

NSCSA was awarded recently by Oracle in terms of the Excellency and Leadership in return for the successful implementation of the Oracle Corporate Governance, Risk Management and Compliance (Oracle GRC), as the first Saudi company and one of the leaders in the region of Middle East and North Africa. This achievement will contribute towards the enhancement of the company discloser and confirmation adherence to the standards and the regulations governing its Financial, Administrative and Operational activities.

As part of the company IT strategy initiative (Manarah), the IT infrastructure also has been improved to ensure better performance, availability and security. It is also worth mentioning that the company Internet Website won an Award of Excellence for the year 2010 for the second time.

Internal Audit and Control

NSCSA has an independent department for Internal Audit & Control that employes highly qualified professionals, in addition to competent, qualified technical marine staff with experience in the surveying and maintenance of vessels. The Internal Audit and Control Department works on improving the efficiencies and skills of its employees by using technology in its work with the application of internal audit programs & software. The Internal Audit and Control Department sets its plans and projects related to risk management audit to comply with the international audit standards.
The Internal Audit and Control Department verifies the internal controls, which aims to safeguard the company’s assets, accounting records against misuse, also ensuring the implementation of accounting policies and internal procedures of the Company.
The Internal Audit and Control Department arranged training for preliminary ISO courses, such as Basic Foundation, Internal Quality Auditor and Lead Auditor to promote the Quality Management System (QMS). During 2006, NSCSA recieved ISO 9001:2000, for Quality Mangaement System (QMS) and in 2009, the quality management system was successfully upgraded to conform with the standards of ISO 9001:2008. IACD implemented various tools & programs in the system which integrates NSCSA branches & regional offices.

Quality Management had planned to include all business sectors of the company under one umbrella of (QMS). This is scheduled to be implemented during 2010 - 2012.
Quality Management had also planned to implement a Total Quality Management System (TQMS). This system would be developed during 2011 - 2013.
The Department also performed the supervision and implementation of Governance, Risk and Compliance System (GRC). The System was successfully finalized during the third quarter of 2010, and was implemented by IACD.
IACD had completed the audit assignments for the year 2010 in compliance with the approved audit plan. The relevant recommendations & suggestions were communicated accordingly.

Human Resources

The Human Resources Department is committed towards the development of the employees' strategy which supports the achievement of the company's mission and strategic goals. The strategy will be reviewed and revised annually in the light of changing HR priorities and the company's needs. The HR department's role is to add value to the company through the development and implementation of the HR plans as well as taking a leading role in enhancing the staff's growth and training programs.

NSCSA's Training and Career Development program is aimed at optimizing the utilization of its human resources. This further helps the employees to achieve the organizational goals; which provides an opportunity and a broader structure for the development of its human resources' technical & behavioral skills in the company.

Saudization Policies:
Saudization is one of the key areas wherein NSCSA concentrates in achieving to bring more Saudis on board. Priority is given to Saudi nationals for all job vacancies in NSCSA. In 2010, Saudinization's percentage rate at NSCSA in Saudi Arabia has reached 55% with 3% increase from the year 2009.

NSCSA have introduced a "Professional Career Development Program" in 2010. Saudi graduates were inducted to this program to train in different departments for a possible permanent placement in NSCSA. Five selected trainees successfully completed their traning under this program. They have been appointment permanenetly in various departments, branch offices and subsidiary offices.

NSCSA also provides trainings to new entrant Saudi sailors on board NSCSA vessels.

Marketing & Customers Services

NSCSA is dedicated to achieve a strong commercial relationship with its main customers. Among the major customers of NSCSA in the market are Shell, BP, Chevron, Exxon, RWEA the German company, Euronav, Hanjin the Korean company, Chinese oil companies and Vela which is Saudi Aramco's shipping subsidiary.

A customer satisfaction survey was successfully conducted for the year 2010 by the Commercial department in the Oil & Gas business unit. The outcome of the survey as follows: 40% of our customers were surveyed for the year 2010 during customer visits or via telephone. The results of the satisfaction survey data showed a 100% satisfaction rating which is an improvement results compared with the 2009 results which showed a satisfaction rate of 92%. Moreover, the Commercial team from the Oil & Gas business unit visited the oil major companies in the United States of America and China during the month of September in 2010.

The General Cargo sector annually organizes a conference to invite company's respresentives and research officials from this sector to study the customer requirements to ensure an improvement in the services provided to them.

Quality Assurance

NSCSA regularly assess and upgrades the safety equipments on board the fleet to conform with the latest regulation requirments. In 2006, NSCSA was awarded (ISO 9001-2000) and (ISO 14001-2004) quality certificates, International Maritime Organization (IMO) certificate and Lloyd's certificate. Further in 2009, NSCSA was awarded ISO 9001 – 2008 for Quality Management System (QMS).

Our commercial procedures are compliant with the latest ISO 9001:2008 standards. In December 2010, an external audit was conducted by Det Norske Veritas (DNV) for "Commercial Operations of Ships" and was completed successfully.

NSCSA's **Quality Policy:**
NSCSA is committed to achieving commercial operational excellence and delivering flawless customer service using an integrated risk managed approach. The following beliefs are essential to the achievement of this goal:
- Take all necessary steps to safeguard assets and customer property.
- Meet all regulatory and statutory requirements.
- Proactively develop and manage customer relationships.
- Use performance measures to drive continuous improvement.
- Maintain steadfast adherence to conduct business affairs with integrity and sincerity.

Environmental & Safety

The shipping industry is globally spread and has an impact in the sea environment and climate changes, NSCSA maintains a strong commitment towards safety and complies with all the regulations imposed by the global legislative bodies and environmental organizations; in which 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 to minimize the negative impact on the environment by the pollution from vessel's 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 conduct revision of the safety equipment on board the fleet to conform to the latest standards.

NSCSA always takes important measures for the safety and health of its employees as well as those employees on board the fleet.

Social Responsibility

NSCSA always goes beyond the commercial interests and believes that social responsibility is an obligation to make decisions as well as take actions that will enhance the welfare and interest of the society and the company. NSCSA is committed to establish an active presence in the community served.
NSCSA believes in the importance of social responsibilities due to the benefits gained from the society; therefore, NSCSA have an obligation to improve it. It is part of it's objectives for the impact reflected on the employees, customers, community, and other organizations or groups.
NSCSA aims to build confidence and close relations within the community and its reputable customers throughout it's business, and has earmarked a special provision in its budget for social and educational activities, awareness-raising and general development projects.

NSCSA's contributions to social activities during 2010 are as follows:

- Contributed to "Insan" Charitable Organization.
- Cholesterol awareness campaign organized by the Ministry of Health (MOH).
- Annual Janadriyah Festival.

Risk Management

The shipping industry is complete with risks at the financial, informational and operational levels. NSCSA has paid great attention to these risks and proceeded to apply a set of measures to address such risks through a controlled system. All departments and employees at NSCSA are responsible for implementing such appropriate internal controls and risk management to ensure the company reaches its goals and save its resources.

Financial Operations:
The Treasury Department manages with distinctive competence to monitor the financial markets, analyze data, study market trends, follow up changes in the exchange and interest rates in order to avoid the risk of inflation, credit risks, fluctuations in the exchange and interest rates. By doing so, it will 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 security are currently in place to achieve full safety and to safeguard confidentiality of information against attempts of cyber crimes.

