The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

30 JUNE 2014

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Bahri البحري

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Interim Consolidated Financial Statements (Unaudited)
For the six month period ended 30 June 2014
and independent accountants' limited review report

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Ernst & Young & Co. (Public Accountants)
6th & 14th Floors – Al Faisaliah Office Tower
PO Box 2732
King Fahad Road
Riyadh 11461
Saudi Arabia
Registration Number: 45

Tel: +966 11 273 4740
Fax: +966 11 273 4730

www.ey.com

LIMITED REVIEW REPORT
TO THE SHAREHOLDERS OF
THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

SCOPE OF REVIEW

We have reviewed the accompanying interim consolidated balance sheet of The National Shipping Company of Saudi Arabia - a Saudi Joint Stock Company ("the Company") and its subsidiaries ("the Group") as at 30 June 2014, and the related interim consolidated statement of income for the three month and six month periods ended 30 June 2014 and the interim consolidated statement of cash flows for the six month period then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young

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

إرنست ويونغ
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG

Riyadh: 18 Ramadan 1435H
(15 July 2014)

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Balance Sheet
(In Thousands Saudi Riyals)

	Note	As at 30 June 2014 (Unaudited)	As at 31December 2013 (Audited)	As at 30 June 2013 (Unaudited)
ASSETS				
Current assets:				
Bank balances and cash	3	**178,358**	106,525	154,521
Murabaha and short term deposits	3	**106,096**	237,940	173,875
Trade receivables, net		**517,493**	608,623	437,559
Lease receivable for vessels, net		**18,174**	15,256	12,591
Prepaid expenses and other receivables		**135,129**	79,616	86,634
Agents' current accounts		**64,461**	27,523	30,560
Inventories		**241,325**	223,023	184,798
Accrued bunker subsidy, net		**128,657**	123,880	124,438
Incomplete voyages		**7,426**	4,456	10,969
Investments held for trading		-	-	33,326
Total current assets		**1,397,119**	1,426,842	1,249,271
Non-current assets:				
Lease receivable for vessels , net		**369,115**	379,423	387,289
Investments held to maturity		**40,587**	40,587	40,587
Investments available for sale		**14,401**	14,399	51,486
Investments in associated companies	4	**956,317**	841,985	688,954
Deferred dry-docking cost, net		**125,169**	104,672	104,206
Fixed assets, net		**9,334,792**	8,512,152	7,821,893
Ships under construction and others	5	**12,601**	676,468	979,640
Total non-current assets		**10,852,982**	10,569,686	10,074,055
Total assets		**12,250,101**	11,996,528	11,323,326
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable and accruals		**448,878**	282,765	275,507
Murabaha and long-term financing -current portion	6	**565,820**	564,292	512,440
Short term Murabaha financing		**328,625**	337,000	400,000
Unclaimed dividends	7	**34,977**	32,088	34,006
Provision for zakat and tax	8	**149,571**	138,907	132,930
Total current liabilities		**1,527,871**	1,355,052	1,354,883
Non-current liabilities:				
Murabaha and long-term financing	6	**4,430,803**	4,376,589	4,168,992
Provision for employees' end of service benefits		**47,366**	46,760	42,163
Other liabilities	9	**30,704**	30,704	30,704
Total non-current liabilities		**4,508,873**	4,454,053	4,241,859
Total liabilities		**6,036,744**	5,809,105	5,596,742
Equity:				
Shareholders' equity				
Share capital	1	**3,150,000**	3,150,000	3,150,000
Statutory reserve		**1,030,617**	998,060	953,098
Retained earnings		**1,673,997**	1,697,784	1,293,135
Unrealized (loss) gain from available for sale investments		**(113)**	(115)	4,818
Total shareholders' equity		**5,854,501**	5,845,729	5,401,051
Non-controlling interests	1	**358,856**	341,694	325,533
Total equity		**6,213,357**	6,187,423	5,726,584
Total liabilities and equity		**12,250,101**	11,996,528	11,323,326

The accompanying notes from (1) to (14) form an integral part of these interim consolidated financial statements.

