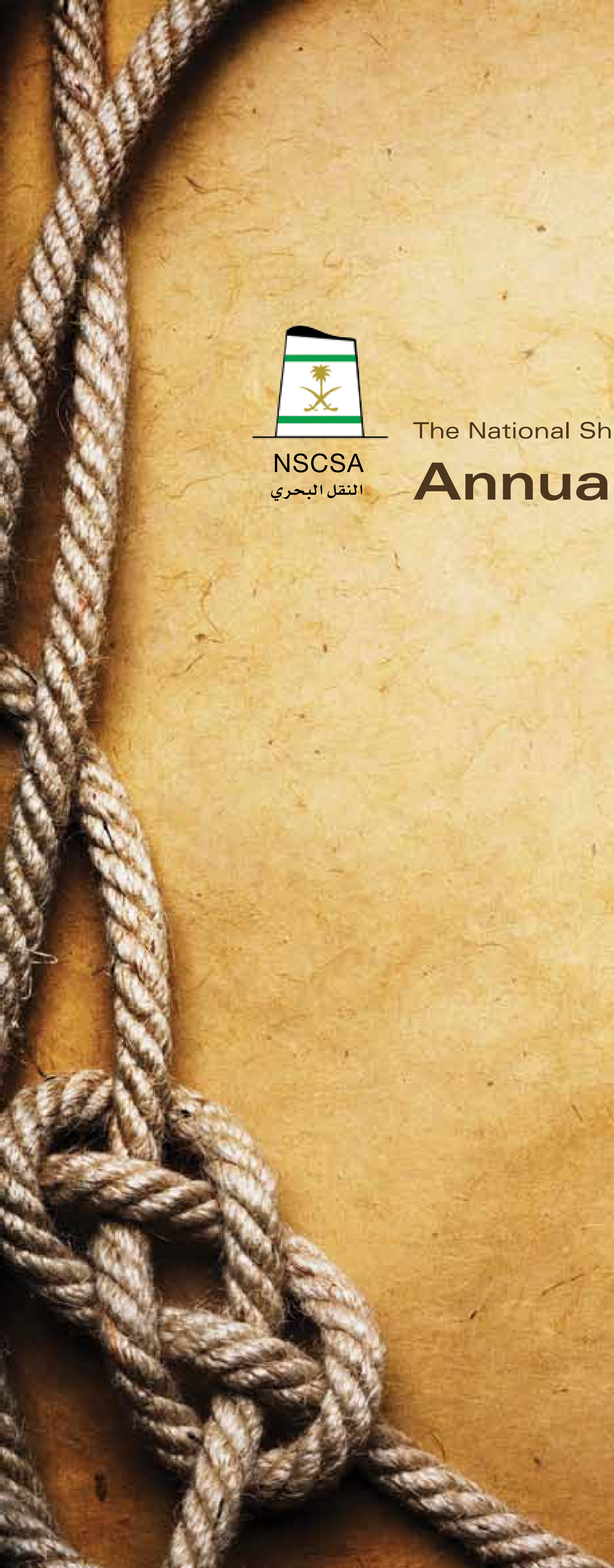
NSCSA

النقل البحري

The National Shipping Company of Saudi Arabia

Annual Report 2008



The National Shipping Company of Saudi Arabia

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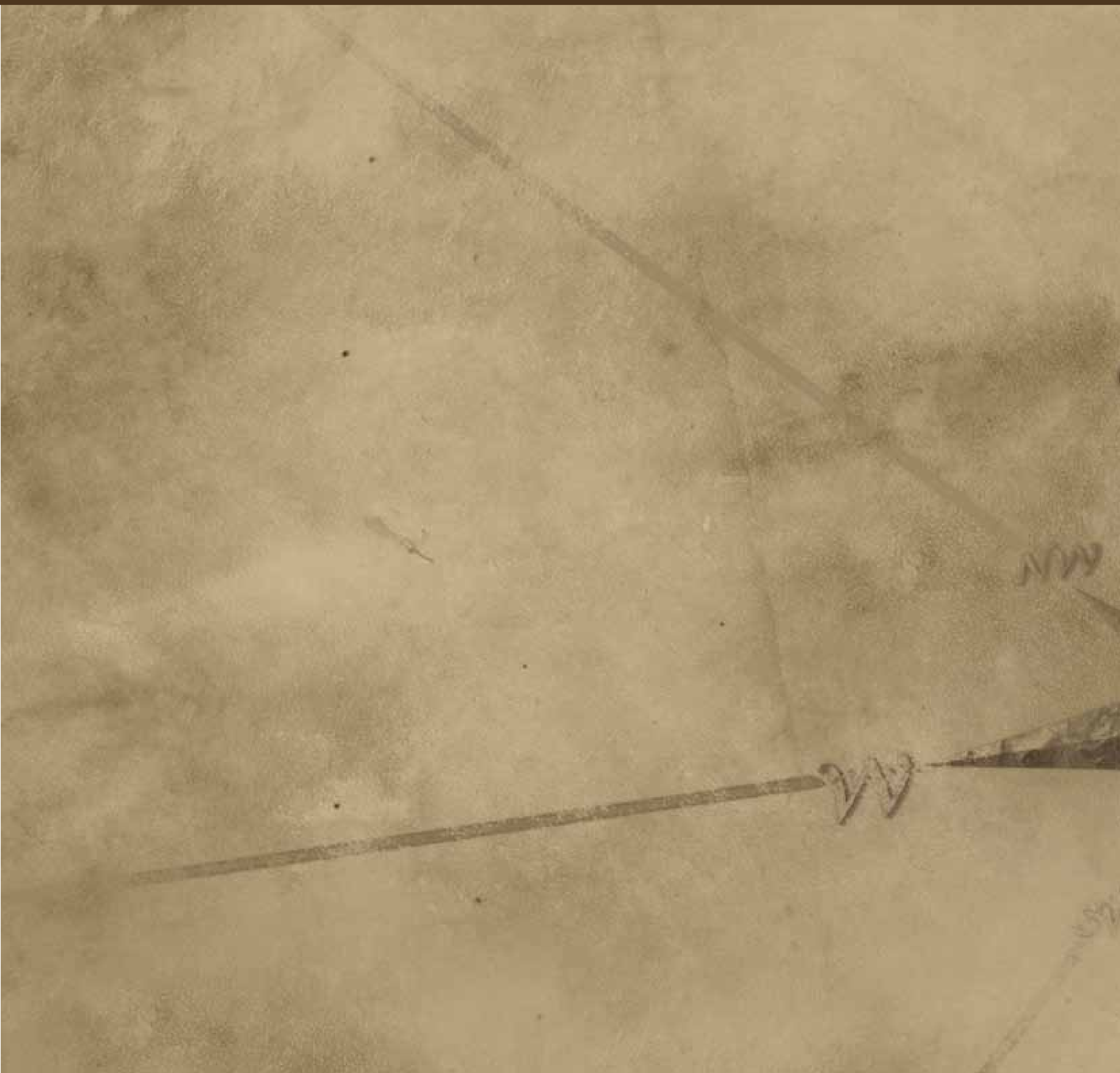
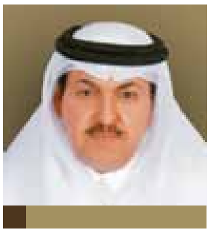


Board of Directors & Chairman's Message

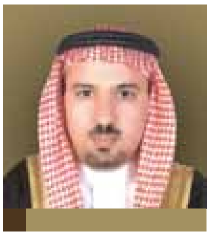
Board of Directors



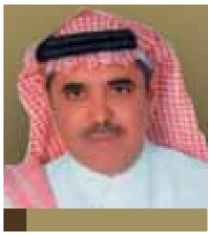
Abdullah Sulaiman Al-Rubaian
Chairman

Esam Hamad Al-Mubarak

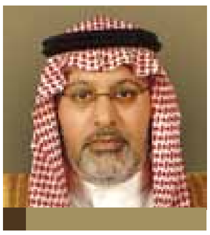
Mohommed Abdulaziz AlSarhan



Abdulkarim Ibrahim Al-Nafie

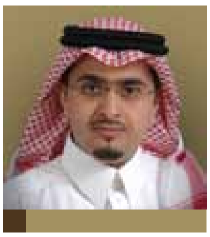


Saleh Abdullah AlDebasi



Nasser Mohammad Al-Kahtani

Farraj Mansour Abothenain



Bander Barjas Al-Abdulkareem

Sami Abdullah Al-Saeed

Chairman's Message

Dear Shareholders

On behalf of my colleagues members of the Board of Directors, I am delighted to submit the annual report for the fiscal year 2008, which contains the most important results, stated objectives, projects and studies which have been completed or will be completed in the near future, in addition to the financial statements for the fiscal year 2008, which presents the company's achievement of a net profit of SAR (750) million or (77%) increase over 2007.

In the course of 2008, several strategic corporate objectives were achieved. The most important of these objectives was the approval of a comprehensive strategic plan by the Board of Directors with effect from the end of the year 2008. This strategic plan, which includes a review of the company's previous strategy that had been in operation since the start of year 2006, confirms the need to continue expansion and growth in various activities of the company (transportation of crude oil, chemicals, and general cargo) on a timely manner. It also focused on development of the organizational and administrative structure of the company, taking into account the economic situation and the extent of global financial impact on the various activities of the company, with due consideration to the fact that the company is not immune to this crisis. Therefore, the Board of Directors and management of the company have been monitoring the situation and waiting for opportunities to expand its various activities at a suitable time , as well as to engage in investment activities in the field of maritime transport and services to complement and exploit the opportunities available after the preparation of the necessary studies and to ascertain the economic feasibility based on a number of factors, including a rewarding profit returns, expected growth of the activity as well as the ability of the company to strongly participate in such activities, commensurate with its competitive capabilities.

According to the strategic plan regarding crude oil transportation sector, the company received two VLCCs in 2008, and will receive the remaining four carriers during the year 2009, thereby increasing company's VLCC fleet to 17 carriers with a capacity of (5.26) million tons of dead weight.

In the sector of chemical products transportation, the National Chemical Carriers Limited Company "NCC" (80% ownership by NSCSA) received two new chemical carriers in 2008. Additionally, NCC has signed a contract to build 16 other carriers due to be delivered by 2012.

In the general cargo sector, the company's overall strategic plan recommended construction or purchase of a number of general cargo vessels to replace or supplement the current fleet, subject to preparation of necessary feasibility studies in accordance with approved investment criteria.

With regard to organizational and administrative restructuring, the Strategic Plan recommended restructuring of certain sectors of the company, whereby the various functions of the company would become independent business units, stressing on the importance of giving due care and attention to the existing human resources and investment in the development of their capabilities through constant training and providing updated information on all developments in their respective fields of work to ensure the highest degree of operational, financial and administrative efficiency.

In the field of information technology, the company has conducted a study to evaluate its technical systems and future requirements of latest information technology, and has signed contracts for the application of the Enterprise Resource Planning (ERP) system, which aims at updating and developing corporate information systems to link the operations of the company internally and externally.

The company has taken advanced steps to raise the level of transparency and to prepare new corporate governance rules of its own in line with generally accepted international practices, applicable regulations and guidelines duly issued by competent authorities in Saudi Arabia.

The company's outlook is manifested in its continued endeavor to become one of the leading and a recognized shipping company globally, through deliberate growth and expansion in the size of its fleet and diversification of its investments.

In line with its effective role towards social responsibility, the company continues to sponsor various social events, participate in conferences for local and global awareness enhancement, sponsoring and participating in several awareness conferences to protect the marine environment.

In conclusion, I would like to extend my heartfelt thanks to the Government of the Custodian of the Two Holy Mosques, owners and customers of the company for their support. I also thank members of the board, executive committees, executive management and employees of the company for their laudable efforts to further improve and develop the company, God willing.