Operations:
The Insurance Department is dedicated to update the emerging insurance coverages and techniques to minimize cost without compromising the quality of the coverage is one of the main goals of the department. The Insurance Department continually improves the insurance coverage and avoids redundant coverage areas in its policies.

The Department's strategic plan when the fleet number will grow and new competition are required to ensure the best coverage combined with the best available premium is provided. The Department will monitor the progress of insurance providers with regard to their financial strength, ability to meet its liability and its technical ability.

NSCSA participated with two protection clubs and held a variety of agreements with insurance companies in the following areas:
• Marine insurance - includes insurance coverage of the fleet and equipment as well as the crew and cargo carried on board the vessels. Civil liability and the consequent marine risks whereby certain countries stipulate that to enter their ports, the vessels must have proper insurance coverage consistent with the requirements of these countries.
• Non-maritime insurance - includes comprehensive coverage of the company's offices, buildings, vehicles and personnel as required in addition to medical insurance for 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 for protection in the United Kingdom. These clubs cover risks arising from the accidents of ships and damaged cargo. Being a member of the clubs, NSCSA 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.

Financing and Investment

NSCSA enjoys the perks of having a strong budget and available cash funds for the flexible liquidity in meeting its obligations and financing its various projects. Moreover, it has built a good relationship with local and international financial houses over the past years. NSCSA has adopted a financing and investment policy compatible with the precepts of Islamic Shariah. As a result of adopting this policy, all the company's investments and 81% of its loans have been converted into Shariah-compliant instruments. 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. This is managed by financing assets in line with their expected useful life and expected revenues. This leads to the flexibility in cash flows that enables the company to meet all its domestic and international obligations.

By the end of 2010, total financing of the company's assets reached SAR 4.1 billion. It is expected that financing will reach its maximum level at SAR 4.67 billion in 2011 before it starts to diminish gradually, this is based on the current financing agreements.

The National Chemical Carrier Company announced in July of 2010 that it will construct a (75,000) metric ton dwt chemical carrier of an estimated cost of SAR 245 millions. Also, the company announced in December of 2010, its Board of Directors' approval to purchase (2) Chemical Carriers of 45,000 metric ton dwt costing SAR 322.5 million. The financing of these projects will be arranged through inter-company and external financing resources during the year 2011.

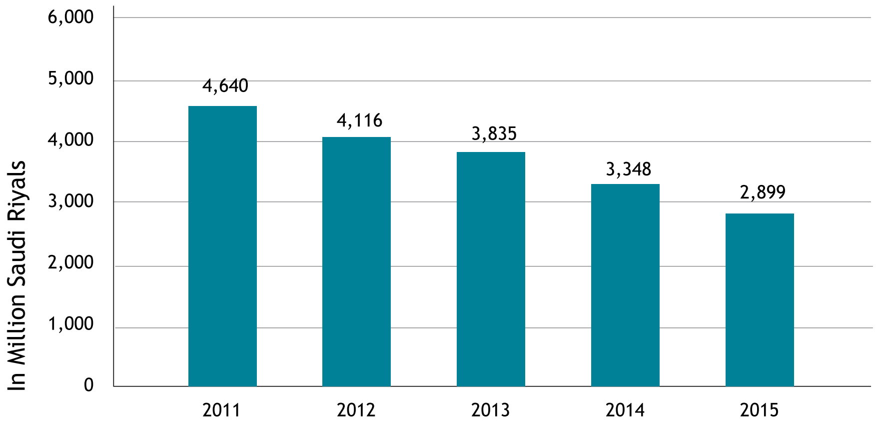
Financing During the Year 2010 (In Thousands Saudi Riyals)

Company	Loan balance at the beginning of the year	Additions during the year	Repayments during the year	Loan balance at year end
NSCSA	2,482,387	---	(168,625)	2,313,762
NCC	2,259,224	140,000	(589,168)	1,810,056
Mideast Ship Management Ltd.	21,360	---	(1,991)	19,369
Total	**4,762,971**	**140,000**	**(759,784)**	**4,143,187**

Capital for the Subsidiary Companies During the Year 2009 and 2010

Company	Date of incorporation	Capital 2010	Capital 2009	Percentage of Ownership 2010	Percentage of Ownership 2009
NSCSA (America) Inc.	1991	3,750,000	3,750,000	100%	100%
NCC	1990	610,000,000	610,000,000	80%	80%
Mideast Ship Management Ltd.	1996	45,000	45,000	100%	100%
Bahri Dry Bulk	2010	200,000,000	---	60%	---

Murabaha financing and long term Loans



Regulatory Payments

Zakat & Tax:
NSCSA and its affiliate (NCC) are committed to make zakat payments. Zakat returns are completed at the end of each year and the applicable zakat dues are paid 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 2001 - 2009 and tax assessments for the period 2001-2004. Additionally, NSCSA's affiliate (NCC) did not receive any zakat and tax assessments for the period 2005 - 2009.
NSCSA affliate received additional zakat and withholding tax assessments for the years 1991 - 2004 amounting to SAR 59 million. NSCSA filed appeals against some items in these assessments and their treatments. In April 2010, they have reached an agreement for a final settlement of the above assessments in the amount of SAR 53 million. The affiliate company is under discussion with the Department of Zakat & Income Tax (DZIT) for the payment installments of the amounts.

NSCSA affiliate allocated what they believe to be a sufficient provision to meet any zakat and tax claims for these periods. During 2010, NSCSA and its affiliate (NCC) made a payment for unpaid zakat amounting to SAR 22.59 million in accordance to the 2009 financial year. Moreover, NSCSA and its affiliate company also paid the zakat deductions that were unpaid for 2010 amounting to SAR 4.34 million.

Social Insurance:
Total NSCSA contributions to the General Organization for Social Insurance (GOSI) in 2010 amounted to SAR1,793,502 compared to SAR 1,723,052 in 2009.

Other Government Charges (Visas, Passports, etc.):
Visas and passport-related charges paid to the Government Treasury in 2010 amounted to SAR 79,692 compared to SAR 186,503 paid in 2009.

Dividend Distribution

Dividend distribution depends on the company's results of operations, cash liquidity, working capital needs and capital investments. Based on this information, the Board of Directors, in its meeting held on 21/2/2011, recommended to the General Assembly to distribute an amount of SAR 315 million in dividends to shareholders for the fiscal year 2010, i.e. at the rate of 1 Saudi Riyal per share.

In accordance with the provisions of Article (36) of the memorandum and articles of association of the company: "Dividends are distributed to shareholders after deducting all general expenses and other costs and statutory reserves". 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, a lump sum annual bonuses in accordance with applicable regulatory rules".

The following table shows the net profits generated during the years 2006 - 2010 and dividend distributions made proportionate to net profit averaging 70% and dividend distributions proportional to capital averaging 10% 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 from Capital Ratio (%)
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%
2010*	414,878	315,000	---	76%	10%
Total	**2,398,218**	**1,642,500**	**---**	**Annual average 68%**	**Annual average 11%**

*** Subject to the approval in the Extraordinary General Assembly.**

Shareholders' Information & Rights

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 company's Act and the Corporate Governance Regulations duly issued by the Capital Market Authority (CMA).