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Income
(Unaudited)
(In Thousands Saudi Riyals)

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2014	2013	**2014**	2013
Operating revenues		**762,495**	691,063	**1,533,501**	1,289,723
Bunker cost		**(256,961)**	(196,551)	**(494,144)**	(417,873)
Other operating expenses		**(405,331)**	(344,106)	**(788,703)**	(676,157)
Gross operating income before bunker subsidy		**100,203**	150,406	**250,654**	195,693
Bunker subsidy		**42,568**	28,036	**86,123**	83,976
Gross operating income		**142,771**	178,442	**336,777**	279,669
General and administrative expenses		**(23,468)**	(24,711)	**(50,745)**	(47,750)
Operating income		**119,303**	153,731	**286,032**	231,919
Group's share in associated companies net income	4	**50,725**	51,285	**114,332**	75,704
Finance charges	6	**(19,018)**	(15,967)	**(35,978)**	(29,447)
Other (expenses) income, net	10	**(2,145)**	(4,587)	**(1,301)**	63,353
Income before zakat, tax and non-controlling interests		**148,865**	184,462	**363,085**	341,529
Zakat and tax, net	8	**(9,717)**	(9,436)	**(20,351)**	(18,175)
Income before non-controlling interests		**139,148**	175,026	**342,734**	323,354
Non-controlling interests in consolidated subsidiaries' net income		**(8,722)**	(10,458)	**(17,163)**	(20,702)
Net income for the period		**130,426**	164,568	**325,571**	302,652
Earnings Per Share (in SR):					
Attributable to operating income	7	**0.38**	0.49	**0.91**	0.74
Attributable to net income for the period	7	**0.41**	0.52	**1.03**	0.96

The accompanying notes from (1) to (14) form an integral part of these interim consolidated financial statements.

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Cash Flows
(Unaudited)
(In Thousands Saudi Riyals)

	Note	For the six -month period ended 30 June 2014 (Unaudited)	2013 (Unaudited)
Cash flows from operating activities:			
Net income for the period		**325,571**	302,652
Adjustments to reconcile net income for the period to net cash flows from operating activities:			
Depreciation		**238,922**	208,070
Amortization of deferred dry-docking costs		**22,482**	22,199
Unrealized gain from investments held for trading		**-**	(6,942)
Group's share in net results of associated companies		**(114,332)**	(75,704)
Gains from sale of fixed assets		**(820)**	(38,647)
Non-controlling interests in consolidated subsidiaries' net income		**17,163**	20,702
Zakat and tax, net		**20,351**	18,175
Employees' end of service benefits, net		**606**	1,950
		509,943	452,455
Changes in operating assets and liabilities:			
Trade receivables, net		**91,130**	(180,153)
Lease receivable for vessels, net		**7,390**	4,942
Prepaid expenses and other receivables		**(55,513)**	55,066
Agents' current accounts		**(36,938)**	(2,746)
Inventories		**(18,302)**	(52,730)
Accrued bunker subsidy, net		**(4,777)**	8,115
Incomplete voyages		**(2,970)**	10,406
Accounts payable and accruals		**166,113**	45,194
Zakat and tax paid		**(9,687)**	(4,023)
Other liabilities		**-**	(6,046)
Net cash flows from operating activities		**646,389**	330,480
Cash flows from investing activities:			
Murabaha and short-term deposits		**(14,198)**	5,414
Investments available for sale		**-**	8,834
Dividends received from associated companies		**-**	34,091
Additions to fixed assets		**(9,021)**	28,418
Additional discount on received vessels		**-**	320
Proceeds from sale of fixed assets		**820**	43,004
Ships under construction and others, net		**(388,674)**	(367,006)
Deferred dry-docking costs		**(42,979)**	(27,730)
Net cash used in investing activities		**(454,052)**	(274,655)
Cash flows from financing activities:			
(Repayment) proceeds from short-term Murabaha financing		**(8,375)**	240,000
Proceeds from Murabaha and long-term financing		**252,334**	340,651
Repayment of Murabaha and long-term financing		**(196,593)**	(379,037)
Dividends paid		**(312,111)**	(311,935)
Board of directors rewards		**(1,800)**	-
Non-controlling interests		**-**	(10,000)
Net cash used in financing activities		**(266,545)**	(120,321)
Net change in cash and cash equivalents during the period		**(74,208)**	(64,496)
Cash and cash equivalents at the beginning of the period		**269,566**	320,466
Cash and cash equivalents at the end of the period	3	**195,358**	255,970
Major non-cash transactions:			
Ships under construction and others transferred to fixed assets		**1,052,541**	559,357
Unrealized gain from available for sale investments		**-**	2,486
Associated company transferred to subsidiary company		**-**	4,641

The accompanying notes from (1) to (14) form an integral part of these interim consolidated financial statements.

(In Thousands Saudi Riyals)

1. ORGANIZATION AND OPERATIONS

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

The Company and its subsidiaries listed below (the "Group") are primarily engaged in purchasing, leasing, operating vessels for the transportation of cargo and passengers, and all of the marine transport activities. The Group performs its operations through four distinct segments which are transportation of crude oil and gas, chemicals, general cargo (liners), and dry bulk. The Group is also engaged in the ownership of lands, properties inside or outside the kingdom, ownership of shares in other existing companies or merge with them and participate with others in establishing companies with similar activities or complementary activities to group's operations.