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

Eng. Abdullah Sulaiman Al Rubaian
Chairman of the Board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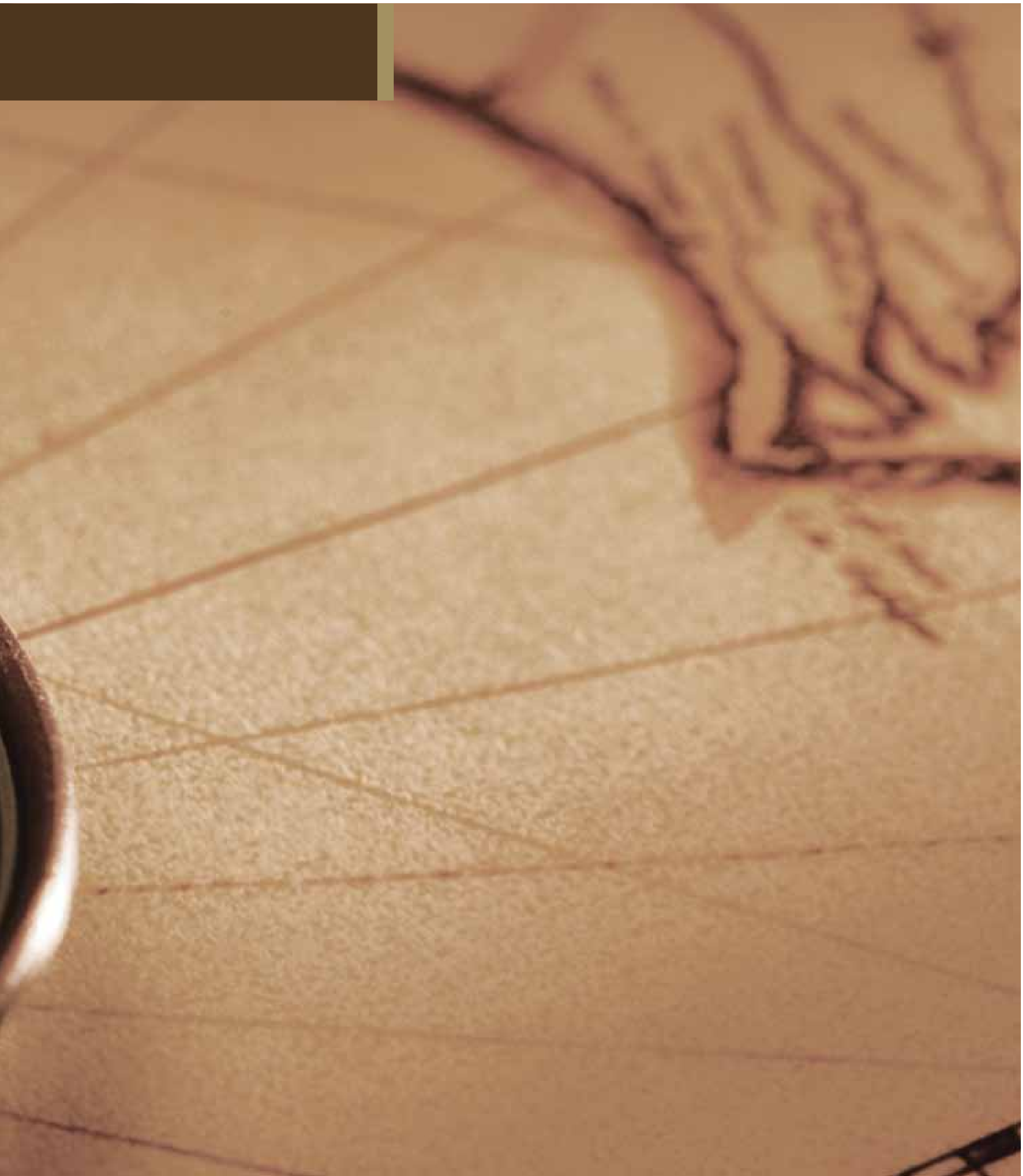
Board of Directors Report



Company Profile

Three decades have passed since the inception of the National Shipping Company of Saudi Arabia (NSCSA). The course of this procession was full of great success which reflected the company's identity and national affiliation with global features. The most striking features of this success are manifested in the strategic outlook towards this promising industry by penetrating various fields of shipping business. NSCSA was a forerunner in providing excellent services, which constituted a qualitative change in the shipping industry throughout its course of transition from phases of foundation and formation to full-fledged growth which eventually led to its current phase of expansion. NSCSA continues to mobilize its resources to further support the acceleration of the wheel of development of the national economy, rendering the company to be a leading company in this industry at the regional level and assuming a forefront position among the leading shipping companies in the international level.

The company and its affiliates currently own a large fleet of giant crude oil tankers, liquefied petroleum gas and chemical tankers, general cargo and multi-purpose (RORO) vessels. The company also deals in the field of shipping brokerage and has a wholly-owned affiliate responsible for ship management services.

The company made significant progress over the past years, at the levels of expansion in services and the size of its fleet, and generated successive remarkable profits, culminating in the record of profits generated in 2008.

Given the significant role of the transport sector in accelerating the wheel of development in the Kingdom, and being one of the basic focal points in this field, NSCSA, through its distinctive activity, constitutes one of the pillars of the Saudi national economy and contributes to the support and development of national development programs and preservation of the environment in line with national and Islamic values.

The company is making every possible effort to achieve meaningful returns to shareholders by practicing best investment methods to avoid risks without adversely impacting its stated mission, goals and objectives.

The company endeavors to foster confidence through establishing long-term relationships with its customers and partners. Additionally, affiliation to a large number of organizations and conglomerates has given the company worldwide distinctive presence, prominent status and prestige in the international arena.

Historical Background

1970 1980 1990 2000 2010

1979
Company's incorporation by Royal Decree and commence-ment of operations with chartered vessels

1983
Owned the 1st. cargo vessel "Saudi Abha" of a 4-vessel fleet

1986
Engaged in the primary phase of chemical Transportation

1990
Founded the National Chemical Carriers Limited Company in a strategic partnership with SABIC

1993
Founded the National Shipping Company of Saudi Arabia (USA)

1995
Engaged in crude oil transportation and taking delivery of the first giant crude oil tanker

1997
Founded the Mideast Ship Management Ltd.

2005
Engaged in the shipping of liquefied petroleum gas through purchase of stake in Petredec Ltd. International Company

2008
Realized historical financial results

Economic Highlights

At the end of 2008, the global economy has experienced a significant decline in growth rates which impacted most economic sectors following the global financial crisis that were rampant in many countries at varying degrees. This decline coincided with a disruption in financial markets, decline in crude oil prices, high rates of unemployment, winding up of many companies especially in the USA and other Western countries, contraction by many companies of their business activities and suspension of many large construction projects.

In light of this sharp decline and the recession that the global economy has gone through, most countries adopted incentive policies to face the economic recession and to avoid going into depression. These policies included an increase of government at spending, support of basic industries and reduction of interest rates. However, economic outlook indicates a continued economic recession in 2009.

The company was not immune to this crisis, which witnessed a decline in the world trade activities and, consequently, a reduction in shipping rates. However, the impact of this decline on the company was limited due to the balanced policies pursued by the company in chartering and operating of vessels and diversification of its activities. In spite of the current fluctuations in the global economic markets, the shipping industry augurs a promising future, especially with the current expansion in infrastructure projects, and chemical industries.

Strategy, Future Objectives and Projects

In 2006, the company embarked on the implementation of its strategic plan, which focused on expansion in the shipment of crude oil, liquefied petroleum gas and chemicals, as manifested in the contract duly concluded to build six (6) giant oil tankers (VLCCs) and sixteen (16) chemical carriers.

At the end of 2008, the Board of Directors adopted a new five-year plan (2009 – 2013), which was prepared in co-ordination with an international consulting firm.

Results of this plan confirmed the soundness of the company's financial and operational position and its competitive edge in the global markets, especially after increasing its VLCCs fleet and chemical tankers over the last three years, which NSCSA will continue to receive until the end of 2012.

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

Recommendations of this plan also include, administrative and organizational restructuring of the company to ensure the highest degree of operational, financial and administrative competence, to enhance the company’s capability in tackling potential global changes and optimal use of available resources. Controls and governance systems have also been in place in line with generally acceptable international practices and applicable regulations of the Kingdom of Saudi Arabia.

Financial Statements & Results of Operations

The Company's operations have witnessed a quantum leap and excellent results in the course of 2008 despite the state of volatility that dominated the global economy due to declining growth rate in most countries of the world during the second half of 2008. The company posted a net profit of 749.97 million Saudi Riyals (compared to SAR 422.58 millions in 2007) marking an increase of SAR 327.39 or 77.47% over prior year income. Achievement of such recorded results are attributed to several factors, including:

- Improvement in the charter rates of carriers and general cargo freight rates during the first nine months of 2008.
- Diversification of activities and sources of income of the company, which led to stability and growth in profits.
- Putting new oil tankers in service during the year 2008.
- Adoption of a balanced policy in the selection between long-term charter of carriers and the spot market business.

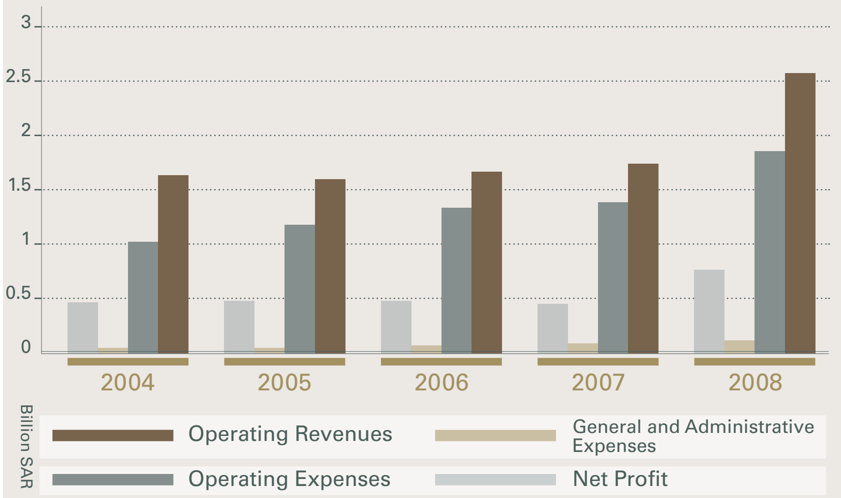
All sectors of the company and its affiliates have contributed effectively to achieve these results.

Financial Results for the previous five years*

Year	2008	2007	2006	2005	2004
Operating Revenue	2.594.530	1.703.294	1.651.281	1.602.270	1.646.221
Operating Expenses	(1.633.882)	(1.251.958)	(1.161.006)	(1.081.005)	(1.080.813)
Gross Operating Income	960.648	451.336	490.275	521.265	565.408
General and Administrative Expenses	(105.718)	(87.301)	(81.344)	(70.844)	(66.914)
Other Income (Expenses)	(50.491)	76.960	51.870	6.096	(50.669)
Zakat & Tax Provision	(54.471)	(18.419)	(19.305)	(18.677)	(19.985)
Net profit	749.968	422.576	441.496	437.840	427.840
Earning Per Share (SAR)	2.38	1.48	1.96	2.19	2.14

*SAR (000)

Financial Results for the previous five years



Statement of Significant Assets and Liabilities

Item	2008	2007	2006	2005	2004
Current Assets	1.579.185	1.400.642	558.011	698.228	790.221
Current Liabilities	817.726	717.011	1.472.536	616.820	786.642
Operating Capital	761.459	683.631	(914.525)	81.408	3.579
Other Non-Current Assets	2.581.331	1.761.709	1.788.351	789.227	412.631
Fixed Assets	5.658.910	4.634.435	3.650.744	3.346.742	3.276.956
Total Assets	9.819.426	7.796.786	5.997.106	4.834.197	4.479.808
Long Term Loans	3.709.941	2.229.291	1.336.078	1.432.898	1.367.770
Total Liabilities	4.565.555	2.983.304	2.843.226	2.091.459	2.217.858
Paid up Capital	3.150.000	3.150.000	2.250.000	1.999.290	1.998.189
Reserves & Retained Earnings	1.940.796	1.509.793	754.619	601.527	131.846
Minority Interests	163.075	153.689	149.261	141.921	131.915
Equities	5.253.871	4.813.482	3.153.880	2.742.738	2.261.950
Total Liabilities & Equities	9.819.426	7.796.786	5.997.106	4.834.197	4.479.808

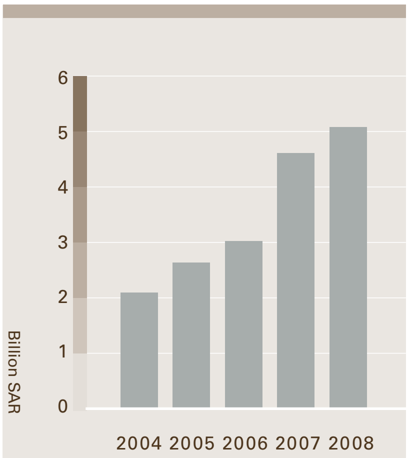
*SAR (000)

The company's financial results over the previous years had positive effects on the shareholders' equity, which has grown significantly.