NSCSA Board of Directors and Executive Management are keen to create a favorable environment for the shareholders to enjoy all those rights through easy access to the company's management or the 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 the Board membership. Many shareholders participate in the discussions of all company activities and its future plans by attending the General Assembly Meetings. When the General Assembly adopts any dividend distribution, such information will be announced forthwith and the company immediately starts the 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 the General Assembly Meeting. Dividends will be deposited in shareholders' portfolios with the respective local banks within a deadline of (30) days from the date of adoption of such dividend distribution by the General Assembly.

NSCSA 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 representitives from various investment entities. However, it is to be noted here that the information provided by the company are restricted to only that which it had previously been disclosed through the official channels of communication, consistent with the guidelines of the Capital Market Authority (CMA) and the Ministry of Commerce and the Industry.

NSCSA's website (www.nscsa.com), provides a gateway to shareholders and all other users to communicate with the company on an ongoing basis. This can be used to explore any required information and company updates.These include quarterly and annual reports, operational reports, the companies' publications and announcements, in addition to shareholders current and previous years.

NSCSA also furnishes all the news of it's performance and activities through official channels such as the "Tadawul" website in accordance with the directives of the Capital Market Authority (CMA), and the disclosure policy duly approved by the company as part of the Corporate Governance Regulations.

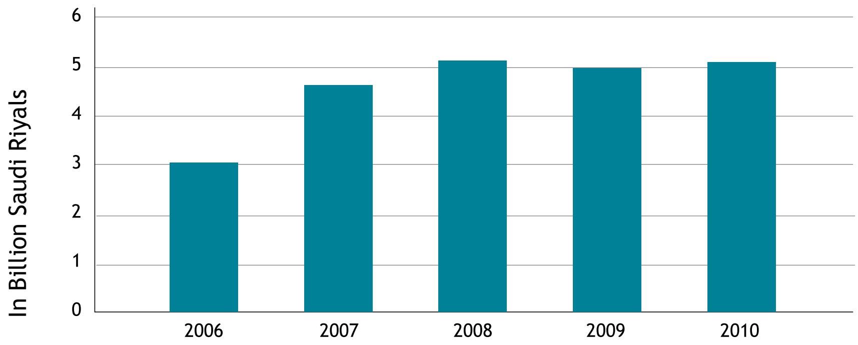
The following table shows the changes in the rights of the shareholders during the past five years:

Shareholders' Equity as of 31 December 2010

(In Thousands Saudi Riyals)

Year	Shareholders' Equity	Variance	Variance Percentage
2010	5,089,691	102,171	2%
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%

Growth in Shareholders' Equity

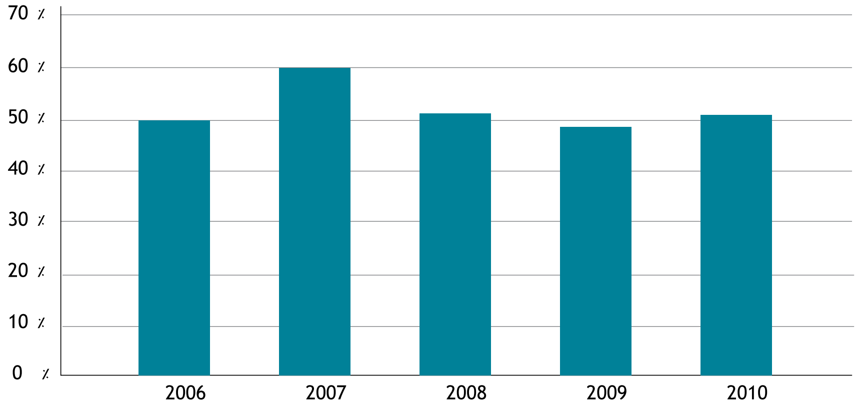


Comparison of Shareholders' Equity to Assets as of 31 December 2010

(In Thousands Saudi Riyals)

Year	Shareholders' Equity	Total Assets	Ratio Percentage
2010	5,089,691	9,966,279	51%
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%

Percentage of Shareholders' Equity to Assets



Disclosure & Governance

Good corporate governance is essential for the reputation and long term success of any business. NSCSA has a clear, transparent and effective policies and processes for managing its business in accordance with CMA rules and regulations in dealing with all related parties by 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 the Tadawul website and the Company's website (www.nscsa.com) which is available to all stakeholders including shareholders and prospective investors. The reports include all the trends relating to the operational activities and analysis of the financial statements. The financial statements and accompanying notes as set forth in the annual report are in conformity with Generally Accepted Accounting Principles (GAAP) enforced in Saudi Arabia with the required 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 which have been prepared by the Company's management and reviewed and approved by the Board in accordance with Generally Accepted Accounting Principles (GAAP), duly issued by the Saudi Organization of Certified Public Accountants (SOCPA). It reflects fairly on 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 2010 annual report includes all applicable presentations and disclosures as

NSCSA achieved the first place prize in the Transparency award from (BMG) financial group.

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 the 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 company's Act with regard to the voting system at the general assemblies.
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 2010.
NSCSA 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 the Company's 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 which is to 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 Company's 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 up the Company's strategies. The Executive Management is in charge of steering the Company's business within the framework of the policies, plans and controls duly adopted by the Board and the General Assembly.
In 2010, the Board of Directors held (13) meetings in addition to (3) General Assembly Meetings.

Board and General Assembly Meetings for 2010

Name	Classification	Number of Board meetings attended during 2010	Number of General Assembly Meetings attended during 2010
Abdullah Sulaiman Al-Rubaian	Chairman	11	1
Mohammed Abdulaziz AlSarhan	Vice Chairman	12	2
Esam Hamad Al-Mubarak	Member	13	2
Nasser Mohammed Al-Kahtani	Member	11	2
Saleh Abdullah AlDebasi	Member	11	1
Abdulkarim Ibrahim Al-Nafie	Member	12	2
Farraj Mansour Abothenain	Member	13	1
Bander Barjas Al-Abdul Kareem	Member	13	2
Sami Abdullah Al-Saeed	Member	13	2

Board Members Classification during 2010- Independent/Non-executive

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

Board Members in other Joint Stock Companies during 2010

Name	Membership in other Joint Stock Companies
Abdullah Sulaiman Al-Rubaian	Arab Shield Insurance Co.
Mohammed Abdulaziz AlSarhan	Saudi Public Transport Co. (SAPTCO)
Esam Hamad Al-Mubarak	NA
Nasser Mohammed Al-Kahtani	NA
Saleh Abdullah AlDebasi	NA
Abdulkarim Ibrahim Al-Nafie	NA
Farraj Mansour Abothenain	Astra Industrial Group; National Petrochemical Company
Bander Barjas Al-AbdulKareem	NA
Sami Abdullah Al-Saeed	NA

Remunerations and Compensations for Board of Directors during 2010

Name	Remunerations and Compensations received during 2010* (SAR)
Abdullah Sulaiman Al-Rubaian	448,000
Mohammed Abdulaziz AlSarhan	454,000
Esam Hamad Al-Mubarak	448,000
Nasser Mohammed Al-Kahtani	460,000
Saleh Abdullah AlDebasi	454,000
Abdulkarim Ibrahim Al-Nafie	348,000
Farraj Mansour Abothenain	348,000
Bander Barjas Al-Abdul Kareem	348,000
Sami Abdullah Al-Saeed	354,000

*Includes SAR 200 thousand as a compensation for each member of the Board of Directors which will be paid after the dividend payout at the General Assembly for the financial year 2010.