Growth in Shareholders Equity

Year	Shareholders Equity	Increase	%
2008	5.090.796	431.003	9%
2007	4.659.793	1.655.174	55%
2006	3.004.619	403.802	16%
2005	2.600.817	470.782	22%
2004	2.130.035	260.622	14%

*SAR (000)

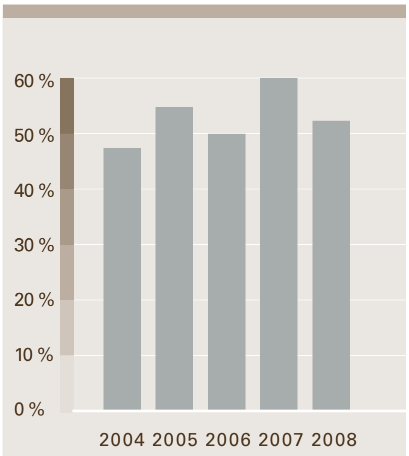


Growth in Shareholders Equity

Shareholders Equity to Assets

Year	Shareholders Equity	Total Assets	%
2008	5.090.796	9.819.426	52%
2007	4.659.793	7.796.786	60%
2006	3.004.619	5.997.106	50%
2005	2.600.817	4.834.197	54%
2004	2.130.035	4.479.808	48%

*SAR (000)



Shareholders Equity to Assets

Subsidiaries and Main Segments

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

Company's Name	Activity	Head Office	Scope of Activity	Date of Incorporation	Ownership (%) 2008	Ownership (%) 2007
NSCSA (America) Inc.	Company's ships agent	USA	Global	1991	100%	100%
Mideast Ship Management Ltd.	Ship Management	Dubai	Global	1996	100%	100%
National Chemical Carriers Ltd. Co.	Petrochemicals Transportation	Riyadh	Global	1990	80%	80%
Petredec Ltd.	Liquefied Petroleum Gas Transportation	Bermuda	Global	1980	30.3%	30.3%
Arabian United Float Glass Company	Glass Manufacturing and Trading	Riyadh	Regional	2006	10%	10%

Summary of Financial Results of Subsidiaries for the Fiscal year 2008

Company	Operating Revenue	Operating Expenses	General and administrative Expenses	Other (Expenses) Income	Net profit (Loss)	Participation in Company Net Profits
NSCSA (America) Inc.	41.209	(12.143)	(23.218)	(2.223)	3.625	0.48%
Mideast Ship Management Ltd. **	22.542	-	(30.787)	269	(7.976)	-
National Chemical Carriers Ltd. Co.	618.937	(502.843)	(6.997)	(62.170)	46.927	6%

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

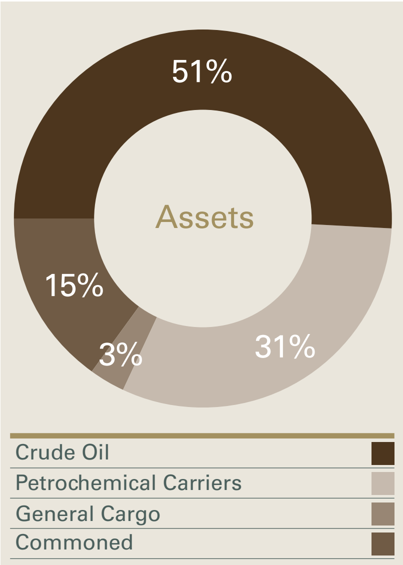
*SAR (000)

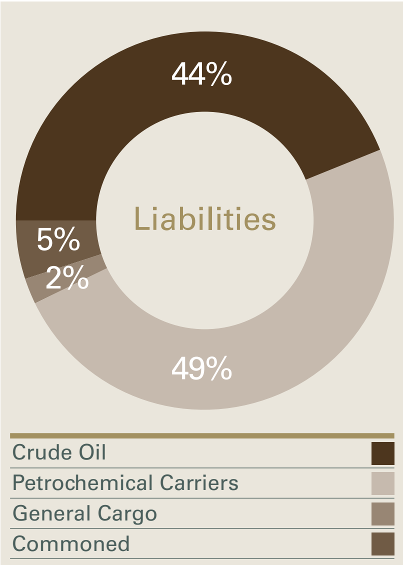
There are no issued shares or debt instruments pertaining to the subsidiary companies.

Asset and Liability Distributions over Company Segments for the fiscal year 2008

Segment	Crude Oil Transportation	Petrochemicals Transportation	General Cargo Transportation	Combined	Total
Assets	5.032.373	3.072.196	292.065	1.422.792	9.819.426
Percentage	51%	31%	3%	15%	100%
Liabilities	1.995.025	2.256.403	99.804	214.323	4.565.555
Percentage	44%	49%	2%	5%	100%

*SAR (000)

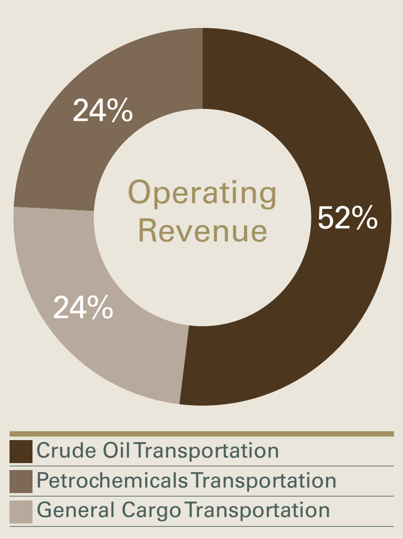


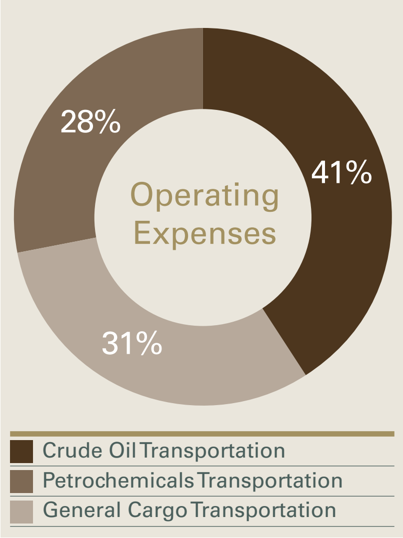


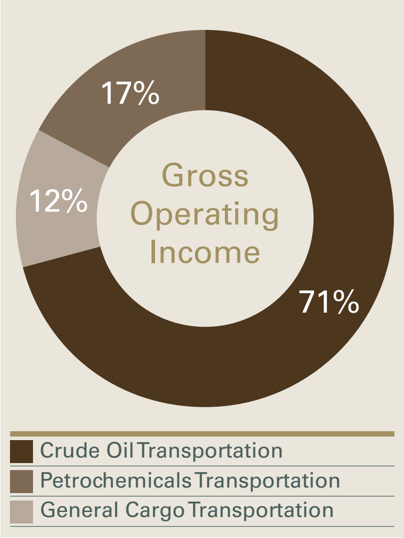
Revenues of the Company's Main Segments for the Fiscal Year 2008

Segment	Crude Oil Transportation	Petrochemicals Transportation	General Cargo Transportation	Total
Operating Revenue	1.352.448	618.937	623.145	2.594.530
Operating Expenses	(666.829)	(502.843)	(464.210)	(1.633.882)
Gross Operating Income	685.619	116.094	158.935	960.648
Percentage of Total	71%	12%	17%	100%

*SAR (000)







Transportation of Crude Oil and Liquefied Gas

Crude Oil Transportation:

The company's tendency through the nineties to engage in the transportation of crude oil has been successful by all standards, and its strategic plans to focus on the successive expansion of this activity is rendered to be a good return on equity, through which the company has assumed a leading position in the Middle East. In this regard, the company has pursued a thoroughly studied operational policy for investment in crude oil carriers (VLCC), aimed at achieving a balance between operating revenues and market risks by:

- Leasing some of its vessels on long-term contracts (Time Charter), to ensure steady income. By the end of 2008, the number of vessels leased on long-term contracts were six, two of which can contribute to the company's rental revenues in accordance with an equation that ensures a minimum level of rent and provides the company with the opportunity to benefit from any rise in the spot market.
- Operating in the spot market in order to take advantage of the opportunities available in that market. By the end of 2008, the number of VLCCs operating in the spot market reached seven.

The company currently owns (13) VLCCs in service, two of which were received in 2008 and four carriers which had previously been contracted to build are still under construction and are expected to be received during 2009. This comes within the framework of the five-year strategic plan of the company's ambitious expansion and growth in the shipping sector, which envisages that the company's fleet capacity will be in the range of (5.25) million static tons.
Transportation of crude oil and liquefied gas realized an operating profit of SAR 685.6 million in 2008, compared to SAR 260.7 million in 2007, representing 71% of the total operational profits of the company.

VLCCs fleet operational and under construction

VLCC name	Year of Manufacture	Date of Delivery	Type	Weight (Static Tons)	Length (Meter)	Width (Meter)	Number of Tanks	Speed (Knots)
Ramlah	1996	31/01/1996	Double Hull	300.361	340	56	17	15
Ghawar	1996	30/04/1996	Double Hull	300.361	340	56	17	15
Watban	1996	30/08/1996	Double Hull	300.361	340	56	17	15
Hawtah	1996	31/10/1996	Double Hull	300.361	340	56	17	15
Safaniyah	1996	14/01/1997	Double Hull	300.361	340	56	17	15
Harad	2001	12/10/2001	Double Hull	302.700	333	58	17	17.1
Marjan	2002	11/02/2002	Double Hull	302.700	333	58	17	17.1
Safwa	2002	17/06/2002	Double Hull	302.700	333	58	17	17.1
Abqaiq	2002	07/11/2002	Double Hull	302.700	333	58	17	17.1
Wafrah	2007	26/02/2007	Double Hull	318.000	333	60	17	16.7
Leyla	2007	24/09/2007	Double Hull	318.000	333	60	17	16.7
Jana	2008	03/09/2008	Double Hull	318.000	333	60	17	16.1
Habari	2008	14/10/2008	Double Hull	318.000	333	60	17	16.1
Kahla	2009	March 2009	Double Hull	318.000	333	60	17	16.1
Dorra	2009	April 2009	Double Hull	318.000	333	60	17	16.1
Ghazal	2009	July 2009	Double Hull	318.000	333	60	17	16.1
Sahba	2009	Sept. 2009	Double Hull	318.000	333	60	17	16.1
			Total Capacity	5.256.605				

Growth of VLCCs

Description	Number of Carriers	Capacity (Static tons)
Fleet at the beginning of 2008	11	3.348.605
Vessels received during 2008	2	636.000
Fleet as at 31 December 2008	13	3.984.605
Vessels under construction and expected to be received in 2009	4	1.272.000
Total	17	5.256.605

Liquefied Petroleum Gas Transportation

In line with the stated objectives of the company as manifested in the diversification of sources of income, in 2005 NSCSA embarked on investing in Petredec limited for trading and shipping LNG, based in Bermuda, through the purchase of 30.3% stake of its capital in an amount of (187.5) million Saudi Riyals. Petredec operates in the field of trade and shipment of liquefied petroleum gas. It operates a fleet of 64 carriers of various sizes, including 19 carriers owned by Petredec and the rest are leased on charter contracts and operated on spot and long-term contracts.

According to its expansion plan, Petredec has contracted to build six liquefied gas carriers, four of which were received in 2008, and the remaining tankers are expected to be received in the first half of the year 2009.

Over the past years, the company achieved remarkable profits from this investment, amounting to a total of SAR 220.7 million by the end of 2008.

Petrochemicals' Transportation

NATIONAL CHEMICAL CARRIERS

In collaboration with SABIC, in 1990 the NSCSA founded the National Chemical Carriers Limited Company at a share of 80% and 20% respectively.

The National Chemical Carriers Limited Company (NCC) is considered as one of the leading international companies specialized in the transportation of petrochemicals, has a capital of Saudi Riyals 610 million.

Within the framework of the National Chemical Carriers company's strategic plan to increase the capacity of its fleet to approximately 1.3 million static tons and the number of owned vessels to (29) carriers, NCC received four new carriers in 2007 and 2008, and contracted with SLS SHIPBUILDING CO. for building sixteen (16) carriers which are expected to be received during the period from 2009 to 2012.

Chemical carrier fleet operational and under construction

Carrier Name	Year of Manufacture	Date of Delivery	Type	Weight (Static Tons)	Length (Meter)	Width (Meter)	Number of Tanks	Speed (Knots)
NCC Assir (1)	1982	June 1982	Double Hull	23.000	158.95	23.1	28	16
NCC Arar (1)	1982	Oct.1982	Double Hull	23.000	158.9	23.1	28	16
NCC Baha (1)	1988	Jan.1988	Double Hull	24.700	172.4	27.7	25	14.5
NCC Riyadh (2)	1995	Jan.1995	Double Hull	37.500	183.1	32.2	22	16
NCC Makkah (2)	1995	May 1995	Double Hull	37.500	183.1	32.2	22	16
NCC Jubail (2)	1996	Oct.1996	Double Hull	37.500	183.1	32.2	22	16
NCC Najd	2005	Oct. 2005	Double Hull	46.200	183	32.2	22	15
NCC Hijaz	2005	Oct. 2005	Double Hull	46.200	183	32.2	22	15
NCC Tihama	2005	Apr. 2006	Double Hull	46.200	183	32.2	22	15
NCC Abha	2006	Jun. 2006	Double Hull	46.200	183	32.2	22	15
NCC Tabuk	2006	Jul. 2007	Double Hull	46.200	183	32.2	22	15
NCC Qassim	2006	Aug. 2006	Double Hull	46.200	183	32.2	22	15
NCC Rabegh	2007	Aug. 2007	Double Hull	46.200	183	32.2	22	15
NCC Sudair	2007	Nov. 2007	Double Hull	46.200	183	32.2	22	15
NCC Dammam	2008	Jan. 2008	Double Hull	46.200	183	32.2	22	15
NCC Hail	2008	Mar. 2008	Double Hull	46.200	183	32.2	22	15
Hull # 490	2009	Sep. 2009	Double Hull	45.000	183	32.20	22	15
Hull # 491	2010	Jan. 2010	Double Hull	45.000	183	32.20	22	15
Hull # 492	2010	Jan. 2010	Double Hull	45.000	183	32.20	22	15
Hull # 493	2010	Apr. 2010	Double Hull	45.000	183	32.20	22	15
Hull # 494	2010	Jun. 2010	Double Hull	45.000	183	32.20	22	15
Hull # 495	2010	Aug. 2010	Double Hull	45.000	183	32.20	22	15
Hull # 500	2011	Jan. 2011	Double Hull	45.000	183	32.20	22	15
Hull # 501	2011	Mar. 2011	Double Hull	45.000	183	32.20	22	15
Hull # 508	2011	May 2011	Double Hull	45.000	183	32.20	22	15
Hull # 509	2011	Jul. 2011	Double Hull	45.000	183	32.20	22	15
Hull # 536	2011	Jul. 2011	Double Hull	45.000	183	32.20	22	15
Hull # 537	2011	Aug. 2011	Double Hull	45.000	183	32.20	22	15
Hull # 538	2011	Oct. 2011	Double Hull	45.000	183	32.20	22	15
Hull # 539	2011	Dec. 2011	Double Hull	45.000	183	32.20	22	15
Hull # 540	2012	Jan. 2012	Double Hull	45.000	183	32.20	22	15
Hull # 541	2012	March 2012	Double Hull	45.000	183	32.20	22	15
			Total	1.365.200				

(1) These carriers were sold and expected to be delivered to the buyer during the month of January 2009.

(2) These carriers (NCC Riyadh, NCC Mekkah, and NCC Jubail) have been leased (Bareboat) to "Odfjell" for a period of ten years, with an option to exercise the right of purchase after the third year.

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

Growth of Chemical Carriers

Description	Number of Carriers	Capacity (static tons)
Fleet at the beginning of 2008	14	552.800
Tankers received during 2008	2	92.400
Fleet as at 31 December 2008	16	645.200
Tankers excluded during 2009	(3)	(70.700)
Tankers under construction expected to be received during 2009-2012	16	720.000
Total	29	1.294.500

In 2008, the chemical carrier activity realized a total operating profit of SAR 116.09 million, compared to $ 81.8 million Saudi riyals in 2007, or 12% percent of the total operational profits of the company in 2008.

General Cargo Transportation

The general cargo transport sector (Lines) had witnessed a remarkable recovery until the end of the third quarter of 2008. In spite of the decline in freight rates during the fourth quarter of 2008, the rate of annual performance was positive and good results at both, financial and operational side were achieved. The plan to prolong the operational life of the general cargo vessels was also completed. The general cargo transportation sector had contributed a total operating profit of SAR 158.9 million in 2008, compared to $ 108.9 million Saudi Riyals in 2007, representing 17% of the total operating profit of the company in 2008.

General Cargo Fleet

Vessel	Weight (Static Ton)	Length	Width	Draft	Container Capacity	Speed
Saudi Abha	42.600	236.95 m	32.29 m	11.12	2.050	18
Saudi Diriyah	42.600	236.95 m	32.29 m	11.12	2.050	18
Saudi Hofuf	42.600	236.95 m	32.29 m	11.12	2.050	18
Saudi Tabuk	42.600	236.95 m	32.29 m	11.12	2.050	18

Container Yard

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

NSCSA owned containers and trailers

Type	Quantity
Ordinary 20ft Container	2841
Open Top 20ft Container	376
Open sides 20ft Container	104
Ordinary 40ft Container	561
40ft Container	1351
Open Top 40ft Container	157

Type	Quantity
Open sides 40ft Container	178
Trailers (40) ft	255
Trailers (20) ft	229
Trailers (Chassis) (62) ft	15
Trailers (Chassis) (40) ft	289
Trailers (Chassis) (20) ft	4

Number of Containers	Number of Units (TEUS)
7815	5568

Ship Management

The Mideast Ship Management Ltd. is responsible for technical management of the company's vessels in accordance with the requirements of international maritime organizations. The company employs a specialized team of captains, engineers and technicians with high level of competence and extensive experience in the technical and administrative aspects of the management and operation of ships.

The Mideast Ship Management submits technical reports to NSCSA on the performance and status of ships, fuel consumption and recommendations in this regard, in addition to periodic financial reporting on operating expenses and budgeting, as well as several other reports. The Mideast Ship Management also provides training to new entrant sailors on board NSCSA carriers.

Planning and Business Development

During early 2006, the company established a department for Business Development and planning to coordinate the implementation of the initiatives and objectives of its overall strategic plan.

NSCSA undertakes the functions of strategic planning and coordination between business units and supporting departments and follows-up the performance in line with the stated objectives of the strategic plans.

Functions of this Department include follow-up of the processes of change and restructuring currently taking place in all sectors of the company; search for appropriate opportunities consistent with the initiatives of the general strategy. It also issues periodic information reports on the maritime transport market and prepares comparative financial reports on the performance of NSCSA and similar companies both at the regional and global levels.

Customer Services and Public Relations

NSCSA always endeavors to achieve excellence in keeping pace with developments in the field of maritime transport and expanding its investment activities at the regional and global levels. It has demonstrated its ability to compete through manifesting good knowledge of the domestic and international markets and through accumulated experience. The growing interest in the shipping industry at an global level in general and the Middle East and the Gulf in particular, makes it contingent upon shipping companies to mobilize all their competitive capabilities to meet the needs of their clients. NSCSA currently focuses on the exploitation of its capabilities, and endeavors to maintain its position among the leading companies locally and internationally in order to provide optimal services to its customers. In this regard, NSCSA seeks to create competitive advantages for its services which are distinct from other competitor companies in order to capture a greater share of the domestic, regional and global markets.

In the wake of this competition, NSCSA aims to satisfy the customers, who have contributed actively to its success and represent the core of its assets by fulfilling their needs and seeking their satisfaction through outstanding performance, reliability, quality and commitment. NSCSA has a solid base of core clients both locally and internationally. NSCSA also maintains strategic relationships with several local, regional and international bodies, and company management constantly works on strengthening such relations. Notwithstanding the rise in the cost of shipping during the previous years, which eventually led to increasing the operational costs of the company, NSCSA has made every possible effort to reduce the impact of this rise in cost on its

clients, without adversely affecting the revenues of the company while working at the same time to upgrade the level of services provided to these clients.
In line with NSCSA's endeavors to foster its relationship with areas concerned with the maritime transport industry and to create a distinct presence in this arena, NSCSA participated in many activities and events. Highlights of NSCSA participation in such activities during the year 2008 are summed up in the following:

- World Maritime Day 2008
- Exhibition and Conference Oil and Gas
- The 11th GCC industrialists Conference
- Lloyd's List (Best Oil Shipping Company in 2008)
- First Saudi International Forum on Ports and Maritime Transport
- Money and Ships Conference - Middle East
- Fourth Gulf Forum for Ship Financing
- Indian Shipping Conference - Mumbai
- First Saudi Exhibition on Minerals
- Sponsoring the National Sales Forum in America
- Participation in various investment forums

NSCSA has been awarded the (SCATA) "Company of the Year in Maritime Transport" prize for 2008 duly organized by "ITP Business". The award is given to the company for record performance in its field of activity. NSCSA was chosen on the merit of many inputs of outstanding performance in all areas in which it operates, especially in the transportation of oil and gas, chemicals and general cargo.

Investment and Financing

During the past four years, NSCSA procured to have its investments compliant with the precepts of Islamic Shariah, and achieved this goal rendering its current investments Shariah compliant. The company also obtained over the past two decades a package of commercial loans and Murabaha financing facilities from several major local and international financial institutions, to finance its ambitious strategic projects which are expanding year after year. The company currently enjoys the confidence of financial institutions due to fulfillment of its commitments under the agreements concluded with these institutions rendering the company to have a sound financial position. The company has worked over the past three years with these financial institutions to secure Shariah compliant financing facilities and succeeded in raising the proportion of Shariah compliant funding to 77% at the end of 2008. NSCSA endeavors diligently to have 100% Shariah compliant funding upon termination of the existing commercial loans.

Financing During 2008*

Company	Loan balance at the beginning of the year	Change during the year	Loan balance at year end
NSCSA	1.234.328	607.035	1.841.363
NCC	1.176.461	965.378	2.141.839
Mideast Ship Management Ltd.	23.351	-	23.351
Total	2.434.140	1.572.413	4.006.553

*SAR (000)

Financing Details as at 31 December 2008*

Financing	NSCSA	%	Affiliates	%	Total	%
Murabaha Financing	1.359.167	73%	1.706.089	80%	3.065.256	77%
Commercial Loans	294.797	16%	-	-	294.797	7%
PIF Loans	210.750	11%	435.750	20%	646.500	16%
Total	1.864.714	100%	2.141.839	100%	4.006.553	100%

*SAR (000)

NSCSA does not have any absolute debt instruments or debt instruments that are convertible into shares, option rights, subscription or similar rights issued or granted by the company during the current financial year.

Human Resources

NSCSA focuses on providing an appropriate environment to optimize productivity and develop its human resources. For this reason, in 2008 NSCSA embarked on the review and updating of its by-laws in order to enhance its competitive edge which is dependent primarily on its distinctive competencies.

Various in-house or out side training courses for staff development were also conducted to tackle relevant advanced technology and disciplines needed for NSCSA functions.

Based on the company's conviction that nationalization of jobs constitutes a national option, NSCSA has completed the Saudization of most of the leading positions in the company and its affiliates, and other jobs are being Saudized gradually, according to a plan under which NSCSA has undertaken to train Saudi cadres.

Given the lack of qualified Saudi manpower working in the shipping industry, NSCSA has signed a memorandum of understanding with the Naval College, King Abdulaziz University in Jeddah, to avail students of the said college the opportunity of practical training on board NSCSA vessels for developing their abilities and giving them career opportunities to increase the number of Saudi cadres in this field.

Information Technology

Out of NSCSA's concern to have in place state-of-the-art technology and sophisticated systems to provide necessary support and assistance to all sectors of the company and to keep pace with the trend of expansion in various fields, and in order to upgrade the level of services provided to its customers, a strategic plan for information technology has been developed with the assistance of a specialized international consulting firm to develop scientific methods and an appropriate methodology aimed at determining the company's course of action and its future needs for modern information technology, and to keep up with the company's strategic plan.

Based on this strategic plan, the company's vision with regard to information technology is focused on providing all sectors of NSCSA with a comprehensive package of electronic services and the latest technology to support the efforts of the company and enhance its competitive edge.

The Strategic Plan recommended application of a uniform system for managing and planning of the company's resources (ERP) as a necessity to cope with future growth and development of the company. The system relies on application of the best international practices and methods in place, and provides possibility of measuring and identifying performance indicators (KPI) for various activities of all segments of the company, with submission of smart reports to assist in the process of decision-making, and ensure application of governance and other electronic services.

A study has been conducted to assess the extent of the company's readiness for application of this system with the identification of needs and future requirements relating to the performance of daily work and relevant factors, and, God willing, implementation will begin during the first quarter of 2009 for a period of one year.

Internal Audit and Control

The Internal Audit and Control Department employs a selected group of highly qualified professional auditors.
This Department is working to develop efficiency and skills of its employees through the use of technology in their work and applying audit development programs and developing plans and projects for risk management audit in compliance with generally accepted auditing standards. The Internal Audit and Control Department also verifies the authenticity of the internal control procedures which aim at the protection of company's assets against any unauthorized use, maintenance of accounting records and proper application of accounting policies, by-laws and internal procedures of the company.

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

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

Quality and Environmental Safety

In all dealings, operational activities and services provided to its customers, NSCSA adopts distinct standards of high quality which reflects an added value to the interests of its clients, which also enhances the leading position of NSCSA in the market. For that reason, NSCSA continues to follow-up and improve the quality of performance and standards of service provided to its clients, and follow international quality standards to provide excellent services to cope with the current severe competition in the maritime shipping market.