With the acknowledgment of the Board of Directors as shareholders in the company for those shares owned by members of the Board as set forth in this table. There are no private interests or affiliations by the members of the Board, senior executives or their spouses and their children in the Company in the form of shares, options or subscription rights, commitments' contracts directly or indirectly with the parent company and any of its affiliates.

The table below shows the number of share owned by the Board of Directors and the Executive Management during 2010:

Segment	Title	Ownership Beginning of the Year	Changes During the Year	Ownership End of the Year
Abdullah Sulaiman Al-Rubaian	Board Chairman	56,805	243,195	300,000
Mohammed Abdulaziz AlSarhan	Board Vice-chairman	102,000	311,271	413,271
Esam Hamad Al-Mubarak	Board Member	---	---	---
Nasser Mohammed Al-Kahtani	Board Member	---	---	---
Saleh Abdullah AlDebasi	Board Member	6,000	(3,500)	2,500
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	6,000	(3,500)	2,500
Saleh Nasser Al-jasser *	Chief Executive	100,000	---	100,000

*** Chief Excutive Officer Mr. Saleh Naser Al Jaser was appointed on November 1st 2010.**

Board Committees

Three committees have emerged from the Board of Directors; Strategy and Follow-up Committee, Audit Committee and Nominations and Remuneration Committee. Each entrusted with specific powers by the Board of Directors.

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.

Attendees of the Strategy and Follow-up Committee Meetings during 2010

Name	Classification	Sessions Attended
Abdullah Sulaiman Al-Rubaian	Committee Chairman	1
Mohammed Abdulaziz AlSarhan	Member	1
Saleh Abdullah AlDebasi	Member	1
Abdulkarim Ibrahim Al-Nafie	Member	1
Farraj Mansour Abothenain	Member	1

Audit Committee:
This committee is responsible 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. In addition to reviewing the interim and annual financial statements and accounting policies, nominating the Company's auditor for the respective fiscal year and verify the independence of the 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 the risk management and quality control.

Attendees of the Audit Committee Meetings during 2010

Name	Classification	Sessions Attended
Nasser Mohammed Al-Kahtani	Committee Chairman	5
Saleh Abdullah AlDebasi	Member	4
Ahmad Abdullah Al-Moghamis	Member	5

Nominations and Remuneration Committee:
This committee is in charge of nominations 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 the 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 Company's General Assembly approved the selection of the members for the nominations and remuneration committee and the duration of their membership as well as their method of working; furthermore, the Board also approved the remuneration for the members of this committee.

Attendees of the Nominations and Remuneration Committee Meetings during 2010

Name	Classification	Sessions Attended
Abdullah Sulaiman Al-Rubaian	Committee Chairman	2
Mohammed Abdulaziz AlSarhan	Member	2
Nasser Mohammed Al-Kahtani	Member	2
Sami Abdullah Al-Saeed	Member	2

Executive Management

The Senior Executive Management Team is commissioned by the Board of Directors to manage company affairs; it 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 & operational plans that aim to develop and grow the company activities and serve the interests of the shareholders. No investments or reserves have been created for the benefit of the Company's employees other than their legal entitlements. It is also to be noted here that the Senior Executives who are five in number, including the Vice Chief Executive Officer (Finance), do not hold any shares in the company according to Tadawul records as at 31/12/2010. This excludes the Chief Executive Officer of the company, as mentioned in the previous table which shows the number of shares owned by the Board of Directors and the Executive Management.

Table shows the Executive Management list during 2010:

Name	Title
Saleh Nasser Al-jasser	Chief Executive Officer
Abdulaziz K. Al-Rasheed	Vice Chief Executive Officer, Planning & Business Devt.
Saleh Al-Shamekh	President (Oil & Gas Sector)
Mohammad O. Al-Otaibi	Vice Chief Executive Officer, Finance
Ahmed S. Al-Eidan	Assistant Chief Executive Officer, Board Secretariat & Communication

Table shows the Remunerations and Compensations for the five senior management members during 2010*:

Description	Amount in Saudi riyals
Salaries & Remunerations	3,187,465
Allowances	1,538,074
Periodic and Annual Bonuses	590,980
Incentive Plans	---
In-Kind compensations & other benefits	220,925
Total	**5,537,444**

*** Senior management includes the CEO and the V-CEO of finance.**

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 would like to thank the shareholders and the customers of the company and to express its deep gratitude for their support and cherished confidence which motivates the Board to invest 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 the performance of the company to achieve the company's stated goals.

God bless,
Board of Directors
Riyadh, the 18/3/1432 H, corresponding to 21/2/2011.

Beyond imagination!

Consolidated Financial Statements

For the year ended December 31, 2010 Together with the Auditors' Report

Swirling the sea!

Auditors' Report

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITORS' REPORT

February 21, 2011

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

Scope of audit

We have audited the accompanying consolidated balance sheet of National Shipping Company of Saudi Arabia (the "Company") and Subsidiaries (collectively the "Group") as of December 31, 2010 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 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.

Unqualified 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, 2010 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 Bylaws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By: ______________
Khalid A. Mahdhar
License Number 368

Consolidated Balance Sheet

As of December 31, 2010

(In Thousands Saudi Riyals)

	Notes	2010	2009
Assets			
Current assets:			
Cash in hand and at banks	3	108,713	78,545
Investments in Murabaha and short-term deposits	3 / 4	1,014,559	707,112
Trade receivables and other debit balances, net	5	175,243	203,961
Prepaid expenses		40,099	43,994
Bareboat lease receivable, net	6	6,615	5,925
Agents' current accounts, receivables		15,147	14,626
Inventories	7	133,366	116,801
Investments held for trading		18,827	16,317
Accrued bunker subsidy, net	8	65,895	31,252
Incomplete voyages		---	6,613
Total current assets		**1,578,464**	**1,225,146**
Non-current assets:			
Investment in government bonds		604	604
Bareboat lease receivable, net	6	412,359	418,974
Investments held to maturity (Sukuk)		30,000	30,000
Investments available for sale		29,577	29,739
Investments in affiliates and other	9	455,796	418,519
Deferred dry-docking cost, net	10	40,383	51,388
Fixed assets, net	11	6,407,630	6,730,766
Ships under construction and other	12	1,011,466	1,431,698
Total non-current assets		**8,387,815**	**9,111,688**
Total assets		**9,966,279**	**10,336,834**

The accompanying notes from (1) to (26) form an integral part of these consolidated financial statements

Consolidated Balance Sheet (Continued)

As of December 31, 2010

(In Thousands Saudi Riyals)

	Notes	2010	2009
Liabilities and Equity			
Current liabilities:			
Accounts payable and other credit balances	13	250,872	212,851
Current portion of Murabaha financing and long-term finance	14	324,648	246,793
Unclaimed dividends	15	26,896	29,189
Agents' current accounts, payables		3,485	569
Provision for zakat and tax	16	129,429	118,639
Incomplete voyages		700	---
Total current liabilities		**736,030**	**608,041**
Non-current liabilities:			
Murabaha financing and long-term finance	14	3,818,540	4,516,180
Obligation from fluctuations in swap fair market value for finance commission rates	17	1,734	3,530
Employees' end of service benefits provision		31,592	31,444
Total non-current liabilities		**3,851,866**	**4,551,154**
Total liabilities		**4,587,896**	**5,159,195**
Equity			
Shareholders' equity:			
Paid-up share capital		3,150,000	3,150,000
Statutory reserve	18	843,658	802,170
Retained earnings		1,095,663	1,037,273
Hedging reserve for finance commission	17	(1,734)	(3,530)
Unrealized gain from available for sale investments		2,104	1,607
Total shareholders' equity		**5,089,691**	**4,987,520**
Minority interest		288,692	190,119
Total equity		**5,378,383**	**5,177,639**
Total liabilities and equity		**9,966,279**	**10,336,834**

The accompanying notes from (1) to (26) form an integral part of these consolidated financial statements

Consolidated Income Statement

For the year ended December 31, 2010

(In Thousands Saudi Riyals)

	Notes	2010	2009
Operating revenues	19	2,049,830	1,672,016
Operating expenses	19 / 20	(1,601,945)	(1,299,545)
Gross operating income		**447,885**	**372,471**
General and administrative expenses	21	(103,801)	(95,020)
Operating income		**344,084**	**277,451**
Company's share in profit of affiliates	9	36,932	84,942
Company's share in net income of a joint venture	9	3,856	---
Financing charges	14	(50,179)	(77,669)
Other income (expense), net	22	25,625	62,998
Profit before bunker subsidy, zakat, tax, and minority interest		**360,318**	**347,722**
Bunker subsidy		109,498	83,212
Profit before zakat, tax, and minority interest		**469,816**	**430,934**
Zakat provision	16	(35,104)	(32,627)
Tax provision, net	16	(1,261)	(1,963)
Profit before minority interest		**433,451**	**396,344**
Minority interest in consolidated subsidiaries' net profit		(18,573)	(27,044)
Net profit for the year		**414,878**	**369,300**
Earnings per share from operating income (SAR)	15	1.09	0.88
Earnings per share from net profit (SAR)	15	1.32	1.17

The accompanying notes from (1) to (26) form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flow

For the year ended December 31, 2010

(In Thousands Saudi Riyals)

	Notes	2010	2009
Cash flows from operating activities:			
Net profit for the year		414,878	369,300
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation	11	327,151	296,070
Amortization of deferred charges	10	33,545	64,694
Unrealized gain on investments held for trading		(2,510)	(3,707)
Gain from investment - held to maturity		---	(3,008)
Company's share in dividends from investment held for trading		---	(197)
Company's share in profit of affiliate	9	(36,932)	(84,942)
Company's share in net income of a joint venture	9	(3,856)	---
Gains from sale of fixed assets	22	(152)	(30,489)
Net recovery against cancelled contracts	12	(15,122)	---
Minority interest in consolidated subsidiaries' net profit		18,573	27,044
Provision for zakat	16	35,104	32,627
Provision for tax, net	16	1,261	1,963
Reversal of excess zakat and withholding tax provision	16	---	(12,050)
Employees' end of service benefits provision		148	2,580
Changes in operating assets and liabilities:			
Trade receivables and other debit balances, net		28,718	(23,346)
Prepaid expenses		3,895	21,129
Bareboat lease receivable		5,925	4,826
Agents' current accounts, receivables		(521)	3,189
Inventories		(16,565)	(49,885)
Accrued bunker subsidy, net		(34,643)	18,719
Accounts payable and other credit balances		38,021	(90,835)
Agents' current accounts, payables		2,916	(2,866)
Zakat and tax paid	16	(26,986)	(91,002)
Tax refund related to a subsidiary	16	1,411	783
Incomplete voyages		7,313	(13,997)
Net cash provided by operating activities		**781,572**	**436,600**

Consolidated Statement of Cash Flow (Continued)

For the year ended December 31, 2010

(In Thousands Saudi Riyals)

	Notes	2010	2009
Cash flows from investing activities:			
Investments in Murabaha and short-term deposits		(13,884)	25,192
Investment held to maturity		---	(30,000)
Investment available for sale		659	78,008
Investments in affiliates and other		---	(153)
Dividends from affiliates	9	3,511	25,509
Additions of fixed assets	11	(4,555)	(23,366)
Proceeds from cancelled contracts	12	701,654	---
Proceeds from sale of fixed assets		692	88,083
Ships under construction and other, net	12	(266,300)	(1,185,974)
Deferred dry-docking costs	10	(22,540)	(1,121)
Net cash provided by (used in) investing activities		**399,237**	**(1,023,822)**
Cash flows from financing activities:			
Short-term Murabaha finance		---	(71,250)
Murabaha financing and long-term loans		140,000	1,637,295
Repayments against Murabaha financing and long-term loans		(759,785)	(809,625)
Dividends paid		(317,293)	(466,741)
Change in minority interest		80,000	---
Net cash (used in) provided by financing activities		**(857,078)**	**289,679**
Net change in cash and cash equivalents during the year		**323,731**	**(297,543)**
Cash and cash equivalents at beginning of the year		761,618	1,059,161
Cash and cash equivalents at end of the year	**3**	**1,085,349**	**761,618**
Non-cash items:			
Ships under construction transferred to fixed assets	11/12	---	1,859,413
Bareboat lease receivable against sale of fixed assets		---	429,725
Unrealized (gain) loss from available for sale investments		(497)	1,570

The accompanying notes from (1) to (26) form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2010

(In Thousands Saudi Riyals)

	Paid-up capital	Share premium	Statutory reserve	Retained earnings	Hedging reserve	Unrealized gains (losses) from available for sale investments	Total
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 18)	---	(524,416)	524,416	---	---	---	---
Hedging reserve for finance 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**
Net profit for the year	---	---	---	414,878	---	---	414,878
Statutory reserve	---	---	41,488	(41,488)	---	---	---
Hedging reserve for finance commission	---	---	---	---	1,796	---	1,796
Dividends	---	---	---	(315,000)	---	---	(315,000)
Unrealized gain from available for sale investments	---	---	---	---	---	497	497
Balance at December 31, 2010	**3,150,000**	**---**	**843,658**	**1,095,663**	**(1,734)**	**2,104**	**5,089,691**

The accompanying notes from (1) to (26) form an integral part of these consolidated financial statements

Notes To The Consolidated Financial Statements

For the year ended December 31, 2010
(In Thousands Saudi Riyals)

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 and paid-up 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, 2010 and 2009.

The Company owns seventeen Very Large Crude Carriers (VLCCs), one of which is chartered to RWE Supply & Trading GmbH (A German Company), 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 are operating in a pool with NCC-Odfjell Chemical Tankers JLT, 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 22/06/1430H, corresponding to 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 commenced operations in 2010.

Also, the National Chemical Carriers Ltd. Co. sold, during January 2009, three old ships (see Note 22).

On August 28, 2010, the Company entered into an agreement with the Arabian Agricultural Services Company (ARASCO) to establish a new subsidiary "Al-Bahri Company for Bulk Transportation" for dry bulk transportation with a capital of SR 200 million of which 60% is owned by the Company and 40% by ARASCO. The full capital contributions have been made by the shareholders as of December 31, 2010. The new subsidiary is expected to commence its commercial operations in the year 2011.