To preserve the integrity of the marine environment and climate, NSCSA is committed to implement all the laws imposed by the legislative bodies and environmental organizations around the world. In this regard, NSCSA takes into account all necessary requirements in setting up building specifications of its fleet, and conducts regular check-ups of the fleet through an international consultation firm to ensure safety of the fleet and its compatibility with the technical specifications and internationally recognized standards. In 2006, NSCSA was (ISM), (ISO 9001-2000) and (ISO 14001-2004) certified and was awarded the International Maritime Organization and Lloyd's certificates. Mideast Ship Management Company, Ltd., (a wholly owned affiliate of NSCSA) which provides ship management services to most of the company's vessels, is also (ISO 9001-2000) certified.

Social Responsibility

NSCSA is keen to participate in various events, conferences and exhibitions which foster its presence in social activities. NSCSA adheres to religious and ethical values and pays special attention to social, humanitarian and advocacy activities at the local level besides its economic and developmental role. NSCSA has earmarked a special provision in its budget for social activities, awareness programs and general development projects in addition to its contribution to several activities in this regard.
In 2008, among other events, NSCSA participated in the following social activities:

- Arranged breakfast reception for Ensan (Human Being) Charitable Society
- Supported the Community Health magazine of the National Guard
- Subscribed to the Drug Combat Directory
- Subscribed to the Directory of Riyadh Specialized Center for the Disabled
- Supported the Down's Syndrome Charitable Association "DSCA" (Social activity)

Zakat & Tax

NSCSA and its affiliate (National Chemical Carriers) prepare Zakat returns at the end of each year, and pay their zakat dues based on those returns promptly. All the tax deductions on payments to non-resident foreign parties are paid on a regular periodic basis pursuant to applicable regulations. NSCSA did not receive any zakat assessments from the Zakat & Income Tax Department for the period from 2001 until 2007 and for its affiliate for the period from 2005 until 2007.

The Zakat and Tax provision shown in the balance sheet includes Zakat and Tax claims by the Zakat and Income Tax Department that have not been decided by the Appeals Committee to this date.

NSCSA Claims*

Period	Zakat Claims	Tax Claims	Remarks
1982-1995	-	6.000	Case closed and payments are being made in semi-annual installments.
1989-1995	37.687	-	Decisions # (11, 12, 13, 14, and 15) were issued by the Primary Objection Committee and NSCSA appealed these decisions which are being deliberated by the Appeals Committee but no decision has been issued yet.
1996-1998	19.225	2.198	
1999-2000	4.176	9.678	
Total	61.088	17.876	

*SAR (000)

NCC Claims*

Period	Zakat Claims	Tax Claims	Remarks
1991-1993	15.825	12.585	NCC objections are still pending with the ZITD and no decision has been issued to this date.
1994-1996	7.236	12.218	
1997-2004	12.035	24.718	
Total	35.096	49.521	

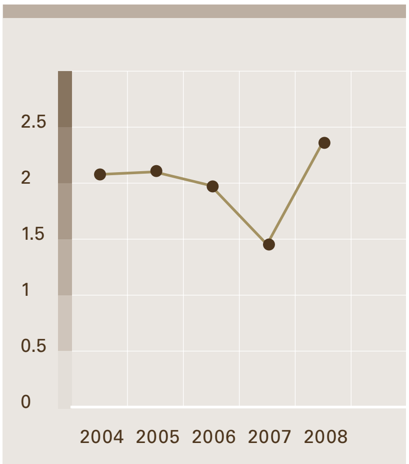
*SAR (000)

Dividend Distribution

Earnings per share are calculated on the basis of the weighted average of the outstanding number of shares during the year. Proposed year-end dividend distribution shall be treated as part of retained earnings rather than liabilities, unless a dividend distribution decision is made by the end of the year. For comparison purposes, profit per share has been recalculated for the years 2004 - 2006 commensurate with the number of shares after the share split duly approved by the Council of Ministers in 2006.

Share Profit

Year	Share Profit
2008	2.38
2007	1.48
2006	1.96
2005	2.19
2004	2.14



Share profit

In the meeting held on 7/4/2008, the ordinary general assembly approved cash dividend distribution to shareholders for the year 2007 in an amount of SAR 315 million at a rate of SAR 1 per share, representing 10% of the company's share capital.

As a result of the excellent financial performance of 2008, the Board of Directors at their meeting held on November 29, 2008 recommended to the General Assembly to approve a cash dividend of SAR 472.5 million at a rate of SAR 1.5 per share representing 15% of the company's share capital.

Risk Management

NSCSA lends major importance to risk management, especially in the wake of current volatility in the global economy. NSCSA adopts a policy of addressing these risks through a self-control system in order to reduce or avoid the risks of operations and to hedge against all expectations of future market volatility in both the international or local markets through financial management, treasury management, internal audit and control. Among the risks that NSCSA puts under constant monitoring are credit risks, risks of fluctuations in foreign currency exchange rates, risks of inflation (purchasing power), liquidity risks, interest rate risks and risks associated with technical and electronic systems.

Shareholders' Equity

NSCSA shareholders enjoy all the rights and privileges pursuant to the provisions of the company's memorandum and articles of association which are in line with the articles of the Companies Act and the Corporate Governance Regulations duly issued by the Capital Market Authority. NSCSA did not issue any priority shares or shares with special voting priority rights. NSCSA board of directors and executive management are keen to create an appropriate environment for enjoyment by the shareholders of all those rights with ease by referring to the management or Shareholders' Department of the company. In addition to their right of nomination to membership of the Board of Directors subject to satisfying the applicable regulatory conditions, shareholders also have the right to vote in the general assemblies and participate in the discussions of all company activities and its future plans by attending general assembly meetings. When the General Assembly adopts any dividend distribution, such information will be announced forthwith and the company immediately starts payment of dividends to shareholders who are registered in the records of the Stock Depository Center (SDC) at the end of trading on the day of General Assembly meeting. Dividends will be deposited in shareholders' portfolios with the respective local banks within a deadline of thirty days from the date of adoption of such dividend distribution by the General Assembly. It is to be noted that no agreement has been in place under which any of the company's shareholders have waived any rights to dividends.

Disclosure & Governance

NSCSA is committed to a high degree of transparency through adopting clear-cut policies in its dealings with all related parties, publishing all data and financial results, disclosing all its activities and outlook for the future and events of substantial effect. NSCSA publishes its annual reports and resolutions relating to its activity in the local newspapers, with details displayed on Tadawul website and the Company's website (www.nscsa.com) to be available to all stakeholders including shareholders and prospective investors. The reports include all the trends relating to the operational activities and analysis of financial statements. The financial statements and accompanying notes as set forth in the relevant annual report are in conformity with generally accepted accounting standards in force in Saudi Arabia, and with the requirements of presentation, disclosure and transparency as provided for in the Corporate Governance Regulations. NSCSA has prepared new governance by-laws of its own consistent with and in line with generally accepted international practices as well as applicable regulations and directives duly issued by the competent authorities in the Kingdom. This governance by-laws are in the final stages prior to its implementation.

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 thereof have been prepared by the Company management and reviewed and approved by the Board in accordance with generally accepted accounting principles and standards duly issued by the Saudi Organization of Certified Public Accountants (SOCPA) and reflect fairly the Company's assets and liabilities and that the Company is in a position that enables it to proceed with its activity on a going-concern basis and to continue implementing its future expansion plans. The Board further confirms that its internal control system is functioning efficiently through various departments of the Company which employs a team of professional auditors who are skilful in risk and quality aspects and who optimize the utilization of the Company's resources and operation of its assets to the best interest of its shareholders and who use the latest relevant tools and systems in this regard. It is to be noted here that the 2008 annual report has included all applicable presentations and disclosures as stipulated in clause (b), Article (27) of the Listing Regulations and clause (c), Article (1) of the Corporate Governance Regulations duly issued by the Capital Market Authority. Excluded from the above is the geographical distribution of income and expenses, which is not applicable to the nature of the work of the Company and cumulative voting, where the company applies the regulations issued by the Ministry of Commerce which are based in Saudi Companies Act with regard to the voting system at general assemblies. The Board of Directors also confirms that no punishment, penalty, or precautionary restrictions have been imposed on the Company by the CMA or any other regulatory body.

Board of Directors

The Board of Directors, in its current session (2008-2010) is composed of nine members. Responsibilities of the Board are manifested in leading the Company through exercising its role of guidance, control and drawing Company's strategies. The Executive Committee attends to steering Company business within the framework of the policies, plans and controls duly adopted by the Board and the General Assembly.

In 2008, the Board of Directors held 11 meetings in addition to two general assembly meetings.

Board of Directors

Name	Classification	Meetings
Abdullah Sulaiman Al-Rubaian	Independent/non-executive	13
Mohammed Abdulaziz AlSarhan	Independent/non-executive	11
Esam Hamad Al-Mubarak	Independent/non-executive	13
Nasser Mohammed Al-Kahtani	Independent/non-executive	12
Saleh Abdullah AlDebasi	Independent/non-executive	11
Abdulkarim Ibrahim Al-Nafie	Independent/non-executive	12
Farraj Mansour Abothenain	Independent/non-executive	9
Bander Barjas Al-AbdulKareem	Independent/non-executive	13
Sami Abdullah Al-Saeed	Independent/non-executive	13

Shares Owned by Board of Directors in the Company

Name	Title	Shares
Abdullah Sulaiman Al-Rubaian	Chairman of the Board	81.805
Mohommed Abdulaziz AlSarhan	Board Member	219.060
Esam Hamad Al-Mubarak	Board Member	65.000
Nasser Mohammed Al-Kahtani	Board Member	-
Saleh Abdullah AlDebasi	Board Member	6.000
Abdulkarim Ibrahim Al-Nafie	Board Member	13.000
Farraj Mansour Abothenain	Board Member	25.000
Bander Barjas Al-Abdulkareem	Board Member	2.000
Sami Abdullah Al-Saeed	Board Member	4.000

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

No contracts have been concluded with the company relating to the interests of any of the members of the Board of Directors, the Chief Executive Officer, Vice Chief Executive Officer (Finance) or any person related to any of them.
No agreement has been concluded under which any Board member or senior executive has waived his right in any salary or compensation.

Membership of Board Members in Other Joint Stock Companies

Name	Membership in the Board of Directors of Other Companies
Abdullah Sulaiman Al-Rubaian	Board Member – Arab Shield Insurance Co.
Mohommed Abdulaziz AlSarhan	Board Member – Saudi Public Transport Co. (SAPTCO)
Esam Hamad Al-Mubarak	Nil
Nasser Mohammed Al-Kahtani	Nil
Saleh Abdullah AlDebasi	Nil
Abdulkarim Ibrahim Al-Nafie	Nil
Farraj Mansour Abothenain	Board Member – National Metal Manufacturing and Molding Co. Board Member – Astra Industrial Group
Bander Barjas Al-Abdulkareem	Nil
Sami Abdullah Al-Saeed	Nil

Remunerations of Members of the Board of Directors and Senior Executives

Description	Executive Board Members	Non-executive Board Members	Senior Executives[1]
Salaries & Remunerations	-	-	4,891,317
Allowances	-	513,000	1,423,208
Periodic and Annual Bonuses	-	1,800,000	2,207,763
Incentive Plans	-	-	-
In-kind compensations & other benefits	-	1,400,000	-
Total	-	3,713,000	8,522,288

[1] The list includes five of the senior executives and the VCEO (Finance)

Board Committees

The Board of Directors has formed three committees, namely, Strategy and Follow-up Committee, Audit Committee and Nominations and Remuneration Committee with specific powers authorized by the Board of Directors, as follows:

Strategy and Follow-up Committee:

This committee is entrusted to lay down the foundations of 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. This committee, which held (8) meetings in 2008, consists of:

Abdullah Sulaiman Al-Rubaian	Chairman
Mohommed Abdulaziz AlSarhan	Member
Saleh Abdullah AlDebasi	Member
Abdulkarim Ibrahim Al-Nafie	Member
Farraj Mansour Abothenain	Member

Audit Committee:

This committee is entrusted with the verification on the adequacy of the internal control system in a manner that would achieve the objectives of the company and protect the interests of shareholders. It is authorized to examine all relevant information and data, reports, records or other matters, which it considers important to access; review the interim and annual financial statements and accounting policies; nominate the Company's auditor for the respective fiscal year to be elected by the General Assembly annually and verify the independence of internal auditors. The Committee, which held (7) meetings in 2008, consists of:

Nasser Mohammed Al-Kahtani	Chairman
Ahmed Abdullah Al-Moghams	Member
Saleh Abdullah AlDebasi	Member

Nominations and Remuneration Committee:

This committee is entrusted with nomination for the next session of membership of the Board of Directors, annual review of the needs and skills required for membership of the Board, review the structure of the Board of Directors and recommending changes as necessary, identify weaknesses and strengths of the current Board of Directors and propose to have them addressed in the subsequent session, develop clear-cut policies for the compensation and emoluments of the members of the Board of Directors and senior executives based on their performance. The Committee, which held one meeting in 2008, consists of:

Abdullah Sulaiman Al-Rubaian	Chairman
Mohommed Abdulaziz AlSarhan	Member
Nasser Mohammed Al-Kahtani	Member
Sami Abdullah Al-Saeed	Member

Executive Management

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

Pursuant to the authorities vested in it by the Board of Directors, the Executive Management is committed to act in line with the stated policies and to implement Board resolutions and strategic and operational plans that aim at development and growth of company's activities and serve the interest of shareholders. No investments or reserves have been created for the benefit of Company's employees other than their legal entitlements. It is also to be noted here that senior executives, including the Chief Executive Officer and Vice Chief Executive Officer (Finance), do not own any shares in the Company as at 31/12/2008.

Consolidated Financial Statements

For the year ended December 31, 2008
Together with the Auditors' report

Auditors' report

PRICEWATERHOUSECOOPERS

Dr. M. Al Amri & Co.
Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To: THE SHAREHOLDERS OF
THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)

Riyadh, Saudi Arabia

We have audited the accompanying consolidated balance sheet of The National Shipping Company of Saudi Arabia "A Saudi Joint Stock Company" (the Company) as of December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the accompanying notes which form an integral part of these consolidated financial statements. These consolidated financial statements are the responsibility of the Company's management and have been prepared in accordance with the provisions of the Regulations for Companies and presented to us together with all the necessary information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements, taken as a whole, present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2008 and the consolidated results of its operations, the changes in shareholders' equity and its cash flows for the year then ended in conformity with accounting generally accepted accounting standards in Saudi Arabia appropriate to the nature of the Company; and comply, with the relevant provisions of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of these consolidated financial statements.

PricewaterhouseCoopers Al-Juraid
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Riyadh 11482
Kingdom of Saudi Arabia

Rashid S. Al-Rashoud
License No. 366

برايس وترهاوس كوبرز الجريد
محاسبون قانونيون
ترخيص رقم ٢٥
PRICEWATERHOUSECOOPERS AL JURAID
CERTIFIED PUBLIC ACCOUNTANTS
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DR. MOHAMED AL-AMRI & CO.

Safar 27, 1430 H
February 22, 2009 G

CONSOLIDATED BALANCE SHEET

As of December 31, 2008 (In Thousands Saudi Riyals)

ASSETS

Current assets	Notes	2008	2007
Cash in hand and at banks	3	225.545	190.481
Investments in Murabaha and short-term deposits	4	882.847	686.392
Trade receivables and other debit balances, net	5	181.406	191.766
Prepaid expenses		65.123	48.846
Agents' current accounts, receivables		17.815	14.167
Inventories		66.916	88.629
Investments held to maturity	6	77.149	-
Investments held for trading	6	12.413	-
Investments in available for sale	6	-	138.509
Accrued bunker subsidy, net	7	49.971	41.852
Total current assets		1.579.185	1.400.642

Non-current assets:	Notes	2008	2007
Investment in government development bonds		604	604
Investments available for sale		29.160	---
Investments in affiliates and other	8	239.756	233.595
Deferred charges, net	9	115.031	146.246
Fixed assets, net	10	5.658.910	4.634.435
Goodwill	8/A	119.177	119.177
Ships under construction and others	11	2.077.603	1.262.087
Total non-current assets		8.240.241	6.396.144
Total assets		9.819.426	7.796.786

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

Consolidated Balance Sheet

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

LIABILITIES AND EQUITY

Current liabilities	Notes	2008	2007
Accounts payable and other credit balances	12	303.779	319.610
Current portion of Murabaha financing and long-term loans	13	225.362	204.849
Short- term loan		71.250	-
Unclaimed dividends	21	23.430	18.437
Agents' current accounts, payables		3.435	2.759
Provision for zakat and tax	14	183.086	142.951
Incomplete voyages		7.384	28.405
Total current liabilities		817.726	717.011

Non-current liabilities	Notes	2008	2007
Murabaha financing and long-term loans	13	3.709.941	2.229.291
Obligation from fluctuations in swaps fair market value for loan commission rates	16	5.024	-
Tax obligation provision	14	4.000	10.000
End of service benefits provision		28.864	27.002
Total non-current liabilities		**3.747.829**	**2.266.293**
Total liabilities		**4.565.555**	**2.983.304**

EQUITY

Shareholders' equity	Notes	2008	2007
Paid-up capital		3.150.000	3.150.000
Share premium		524.416	524.416
Statutory reserve	15	240.824	165.827
Retained earnings		1.177.403	817.432
Hedging reserve for loans commission	16	(5.024)	-
Unrealized gain from investments in –financial instruments	6	3.177	2.118
Total shareholders' equity		5.090.796	4.659.793
Minority interest		163.075	153.689
Total equity		5.253.871	4.813.482
Total liabilities and equity		9.819.426	7.796.786

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

Consolidated Statement of Income

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

	Notes	2008	2007
Operating revenues	17	2.594.530	1.703.294
Operating expenses	17/18	(1.633.882)	(1.251.958)
Gross operating income		960.648	451.336
General and administrative expenses	19	(105.718)	(87.301)
Operating income		854.930	364.035
Company's share in (loss) profit of affiliates, net	8	(3.840)	81.210
Other (expense) income, net	20	(4.292)	71.648
Financing charges	13	(105.833)	(128.110)
Profit before bunker subsidy, zakat, tax, and minority interest		740.965	388.783
Bunker subsidy		72.859	56.640
Profit before zakat, tax, and minority interest		813.824	445.423
Zakat provision	14	(40.211)	(12.224)
Tax provision	14	(14.260)	(6.195)
Profit before minority interest		759.353	427.004
Minority interest in consolidated subsidiaries' net profit		(9.385)	(4.428)
Net profit for the year		749.968	422.576
Earnings per share from operating income (SR)	21	2.71	1.28
Earnings per share from net profit for the year (SR)	21	2.38	1.48

Consolidated Statement of Changes in Shareholders Equity

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

Particulars	Paid-up Capital	Share premium	Statutory reserve	Retained earnings	Hedging reserve	Unrealised gains (losses) from investments in securities	Total
Balance at December 31, 2006	2.250.000	-	123.569	662.114	-	(31.064)	3.004.619
Increase in paid-up capital	900.000	-	-	-	-	-	900.000
Share premium	-	524.416	-	-	-	-	524.416
Net profit for the year	-	-	-	422.576	-	-	422.576
Statutory reserve	-	-	42.258	(42.258)	-	-	-
Dividends	-	-	-	(225.000)	-	-	(225.000)
Unrealised gains from investments available-for-sale	-	-	-	-	-	33.182	33.182
Balance at December 31, 2007	3.150.000	524.416	165.827	817.432	-	2.118	4.659.793
Net profit for the year	-	-	-	749.968	-	-	749.968
Statutory reserve	-	-	74.997	(74.997)	-	-	-
Hedging reserve for loans commission	-	-	-	-	(5.024)	-	(5.024)
Dividends	-	-	-	(315.000)	-	-	(315.000)
Unrealised gains from investments in financial instruments	-	-	-	-	-	1.059	1.059
Balance at December 31, 2008	3.150.000	524.416	240.824	1.177.403	(5.024)	3.177	5.090.796

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

Cash flows from operating activities	Note	2008	2007
Net profit for the year		749.968	422.576
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation		266.208	220.773
Amortization of deferred charges	9	66.443	49.112
Impairment of investments in financial instruments		42.667	-
Company's share in (loss) profit of affiliates, net	8	3.840	(81.210)
Gains from sale of fixed assets	20	(70)	(34.221)
Minority interest in consolidated subsidiaries' net profit		9.385	4.428
Provision for zakat and tax	14	54.471	18.419
End of service benefits provision		1.862	4.390
Changes in operating assets and liabilities:			
Trade receivables and other debit balances, net		10.360	(54.673)
Prepaid expenses		(16.277)	(10.852)
Agents' current accounts, receivables		(3.648)	(7.586)
Inventories		21.713	(46.419)
Accrued bunker subsidy, net		(8.119)	(19.079)
Accounts payable and other credit balances		(15.831)	55.503
Agents' current account, payables		676	2.137
Zakat and tax paid		(20.336)	(22.593)
Incomplete voyages		(21.021)	16.572
Net cash provided by operating activities		1.142.291	517.277
Cash flows from investing activities:			
Investments in Murabaha and short-term deposits		(23.655)	68.020
Investments available-for-sale		(21.821)	(40.700)
Investments in affiliates and other	8	(10.000)	14.752
Dividends from affiliates		-	14.966
Additions of fixed assets		(28.374)	(51.115)
Proceeds from sale of fixed assets		371	43.437
Ships under construction and others		(2.078.126)	(1.053.224)
Deferred charges		(35.228)	(90.319)
Net cash used in investing activities		(2.196.833)	(1.094.183)
Cash flows from financing activities:			
Murabaha financing and long-term loans		1.572.413	62.290
Increase in paid-up capital		---	900.000
Share premium		---	524.416
Dividends paid		(310.007)	(221.640)
Net cash provided by financing activities		1.262.406	1.265.066
Net change in cash and cash equivalents during the year		207.864	688.160
Cash and cash equivalents at beginning of the year		851.297	163.137
Cash and cash equivalents at end of the year	3	1.059.161	851.297
Non-cash items:			
Ships under construction transferred to fixed assets		1.262.610	1.162.565
Unrealized gains from investments in securities		(1.059)	(33.182)

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, 2008 (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 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, 2008 and 2007.

The Company owns thirteen Very Large Crude Carriers (VLCCs), three of which are chartered to Vela International Marine Limited, a subsidiary of Saudi Aramco, two are chartered to Euronav Company, one is chartered to Hanjin Company (A Korean Company) and seven are operated in spot market which include two new VLCCs, namely "Jana" and "Habari" received on September 3, 2008 and October 14, 2008 respectively. 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 Company Ltd "Subsidiary" owns sixteen chemical tankers, out of which six are operated under a pooling agreement with Odfjell Sachems Company (The pool Manager) and three directly chartered to Odfjell Sachems Company, six are chartered to Saudi Company for Basic Industries "SABIC", and one tanker is chartered out to SEPCHEM Company.

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 % 2008	Ownership % 2007
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. (NCC)	Petrochemicals transportation	Riyadh	1990	80%	80%
Non-consolidated Affiliates	Petredec Ltd.	Liquefied petroleum gas transportation	Bermuda	1980	30.3%	30.3%
	Arabian United Float Glass Co.	Glass Manufacturing & Trading	Riyadh	2006	10%	10%

Notes To The Consolidated Financial Statements
For the year ended December 31, 2008

2. Significant Accounting Policies

a) Accounting convention
The consolidated financial statements are prepared in accordance with the standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and under the historical cost convention, except for the investments in affiliated companies, held for trading and available-for-sale. The Company applies the accrual basis of accounting in recognizing revenues and expenses and on the assumption of the going concern concept.

b) Period of financial statements
According to the Company's Articles of Association, the fiscal year of the Company starts on the 1st of January and ends on December 31st of each Gregorian year.

c) Consolidated financial statements
For the purpose of consolidating accounts, the intercompany transactions and balances were eliminated in the consolidated financial statements. Minority interest of the third party (other partners of the Company in the subsidaries) have also been accounted for in the subsidaries 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) 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, 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 without any restrictions.

f) Investments
1- Investments in affiliates and others: Investment in affiliates in which the Company has significant influence over the investee's financial and operation policies, or which the Company owns equity interest ranging between ٪٢٠ and ٪٥٠ are accounted for using the equity method. Due to the timing difference between Petredec Ltd. fiscal year and the Company's fiscal year, the Company's share in Petredec Ltd. profits or losses are recognized in the Company's books according to the latest financial statements prepared by Petredec Ltd. The gap period between the latest financial statements prepared by Petredec Ltd. and the date of the Company's concolidated 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 development bonds: Investments in Saudi Government Development Bonds are held to maturity and are stated at adjusted cost by premium or discount. In case of a permanent decline in value, unrealized losses are charged to the consolidated statement of income.

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 to three categories as follows:

- **Investments held to maturity**
  Certain investments are classified

Notes To The Consolidated Financial Statements

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

as held to maturity based on the Company management's intention. These investments are stated at adjusted cost by premium or discount, if any. At the date of reclassifying the financial instruments are classified from available for sale to financial instruments held to maturity, then, the unrealized gains and losses are recorded as a separate component within shareholders' equity and amortized over the remaining years of the life of the financial instruments as an adjustment of yield in a manner consistent with the amortization of premiums of discounts.

- **Investments held for trading**
  Certain investments in financial instruments are classified as held for trading based on the Company management's intention. These investments are stated at fair value. Unrealized gains or losses are recorded in the income statement. At the date of reclassifying the financial instruments from available for sale to financial instruments held for trading, unrealized gains and losses related to these financial instruments are recorded in consolidated statement of income.