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 % 2010	Ownership % 2009
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 %
Al-Bahri Company for Bulk Transportation	Bulk transportation	Riyadh	2010	60%	---
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 accounting 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, investment in 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. The Company's investment in an associate includes goodwill identified on acquisition, being the excess of the purchase price over the value of purchased net assets, net of any accumulated amortization and impairment losses, if any. Due to the timing difference between Petredec Ltd. fiscal year and the Company's fiscal year, the Company's share in Petredec Ltd. net 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 cost adjusted 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 cost adjusted 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. Spare parts and other consumables on board for each vessel are charged to operating expenses on purchase.

i- Deferred dry-docking costs

Deferred dry-docking costs are amortized over a period of two to five years from the date of completion of dry-docking depending on the type of vessel. Where a vessel undergoes another dry-docking operation during the specified amortization period, any unamortized balance of deferred costs 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.

j- Fixed assets, net

Fixed assets are recorded at actual cost and are depreciated using the straight-line method to allocate the costs of the related assets over the estimated useful lives using the following depreciation rates:

Assets	Depreciation Percentage
Buildings and improvements	From 5 to 33.3%
Fleet and equipment *	From 4 to 15%
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%

*** 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.**

k- Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. 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 assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the 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 on purchase. 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 2010 and 2009, 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. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement and reported under "General and administrative expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated income statement.

v- Segment reporting

Business segment

A business segment is group of assets, operations or entities:

(i) engaged in revenue producing activities;

(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and

(iii) financial information is separately available.

3. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2010 represent cash in hand and at banks, Murabaha and short-term deposits, out of which SR 0.03 million (2009: SR 0.43 million) are subject to bank restrictions for letters of guarantee issued for the DZIT and other parties.

It also includes SR 36.77 million as of December 31, 2010 (2009: SR 22.55 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 SR 0.61 million as of December 31, 2010 which represents restricted bank balances (2009: SR 0.51 million) related to Mideast Ship Management Ltd., and SR 0.54 million which represents restricted bank balances (2009: SR 0.54 million) related to National Shipping Company of Saudi Arabia (America) Inc.

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

	2010	2009
Cash in hand and at banks	108,713	78,545
Amounts restricted by banks	(18,226)	(14,183)
	90,487	**64,362**
Investment in Murabaha and short-term deposits	1,014,559	707,112
Amounts restricted by banks	(19,697)	(9,856)
	994,862	**697,256**
	1,085,349	**761,618**

4. Investments in MURABAHA and short term deposits

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

	2010	2009
Investments in Murabaha and short-term deposits in Saudi riyals	559,163	455,130
Investments in Murabaha and short-term deposits in USD	376,254	246,504
Investments in Murabaha and short-term deposits in AED	75,365	---
Investments in Murabaha and short-term deposits in EURO	3,777	5,478
	1,014,559	**707,112**

5. Trade receivables and other current debit balences, NET

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

	2010	2009
Trade receivables	128,847	150,987
Insurance claims	41,821	51,083
Employee receivables	11,137	9,471
Other debit balances	12,856	10,657
	194,661	**222,198**
Provision for doubtful debts	(19,418)	(18,237)
	175,243	**203,961**

Movement in provision for doubtful debts is as follows:

	2010	2009
Balance at beginning of the year	18,237	21,902
Additions	2,397	719
Write-offs	(1,216)	(4,384)
Balance at end of the year	**19,418**	**18,237**

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 is summarized as follows:

Description	2010	2009
Future minimum lease payments	522,439	577,873
Un-guaranteed residual value at the end of lease term	247,875	247,875
	770,314	**825,748**
Unearned income	(351,340)	(400,849)
Net bareboat lease receivable balance	**418,974**	**424,899**
The above amount is classified at December 31, 2010 as under:		
Current	6,615	5,925
Non-current	412,359	418,974
Net bareboat lease receivable balance	**418,974**	**424,899**

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:

	2010	2009
Due within 12 months	55,435	55,434
Due within 1 - 2 years	55,586	55,435
Due within 2 - 3 years	57,313	55,586
Due within 3 - 4 years	61,245	57,313
Due within 4 - 5 years	65,351	61,245
Thereafter	475,384	540,735
	770,314	**825,748**

Income related to the above arrangement for the year ended December 31, 2010 amounted to SR 49.5 million (2009: SR 45.9 million) and is included in the operating revenues in the accompanying consolidated income statement.

7. Inventories

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

	2010	2009
Fuel	109,880	92,701
Lubricants	21,502	22,010
Other	1,984	2,090
	133,366	**116,801**

8. Accrued bunker subsidy, NET

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

	2010	2009
Accrued bunker subsidy	90,753	61,719
Provision for doubtful bunker subsidy	(24,858)	(30,467)
	65,895	**31,252**

The provision was reduced by SR (5.6) million during 2010 as a result of an adjustment made following the collection of bunker subsidy during the year (2009: Increase in provision of SR 10.6 million).

9. Investments in affiliates and other

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

	2010	2009
Balance, beginning of the year	418,519	358,933
Company's share in affiliate's profit	36,932	84,942
Investment in a Joint Venture (Note 9-C)	---	153
Company's share in net income of a joint venture	3,856	---
Dividends received during the year	(3,511)	(25,509)
Balance, end of the year	**455,796**	**418,519**

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 USD 50 million).

The difference between the net investment value and the value of the net assets acquired of
SR 119.18 million was considered as goodwill and is included as part of the carrying value of the investment.

Petredec financial year starts on September 1 and ends on August 31 of each Gregorian year. The Company's share in Petredec net profit amounted to SR 36.93 million up to October 31, 2010 (October 31, 2009: SR 84.94 million), 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 founding 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 million shares representing 10% of the share capital. Also, an amount of SR 1.2 million was paid through December 31, 2010 representing the Company's share in establishing and developing costs. The company is engaged to manufacture float glass and commenced operations in April 2009.

C) NCC-Odfjell Chemical Tankers JLT (hereinafter referred as "Joint Venture")

NCC signed a 50 percent joint venture agreement with Odfjell on 22/6/1430H (corresponding to June 15, 2009) to establish a company in Dubai, United Arab Emirates, by the name of NCC-Odfjell Chemical Tankers JLT 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 Joint Venture commenced operations in 2010.

NCC share in the net income of the Joint Venture for the year ended December 31, 2010 amounted to SR 3.86 million which was recorded in the consolidated income statement.