- **Investments available for sale**
  Certain investments in financial instruments are classified as available for sale when the conditions of classification as financial instruments held to maturity or for trading are not met. The available for sale securities 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 charged to the consolidated income statement in the period in which these units were redeemed. If there is a permanent decline in the value of these investments or an objective evidence for impairment, the unrealized loss will be transferred to the consolidated income statement. If the investment available for sale within 12 months from the ending date of the financial statement, it will be reported under current assets otherwise to repost under non-current Assets.

g) Inventories
Inventories represent vessels supplies, costs of spare parts and other operating supplies on board of the vessels are charged to operating expenses upon purchase. 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 on the consolidated statement of income.

h) Intangible assets, net:

1- Deferred charges: Deferred dry-docking charges are amortized over a period of two to five years from the date of completion of dry-docking depending on the type of vessel. Where a vessel undergoes another dry-docking operation during the specified amortization period, any unamortized balance of deferred charges related to the previous dry-docking of the vessel will be amortized in the consolidated statements of income in the period that ends at the beginning of the new dry-docking operation.

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

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

1. RoRo vessels are depreciated over a period of twenty years, while VLCCs are depreciated over a period of twenty-five years. Used vessels are depreciated based on

Notes To The Consolidated Financial Statements
For the year ended December 31, 2008 (In Thousands Saudi Riyals)

their estimated remaining useful life, after taking into consideration 10% of the vessels' cost as residual value.

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

Buildings & Improvements	5-33.3%
Containers & trailers	8.33-20%
Furniture & fixture	10%
Tools & office equipments	2.5-25%
Motor Vehicles	20-25%
Computers	15-25%
Container yard	10-25%
Others	7-15%

j) Impairment of non-current assets
At each balance sheet date, the carrying amounts of non- current assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an assets or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the consolidated statement of income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does 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 consolidated statement of Income.

k) End of service benefits provision
Employees' end of service benefits are 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 in these subsidiaries.

l) 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.

m) Bunker subsidy
Bunker subsidy is computed on bunker quantities purchased and recorded in the consolidated

Notes To The Consolidated Financial Statements

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

statement of income. Provisions are made against any amounts that might not be collectable.

n) Expenses

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

o) Borrowing costs

Borrowing costs incurred to finance the construction of vessels are capitalized until these vessels are ready for use and operation.

p) 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 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 have been converted into Saudi riyal at average exchange rates during the period. Also the elements of shareholders' equity, excluding retained earnings (deficit), that are converted applying the exchange rate prevailing at the time of incurring the elements transaction. Exchange differences arising from such conversion, if material, are included in a separate line item under shareholders' equity.

q) Zakat and income tax

Provision for Zakat is computed in accordance with Saudi zakat standard and charged to consolidated statement of income based on the zakat base for each individual company. provision is made for withholding tax on payments made to non-resident parties and is charged to the consolidated statement of income, when the company bears the tax on behalf of non-resident. For subsidiaries outside the Kingdom of Saudi Arabia, provisions for tax is computed in accordance with the regulations applicable in the respective countries.

r) Hedging reserve for loans commission

The Company uses commission rate swaps and commission rate caps to hedge its long-term loans against fluctuations in market commission rates. Changes in the fair market value of the commission rate swaps 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.

s) 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.

t) Trade accounts receivables

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

Notes To The Consolidated Financial Statements

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

3. Cash and Cash Equivelents

Cash and cash equivalents as of December 31, 2008 represents cash in hand and at banks, Murabaha and short-term deposits, out of which SR 5.84 million (2007: SR 5.71 million) that are subject to bank restrictions for letter of guarantees issued for the Department of Zakat and Income Tax (DZIT) and other parties, and SR 42.36 million (2007: SR 18.84 million) restricted for repayment of current portion of loans maturing within 180 days from the balance sheet date.

It also includes restricted bank balances in Mideast Ship management co. amounted to SR 0.48 Million (2007: SR 0.48 Million), and in National Shipping company of Saudi Arabia (America) amounted to SR 0.54 Million (2007 : SR 0.54 Million.

For the purpose of preparing the cash flow statement, cash and cash equivalents at December 31 comprises the following:

	2008	2007
Cash in hand and at banks	225.545	190.481
Amounts restricted by banks	(17.905)	(21.063)
	207.640	169.418
Investment in Murabaha & short-term deposits	882.847	686.392
Amounts restricted by banks	(31.326)	(4.513)
	851.521	681.879
	1.059.161	**851.297**

4. Investments in Murabaha and short-term deposits

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

	2008	2007
Investments in Murabaha & short-term deposits in SR	437.020	627.026
Investments in Murabaha & short-term deposits in USD	441.740	58.340
Investments in Murabaha & short-term deposits in EURO	4.087	1.026
	882.847	**686.392**

5. Trade Receivable and other Debit Balances, net

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

	2008	2007
Trade receivable	98.622	142.635
Insurance claims	25.978	19.709
Other debit balances	78.708	39.617
	203.308	201.961
Provision for doubtful debts	(21.902)	(10.195)
	181.406	**191.766**

Notes To The Consolidated Financial Statements

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

6. Investments In Financial Instruments

During the year 2008, the Investments in financial instruments were reclassified based on the Company's accounting policies and the management's intention to:

- Investments held to maturity.
- Investments held for trading.
- Investments available for sale.

During the year 2007, the investments in financial instruments were classified as available for sale as the management's intention was not clearly specified at that time.

7. Accrued Bunker Subsidy, net

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

	2008	2007
Accrued bunker subsidy	69.853	53.376
Provision for doubtful bunker subsidy	(19.882)	(11.524)
	49.971	41.852

8. Investments in Affiliates and Other

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

	2008	2007
Investments balance at the beginning of the year	233.596	182.103
Company's share in affiliates' (loss) profit	(3.840)	81.210
Adjustment of dividend received	-	(14.752)
Investment in the Arabian United Float Glass Company	10.000	-
Dividends received during the year	-	(14.966)
	239.756	233.595

A) Petredec Company Ltd.:

Petredec Company 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 has signed an agreement on February 22, 2005 to acquire 30.3% share of the capital of Petredec Company Ltd. for total amount of SR 187.5 million (equivalent to US$ 50 million). Difference between the net investment value and the value of the net assets acquired was considered as goodwill (Note No. 2-h-2)

Petredec financial year starts on September 01 and ends on August 31 of each Gregorian year. The Company's share in Petredec net loss achieved SR (3.84) million up to October 31, 2008 (October 31, 2007: SR 81.21 million net profits), which was included in the consolidated statement of income.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

B) The Arabian United Float Glass Company

The Company signed a contract for establishing the Arabian United Float Glass Company as a founder member. It was established by a ministerial decision No. (1299) dated 11/05/1427H (corresponding to 08/06/2006). An investment of SR 20 million fully paid for the ownership of 2,000,000 shares representing 10% of the share capital.

Also, an amount of SR 1.2 million was paid until December 31, 2008 representing the Company's share in establishing and developing costs.

9. Deferred Charges, net

Deferred charges, net at December 31 comprise the following:

	2008	2007
Total dry-docking cost	181.404	195.308
Accumulated amortization expenses	(66.443)	(49.112)
Deferred tax benefits	70	50
	115.031	**146.246**

10. Fixed Assets, net

Movement in fixed assets during the year 2008 was as follows:

Particulars	Cost				
	Balance at 01.01.2008	Additions during the year	Disposals	Balance at 31.12.2008	Balance at 01.01.2008
Land	13.593	-	-	13.593	-
Bldgs & improvements	31.014	1.398	-	32.412	(2.792)
Fleet & equipment*	7.149.528	1.286.778	-	8.436.306	(2.577.138)
Containers & trailers	57.028	-	(470)	56.558	(43.721)
Furniture & fixtures	4.973	196	-	5.169	(4.362)
Tools & office equipment	4.179	109	(98)	4.190	(3.621)
Motor vehicles	1.397	-	(49)	1.348	(776)
Computers	39.554	1.757	(167)	41.144	(36.061)
Container yard	10.211	523	-	10.734	(9.648)
Others	1.480	3	-	1.483	(403)
Total	**7.312.957**	**1.290.764**	**(784)**	**8.602.937**	**(2.678.522)**

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

Accumulated Depreciation			Net Book Value		Depreciation Rate %
Charged for the year	Disposals	Balance at 31.12.2008	31/12/2008	31/12/2007	
-	-	-	13.593	13.593	-
(254)	-	(3.046)	29.366	28.222	5 - 33,3 %
(260.115)	-	(2.837.253)	5.599.053	4.572.390	4 - 15%
(3.685)	363	(47.043)	9.515	13.307	8,33 - 20%
(92)	-	(4.454)	715	611	10%
(158)	98	(3.681)	509	558	2,5 - 25%
(245)	48	(973)	375	621	20 - 25%
(1.127)	194	(36.994)	4.150	3.493	15 - 25%
(525)	-	(10.173)	561	563	10 - 25%
(7)	-	(410)	1.073	1.077	7 - 15%
(266.208)	**703**	**(2.944.027)**	**5.658.910**	**4.634.435**	

Notes To The Consolidated Financial Statements

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

11. Ships Under Construction and others

The Company signed during October 2006 two contracts with Hyundai Samho Heavy Industries Company Ltd. to construct six VLCCs with total cost of SR 2.7 billion (USD 719.8 million). And of six VLCCs the Company received two new VLCCs, "Jana" and "Habari" on September 3, 2008 and October 14, 2008 respectively and were deployed in the spot market and remaining four VLCCs will be delivered during 2009.

Also,The National Chemical Carriers Company Ltd, "Subsidiary" signed contract with SLS Ship Building Co. 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). All carriers are expected to be delivered during 2009 through 2012.

Also, The National Chemical Carriers Company Ltd. received two new chemical tanker in the first half of 2008 were deployed for chemical transportation, these tankers were part of above contract.

The balance of ships under construction represents all payments made in connection with ship construction contracts of new VLCCs, amounts incurred for the construction of the Company's new building and payments made by NCC (a subsidiary) under signed contracts for constructing new chemical tankers, in addition to the company's new building under construction.

The following table presents payments made for ships under construction and others as of December 31:

	2008	2007
The Company	1.008.269	922.079
The NCC (subsidiary)	1.069.334	340.008
	2.077.603	**1.262.087**

The balance of ships under construction and others includes SR 1.66 million as of December 31, 2008 which represents amounts incurred for the construction of the Company's new building (2007: SR 1.64 Million).

The capital commitments towards shipyards for the construction of VLCCs amount to SR 0.81 billion as of December 31, 2008 (2007: SR 1.80 billion), and for the construction of petrochemical carriers SR 1.98 billion (2007: SR 2.99 billion), and for purchase a new office in Dubai for Mideast Ship Management Ltd.. SR 23.35 million (2007: SR 25.34 million). The capitalized portion of financial charges related to loans granted for the construction of carriers and new office apartments during the year 2008 amounted to SR 58 million (2007: SR 27 million).

12. Accounts Payable and other Credit Balances

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

	2008	2007
Trade payables	37.153	22.079
Accrued operating expenses	173.031	220.967
Accrued insurance expenses	23.270	16.013
Accrued finance charges	25.295	11.533
Other credit balances	45.030	49.018
	303.779	**319.610**

Notes To The Consolidated Financial Statements

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

13. Murabaha Financing and Long Term Loans

The Company and Subsidiaries obtained long-term loans from local and international banks to finance the purchasing and building of carriers & others. The balance of these loans as at December 31 comprises the following:

	2008	2007
Loans to the Company	1.864.714	1.234.328
Loans to the subsidiaries	2.070.589	1.199.812
	3.935.303	2.434.140
Current portion of long-term loans	(225.362)	(204.849)
	3.709.941	2.229.291

The Company's loans include the Murabaha financing of VLCCs (Wafrah and Layla) amounting to SR 570 million (USD 151.92 million) as of December 31, 2008, out of the total financing that amounting to SR 633 million (USD 168.8 million). Also included Murabaha financing for 6 New VLCCs of SR 789.5 million (USD 210.5 million). Out of 6 VLCCs, 2 VLCCs (Jana & Habari) have been recieved in 2008.

These loans will be paid in installments after the date of receiving the carriers and vessels. The cost of financing is calculated as per the respective financing agreements.

The loan 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 Company's loans include the loans granted to the subsidiary (NCC) during the year 2007 for financing building of new petrochemical carriers as follows:

- Islamic Murabaha agreement with Riyad Bank for SR 787.5 million (USD 210 million) for refinancing of all loans.
- Financing agreement with Public Investment Fund of SR 435.8 million (USD 116.2 million) for financing four carriers under construction out of which two carriers were received during 2007.
- Islamic Murabaha financing agreement with Samba Financial Group of SR 1.5 billion (USD 392 million) for financing ten new carriers under construction.
- Islamic Murabaha financing agreement with Riyad Bank of SR 937.5 million (USD 250 million) for financing six new carriers under construction.

The loans balance includes a Murabaha financing agreement amounting to SR 23.3 million granted by Mideast Ship Management Company Ltd. for acquiring new office in Dubai.

Total financing charges on loans amounted to SR 163.64 million for the year 2008 (2007: SR 155 million), out of which SR 90.41 million related to the subsidiary (NCC) loans (2007: SR 44.96 million) and SR 1.4 million related to the subsidiary Mideast Ship Management Ltd. loans (2007: Nil). Financing charges related to financing of VLCCs, petrochemical carriers and new office apartment loans for a sum of SR 58 million (2007: SR 27 million) was capitalized, see (Note 11).

Notes To The Consolidated Financial Statements
For the year ended December 31, 2008 (In Thousands Saudi Riyals)

14. Zakat and Income Tax

The Company's zakat and tax status
The Company submitted the zakat returns for all fiscal years up to 2007 and paid the zakat due according to these returns. The Company finalized its zakat status with the DZIT up to 1988, and its tax status up to 1995. The Company has not yet received the zakat assessment from the DZIT for the years 2001 to 2007.

The Company pays withholding tax amounts imposed on payments to non-resident parties to the DZIT on time as per tax regulations. The Company has not yet received the tax assessment from the DZIT for the years 2001 to 2004. Sufficient provisions were made to meet tax claims that might arise for the years of which assessments not received.

The Company filed appeals against decisions no. (11, 12, 14) of 1427H for the years from 1989 to 2000 relating to additional zakat claims of SR 61.1 million against the Company. Sufficient provisions were made to meet these zakat claims, and submitted a bank guarantee for the total claims for the appeals to be accepted. The appeals are still pending as of the date of these consolidated financial statements.

The Company also filed appeals against decisions no. (13, 15) of 1427H for the years from 1996 to 2000 relating to an additional tax claims of SR11.9 million. Sufficient provisions were made to meet these tax claims, and submitted a bank guarantee for the total claims for the appeals to be accepted. The appeals are still pending as of the date of these consolidated financial statements.

Zakat and Tax status for the subsidiary (NCC)
The National Chemical Carriers (NCC) submitted the zakat returns for all fiscal years up to 2007 and paid the zakat due according to these returns. The Company has received the zakat assessments including income tax assessments for the years 1991 to 2004 which include additional claims amounting to SR 84.6 million out of which NCC paid SR 28.4 millions. NCC filed appeals against these assessments. The appeals are still pending with the DZIT. The NCC is of the opinion that adequate provision for zakat and tax has been made up to December 31, 2008.

Zakat assessments are prepared separately for the Company and its subsidiary.

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

	2008	2007
Balance at beginning of the year	152.951	157.125
Amounts paid during the year	(20.336)	(22.593)
Provision made during the year	54.471	18.419
Total zakat and tax provision	**187.086**	**152.951**
Tax obligation – non current	(4.000)	(10.000)
Provision for zakat and tax	**183.086**	**142.951**

15. Statutory Reserve

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

Notes To The Consolidated Financial Statements

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

16. Hedging Reserve for Loan Commissions

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. The net cash flow difference between the hedged rate and the prevailing market rate as of December 31, 2008 amounted to SR 5 million.

17. Segment Information

A) The following schedule illustrates the distribution of the Company's activities according to the operational segments for the year ended December 31:

2008

	Operating revenue	Operating expenses	Gross operating profit
Crude Oil Transportation	1.352.448	(666.829)	685.619
Petrochemical Transportation	618.937	(502.843)	116.094
General Cargo Transportation (Liner)	623.145	(464.210)	158.935
	2.594.530	(1.633.882)	960.648

2007

	Operating revenue	Operating expenses	Gross operating profit
Crude Oil Transportation	740.527	(479.871)	260.656
Petrochemical Transportation	474.370	(392.562)	81.808
General Cargo Transportation (Liner)	488.397	(379.525)	108.872
	1.703.294	(1.251.958)	451.336

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

2008

	Assets	Liabilities
Crude Oil Transportation	5.032.373	1.995.025
Petrochemical Transportation	3.072.196	2.256.403
General Cargo Transportation (Liner)	292.065	99.804
Shared Assets and Liabilities *	1.422.792	214.323
Total	9.819.426	4.565.555

2007

	Assets	Liabilities
Crude Oil Transportation	4.204.666	1.359.585
Petrochemical Transportation	2.060.345	1.291.641
General Cargo Transportation (Liner)	301.816	139.283
Shared Assets and Liabilities *	1.229.959	192.795
Total	7.796.786	2.983.304

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

Notes To The Consolidated Financial Statements
For the year ended December 31, 2008 (In Thousands Saudi Riyals)

18. Operating Expenses

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

	2008	2007
Bunker consumption	539.592	327.217
Vessel related expenses	414.437	346.581
Cargo related expenses	172.407	153.641
Voyage related expenses	170.061	155.918
Depreciation and amortization	324.562	261.128
Others	12.823	7.473
	1.633.882	1.251.958

19. General and Administrative Expenses

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

	2008	2007
Employees costs	82.042	69.458
Other general and administrative expenses	19.335	10.090
Depreciation	1.298	2.200
Boards of Directors expenses for the Company and its subsidiaries	3.043	5.553
	105.718	87.301

20. Other (Expense) Income, net

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

	2008	2007
Income from Murabaha and short-term deposits	27.976	31.063
Losses from investments available for sale, net*	(32.629)	(13.807)
Bank commissions and amortization of government development bonds' premium	902	1.111
Gains on sale of fixed assets	70	34.221
Foreign currency exchange differences	(1.850)	406
Gain on sale of the investment in Arabian Chemical Carriers	-	15.539
Commission on government developments bonds	-	502
Others	1.239	2.613
	(4.292)	71.648

* Losses from investments available for sale include SR 43 million (2007: SR 9 million), represents an impairment loss in the value of the investment portfolio.

21. Earning per Share and Dividends

Earnings per share was calculated based on the weighted average number of shares outstanding during the year 2008 that was 315 million shares (2007: 285 million shares).

The Board of Directors, in the meeting held on 01/12/1429H (29/11/2008), proposed to the General Assembly for the approval of dividends at rate of 15% of capital equal to SR 1.5 per share

Notes To The Consolidated Financial Statements

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

for 2008. The balance of unclaimed dividends as of December 31, 2008 amounted to SR 23.4 million (2007: SR 18.4 million).

The (loss) earning per share from non-operating (loss) income is SR (0.33) for 2008 (2007: SR 0.20).

22. 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 for the year ended December 31:

2008

	Total assets	Total liabilities	Gross operating income	Net profit (loss)
NSCSA (America) Inc. Ltd.	20.811	(9.609)	29.066	3.625
Mideast Ship Management Ltd.	50.992	(39.658)	22.542	(7.976)
National Chemical Carriers Ltd.	3.071.264	(2.255.890)	116.094	46.927

2007

	Total assets	Total liabilities	Gross operating income	Net profit (loss)
NSCSA (America) Inc. Ltd.	23.839	(16.261)	24.816	3.478
Mideast Ship Management Ltd.	59.945	(40.636)	26.165	803
National Chemical Carriers Ltd.	2.054.988	(1.286.541)	75.339	22.140

23. Commitments and Contingencies

The Company has issued letters of guarantee of SR 52.2 million which include two guarantees of SR 8 million and SR 41.6 million, respectively, in favor of the DZIT related to taxes and penalties imposed by the Appeals Committee as explained in (Note 14). These guarantees were issued against restricted cash, Murabaha, and short-term deposits of SR 5.82 million.

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

In addition, refer to (Note 11) in relation to future capital commitments to build Very Large Crude Carriers and chemical Carriers.

Notes To The Consolidated Financial Statements

For the year ended December 31, 2008 (In Thousands Saudi Riyals)

24. Subsequent Events

On 9/1/2009 NCC (a subsidiary) signed a sale agreement with a Norwegian company for the sale of three of its old tankers (NCC Arar, NCC Asir & NCC Baha) due to the short period remaining in their useful life for a price of SR 99.4 realizing a gain of SR 27 million. These tankers were delivered to the buying company during the second half of January 2009 and they were operating under a pooling agreement with Odfjell Sachems Company since 1990 with similar tankers in transporting chemicals.

25. Reclassification

Certain amounts previously reported in 2007 financial statements have been reclassified to conform to current year presentation.

26. Financial instruments and risk management

Financial instruments carried on the balance sheet principally include cash, deposits, government development bonds, receivables, payables and certain accrued expenses.

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 maintains its cash with high credit rated local banks. Receivables are carried net of provisions for doubtful debts.

Commission rate exposure

This related to the Company's exposure to the risk of change in commission rates in the market and the potential impact on the financial position of the Company and its cash flows. The Company is using commission rate swaps to fix the commission rates and uses commission rate caps to hedge the risk of increase in commission rate for its long term loans. The Company monitors the commission rate changes and believes that expected commission rate changes on the Company after considering its hedges is not significant.

Currency risk

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

Liquidity risk

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

Fair Value

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


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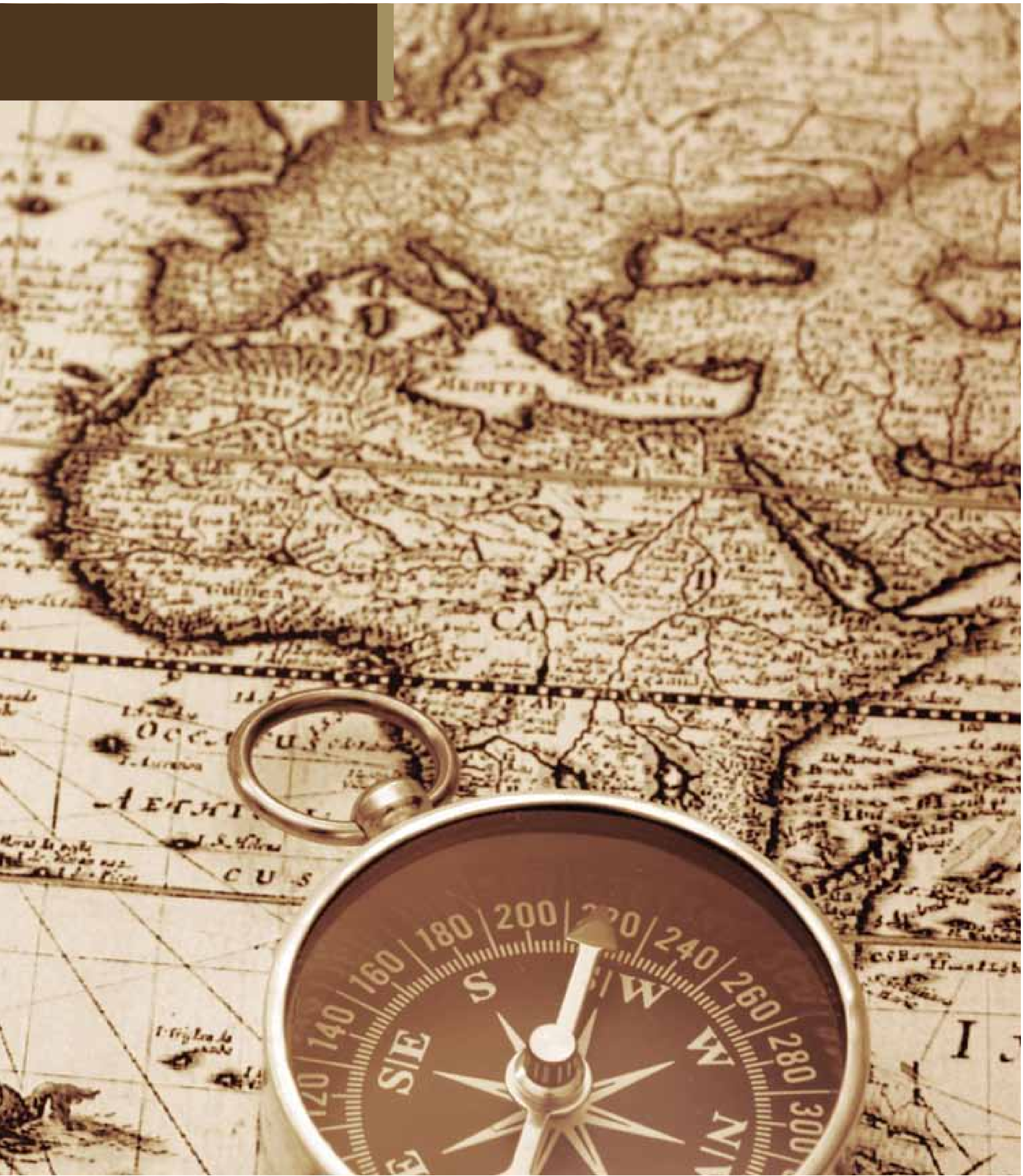

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