10. Deferred Dry-Docking costs, NET

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

	2010	**2009**
Total dry-docking costs	205,065	182,525
Accumulated amortization expense	(164,682)	(131,137)
	40,383	**51,388**

Movement in the dry-docking costs is as follows:

	2010	**2009**
Balance, beginning of the year	51,388	114,961
Additional dry-docking costs	22,540	1,121
Amortization expense	(33,545)	(64,694)
Balance, end of the year	**40,383**	**51,388**

11. Fixed assets, NET

Movement in fixed assets during the year 2010 was as follows:

	Cost				Accumulated Depreciation				Net book value		
Particulars	Balance at 01.01.2010	Additions during the year	Disposals	Balance at 31.12.2010	Balance at 01.01.2010	Charged for the year	Disposals	Balance at 31.12.2010	31.12.2010	31.12.2009	Depreciation rate %
Land	13,593	---	---	13,593	---	---	---	---	13,593	13,593	---
Buildings and improvements	4,915	35	---	4,950	(3,282)	(218)	---	(3,500)	1,450	1,633	5- 33.3%
Fleet and equipment*	9,148,938	3,266	---	9,152,204	(2,445,174)	(321,183)	---	(2,766,357)	6,385,847	6,703,764	4 - 15%
Containers and trailers	55,337	---	(345)	54,992	(49,908)	(3,309)	---	(53,217)	1,775	5,429	8.33 - 20%
Furniture and fixtures	5,491	30	---	5,521	(4,665)	(221)	---	(4,886)	635	826	10%
Tools and office equipment	4,340	91	---	4,431	(3,835)	(81)	---	(3,916)	515	505	2.5 - 25%
Motor vehicles	1,542	271	(216)	1,597	(1,217)	(139)	146	(1,210)	387	325	20 - 25%
Computers equipment	40,899	852	(234)	41,517	(38,547)	(1,842)	109	(40,280)	1,237	2,352	15 - 25%
Container yard	11,595	2	---	11,597	(10,364)	(139)	---	(10,503)	1,094	1,231	10 - 25%
Others	1,528	8	---	1,536	(420)	(19)	---	(439)	1,097	1,108	7 - 15%
Total	**9,288,178**	**4,555**	**(795)**	**9,291,938**	**(2,557,412)**	**(327,151)**	**255**	**(2,884,308)**	**6,407,630**	**6,730,766**	

* Fleet and equipment above includes VLCCs and petrochemical carriers financed by banks and mortgaged in favor of lending banks as mentioned in Note 14.

12. Ships under construction and others

At December 31, 2010, the balance of ships and other assets under construction principally represents costs incurred towards construction of the Company's new building and costs incurred by NCC (a subsidiary) under signed contracts for constructing new chemical tankers.

The Company's new VLCCs, "Kahla", "Dorra", "Ghazal" and "Sahba" construction was completed on March 12, 2009, May 6, 2009, July 3, 2009 and September 25, 2009, respectively, which were deployed on the spot market on April 24, 2009, June 4, 2009, August 2, 2009 and October 6, 2009, respectively, and were transferred from ships under construction to fixed assets during 2009.

NCC signed a contract with SLS Shipbuilding Co. Ltd. ("SLS") of 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). These tankers are scheduled to be delivered during 2011 through 2012.

NCC also signed a contract on July 4, 2010 with Daewoo Shipbuilding and Marine Engineering Co. Ltd. of South Korea to build a specialized chemical tanker for total price of approximately SR 245 million (USD 65.3 million) with expected delivery during 2013.

NCC in May 2010 decided to cancel two contracts signed with SLS in 2006 for building two tankers due to delay by SLS to deliver the tankers on the dates agreed in the contracts. Also, in September 2010 it was mutually agreed with SLS to cancel another five new ship building contracts, since SLS was not able to build the ships and deliver them within the period specified in the agreement. As of December 31, 2010, NCC collected SR 701.6 million which include all installments paid to SLS on all the cancelled contracts totaling to SR 641.3 million, all other incidental costs amounting to SR 45.2 million, as mutually agreed between the parties, and net recovery amounting to SR 15.1 million. Such net recovery was credited to other income during the year ended December 31, 2010 (See Note 22).

NCC also signed contracts with SLS on December 21, 2010 to purchase two chemical tankers for total price of SR 322.5 million (USD 86 million) with expected delivery during the first half of 2011.

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

	2010	2009
Balance, beginning of the year	1,431,698	2,105,137
Additions	266,300	1,185,974
Transfers to fixed assets	---	(1,859,413)
Recovery of costs on cancelled ships under construction contracts	(686,532)	---
Balance, end of the year	**1,011,466**	**1,431,698**

The balance of ships under construction and others as of December 31, 2010 includes SR 12.5 million (2009: SR 9 million) which represents amounts incurred for the construction of the Company's new building and software development costs and SR 40.6 million (2009: SR 28.9 million) for construction of Company's new office in Dubai.

The Company received all VLCCs under construction and there are no capital commitments to shipyards related to VLCCs as of December 31, 2010 and 2009. The National Chemical Carriers Ltd. Co. capital commitments for constructing chemical tankers amounted to SR 1.05 billion as of December 31, 2010 (2009: SR 1.68 billion). Capital commitments related to a new office in Dubai for Mideast Ship Management Ltd. amounted to SR 0.74 million as of December 31, 2010 (2009: SR 4.48 million). The capitalized portion of financial charges related to finance granted for the construction of carriers and new office in Dubai during the year 2010 amounted to SR 12.36 million (2009: SR 23.13 million).

13. Accounts payable and other credit balances

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

	2010	2009
Trade payables	26,031	22,567
Accrued operating expenses	154,411	113,566
Accrued insurance expenses	18,104	23,874
Accrued finance charges	11,621	12,435
Value of shares sold belonging to old shareholders	22,303	23,454
Other credit balances	18,402	16,955
	250,872	**212,851**

14. MURABAHA financing and longterm finance

The Company and its subsidiaries have entered into various Murabaha financing and long-term loans agreements 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:

	2010	2009
Finance to the Company	2,313,763	2,482,388
Finance to the subsidiaries	1,829,425	2,280,585
Total Murabaha and long-term finance	**4,143,188**	**4,762,973**
Current portion of Murabaha and long-term finance	(324,648)	(246,793)
Non-current portion of long-term finance	**3,818,540**	**4,516,180**

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

	2010					
Financing	**Parent Co.**	**%**	**Subsidiaries**	**%**	**Total**	**%**
Murabaha Finance	907,016	39%	1,411,831	77%	2,318,847	56%
Commercial Finances	220,997	10%	---	---	220,997	5%
Public Investment Fund "Murabaha Finance"	1,050,000	45%	---	---	1,050,000	26%
Public Investment Fund finance "conventional"	135,750	6%	417,594	23%	553,344	13%
Total	**2,313,763**	**100%**	**1,829,425**	**100%**	**4,143,188**	**100%**

2009						
Financing	**Parent Co.**	**%**	**Subsidiaries**	**%**	**Total**	**%**
Murabaha Finance	1,001,241	40%	1,844,835	81%	2,846,076	60%
Commercial Finances	257,897	10%	---	---	257,897	5%
Public Investment Fund “Murabaha Finance”	1,050,000	43%	---	---	1,050,000	22%
Public Investment Fund finance “conventional”	173,250	7%	435,750	19%	609,000	13%
Total	**2,482,388**	**100%**	**2,280,585**	**100%**	**4,762,973**	**100%**

The cost of financing is calculated as per the respective financing agreements.

The aggregate maturities of the outstanding financing under the Murabaha financing and loan agreements at December 31, 2010, are as follows:

2011	324,640
2012	409,126
2013	361,166
2014	358,320
2015	319,209
Thereafter	2,370,727
	4,143,188

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 finance facilities of the Company and its subsidiaries amounted to SR 5.56 billion out of which SR 1.43 billion remained unutilized at December 31, 2010 relating to NCC.

Finances granted to the subsidiaries are for the purpose of refinancing of loans, and acquisition of new office in Dubai.

Total financing charges on Murabaha financing and long-term loans amounted to SR 62.54 million for the year 2010 (2009: SR 100.8 million), out of which SR 24.31 million related to the subsidiary (NCC) loans (2009: SR 48.31 million) and SR 1.2 million related to the subsidiary, Mideast Ship Management Ltd., finance (2009: SR 1.33 million). Financing charges related to financing of VLCCs, petrochemical carriers and new office for a sum of SR 12.36 million (2009: SR 23.13 million) were capitalized (see Note 12).

15. Earnings per share and dividends

Earnings per share was calculated based on the number of shares outstanding during the years ended December 31, 2010 and 2009 totaling to 315 million shares.

The General Assembly on April 03, 2010 approved dividends at the rate of 10% of the share capital equal to SR 315 million at SR 1.0 per share for 2009 and the distribution was completed on April 11, 2010. The balance of unclaimed dividends as of December 31, 2010 amounted to SR 26.9 million (2009: SR 29.19 million).

The earning per share from non-operating income is SR 0.23 for 2010 (2009: SR 0.29).

16. 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 2009 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 withholding 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, 2010 for any potential zakat and tax claims by DZIT for the concerned years.

Zakat and Tax status for the subsidiary (NCC)

NCC submitted the zakat returns for all fiscal years up to 2009 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 had filed appeals against some items in these assessments and their treatments. In April 2010, NCC reached an agreement for a final settlement of the above assessments in the amount of SR 53 million for the above-mentioned assessment years against which NCC maintains adequate provision for zakat and withholding tax at December 31, 2010.

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:

	2010	2009
Balance, beginning of the year	**118,639**	**186,318**
Amounts paid during the year	(26,986)	(91,002)
Reversal of excess zakat and withholding tax provision	---	(12,050)
Income tax refund related to a subsidiary	1,411	783
Provisions for the year:		
Zakat	35,104	32,627
Tax:		
• Withholding tax	2,137	3,550
• Income tax (benefit) related to a subsidiary	(876)	(1,587)
Balance, end of the year	**129,429**	**118,639**

17. Hedging reserve for loans commision

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.

18. 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.

19. 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:

	2010				
	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Bulk Transportation	Total
Operating revenues	**1,445,532**	**266,744**	**337,554**	**---**	**2,049,830**
Operating expenses:					
Bunker consumption	513,193	---	112,499	---	625,692
Vessel related expenses	212,933	86,692	49,903	---	349,528
Cargo related expenses	---	---	134,995	---	134,995
Voyage related expenses	67,912	---	57,173	---	125,085
Depreciation and amortization	266,679	65,036	23,099	---	354,814
Others	9,704	2,127	---	---	11,831
Total operating expenses	**1,070,421**	**153,855**	**377,669**	**---**	**1,601,945**
Gross operating income (loss)	**375,111**	**112,889**	**(40,115)**	**---**	**447,885**

	2009				
	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Bulk Transportation	Total
Operating revenues	**1,040,228**	**304,706**	**327,082**	**---**	**1,672,016**
Operating expenses:					
Bunker consumption	293,333	3,344	99,309	---	395,986
Vessel related expenses	190,870	61,820	57,322	---	310,012
Cargo related expenses	---	---	123,397	---	123,397
Voyage related expenses	47,589	5,633	62,166	---	115,388
Depreciation and amortization	231,908	79,614	33,003	---	344,525
Others	7,756	2,481	---	---	10,237
Total operating expenses	**771,456**	**152,892**	**375,197**	**---**	**1,299,545**
Gross operating income (loss)	**268,772**	**151,814**	**(48,115)**	**---**	**372,471**

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:

2010

	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Bulk Transportation	Shared Assets and Liabilities *	Total
Assets	5,519,163	2,961,285	207,488	200,000	1,078,343	9,966,279
Liabilities	2,460,319	1,917,823	61,724	---	148,030	4,587,896

2009

	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Bulk Transportation	Shared Assets and Liabilities *	Total
Assets	5,747,711	3,309,741	211,892	---	1,067,490	10,336,834
Liabilities	2,597,619	2,358,664	61,377	---	141,535	5,159,195

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

20. Operating expenses reduction

a) In 2009, NCC reached an agreement on certain amendments to charter party agreements with a charterer with retrospective application. This resulted in reduction of operating expenses which was determined at SR 14.7 million for the year ended December 31, 2008 and was credited against operating expenses for the year ended December 31, 2009. Such reduction for the year ended December 31, 2010 amounted to SR 16.1 million (2009: SR 16.4 million) which was also credited against operating expenses for the year ended December 31, 2010 and 2009, respectively.

b) NCC provided a provision for contingent liability in 2007 and 2008 for SR 13.5 million and SR 17 million, respectively, related to potential Time Charter Hire Performance claims. During 2009, the 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.

21. General and adminstrative expenses

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

	2010	2009
Employees' costs	80,180	73,525
Other general and administrative expenses	17,604	15,651
Depreciation	1,884	1,948
Boards of Directors expenses for the Company and its subsidiaries	4,133	3,896
	103,801	**95,020**

22. Other income (expenses), NET

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

	2010	2009
Income from Murabaha and short-term deposits	5,784	10,552
Income (losses) from investments, net	3,267	6,912
Bank commissions	(173)	22
Gains on sale of fixed assets	152	30,489
Recovery on cancelled contracts for ships under construction (Note 12)	15,122	---
Reversal of excess zakat and withholding tax provision	---	12,050
Foreign currency exchange differences	(181)	997
Other	1,654	1,976
	25,625	**62,998**

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:

2010

Company name	Total assets	Total liabilities	Gross operating income	Net profit (loss)
National Chemical Carriers Ltd. Co.	2,961,285	(1,917,823)	112,889	92,868
Mideast Ship Management Ltd.	56,615	(40,298)	34,658	268
NSCSA (America) Inc.	12,969	(5,725)	16,955	(1,556)
Al-Bahri Company for Bulk Transportation	200,000	---	---	---

2009

Company name	Total assets	Total liabilities	Gross operating income	Net profit (loss)
National Chemical Carriers Ltd. Co.	3,309,582	(2,358,988)	151,814	135,221
Mideast Ship Management Ltd.	50,626	(34,578)	37,086	4,716
NSCSA (America) Inc.	14,715	(5,915)	15,712	(2,402)
Al-Bahri Company for Bulk Transportation	---	---	---	---

24. Commitments and contengencies

The Company has issued letters of guarantee of SR 77.6 million which includes a guarantee of SR 0.03 million in favor of the DZIT. These guarantees were issued against restricted cash, Murabaha and short-term deposits of SR 0.03 million (See Note 3).

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.

In addition, refer to Note (12) in relation to future capital commitments to build chemical tankers and office building.

25. Reclassification

Certain amounts previously reported in 2009 consolidated financial statements, including goodwill of SR 119.18 million reclassified as part of the carrying value of the investment in affiliate, have been reclassified to conform to current year presentation.

26. Financial instruments and risk managements

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 finance. 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 at 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 knowledgeable willing parties on an arms-length basis. As the consolidated financial statements of the Company are compiled based on historical cost convention, except for the investments in financial instruments and derivative financial instruments at fair value, 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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