The authorized and paid-up capital of the Company is SR 3,150 million comprising 315 million ordinary shares of SR 10 each as of 30 June 2014 and 2013 .

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

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

The associated companies that are not consolidated within these interim consolidated financial statements are as follows (note 4):

Name	Accounting method	Activity	Location	Date of incorporation	Effective Ownership 2014	Effective Ownership 2013
NCC-Odfjell Chemical Tankers JLT *	Equity method	Petrochemical transportation	Dubai	2009	-	40%
Petredec Ltd, **	Equity method	Liquefied petroleum gas transportation	Bermuda	1980	**30.30%**	30.30%

* NCC signed a joint venture agreement in 2009 with "Odfjell SE" to establish an equally owned company, by the name of NCC-Odfjell Chemical Tankers JLT (referred hereinafter to as "NCC-Odfjell"), to commercially operate the two companies' combined fleets of coated chemical tankers in a pool for transportation of chemicals in Dubai (United Arab Emirates).

On 1 June 2013, NCC acquired all "Odfjell JLT" shares which represents 50% of "NCC- Odfjell" and becomes the sole owner of the Company and registered by the name National Chemical Tankers JLT. During the second quarter of 2014, the NCC's board of directors decided to transfer the Company into a branch of NCC.

1. ORGANIZATION AND OPERATIONS (continued)

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

The Company owns seventeen huge oil tankers, one is leased to the Korean Hengin Co, and sixteen carriers operating in the spot market. In addition, the company also owns six RoRo/RoCon vessels operate on commercial lines between North America and Europe, the Middle East and the Indian subcontinent.

NCC (subsidiary) owns Twenty-four tankers specialty and distributed as as following:

- Three of which are leased in the form of iron under capital lease signed on January 30, 2009, with "Odjfell SE".
- Twelve tankers self operated by the Company.
- Eight other carriers leased to the International Shipping and Transportation Co, Ltd. a subsidiary of Saudi Basic Industries Corporation "SABIC".
- One tanker operates in a pool with Odjfel in Dubai and managed by the Company.

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. *Accounting convention*

The accompanying interim consolidated financial statements are prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and under the historical cost convention, except for the investments held for trading and investments available for sale, which are measured at fair value, The Group applies the accruals basis of accounting in recognizing revenues and expenses.
The significant accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2013.

b. *Period of financial statements*

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

The interim consolidated financial statements are prepared on the integration basis of financial periods, where each interim consolidated financial period is considered as complementary to the fiscal year as a whole. Accordingly, each period's revenues, gains, expenses and losses are recognized during that period. All adjustments which the Group management deemed necessary to fairly present the financial position and the results of the Group. The interim results may not be an accurate indication of the annual results of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. *Basis of consolidation*

- These interim consolidated financial statements include assets, liabilities and the Company's results of operations and its subsidiaries listed in Note (1) above.

- The subsidiary company is that in which the Company has, direct or indirect long term investment, comprising an interest of more than 50% in the voting capital and over which it exercises practical control. The subsidiary company is consolidated from the date the company obtains control until such control ceases.

- All significant inter-group accounts and transactions as well as realized gains (losses) on these transactions are eliminated on consolidation.

- Non-controlling interest represents share of profit or loss and net assets not owned by the Company, and is included as a separate item in the interim consolidated statement of financial position and interim consolidated statement of income.

d. *Use of estimates*

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

e. *Cash and cash equivalents*

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

f. *Trade accounts receivable*

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

g. *Accounting for finance leases*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Inventories

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

i. Deferred dry-docking costs

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

j. Investments

1- Investments in associated companies:

Investments in associated companies in which the Group has significant influence, but no control, over the investee's financial and operational policies, generally holds an equity interest ranging between 20% and 50%, are accounted for using the equity method. When the Group acquires an interest in an associated companies for an amount in excess of the fair value of the acquiree's net assets, the difference is treated as goodwill and recorded as part of the investment account. Goodwill is impaired by the decline in value amount, if any.

2- Investments in securities:

Investments in securities are classified into three categories as follows:

- Investments held for trading

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

- Investments held to maturity

  Certain investments in securities are classified as held to maturity based on the management's intentions. These investments are stated at cost, adjusted by premium or discount, if any.

- Investments available for sale

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Fixed assets, net

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

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

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

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

Gain or loss from disposal of fixed asset are determined by comparing proceeds from disposal with the carrying value recognized in the interim consolidated statement of income.

Maintenance and routine repairs which do not materially extend the estimated useful life of an asset are charged to the interim consolidated statement of income when incurred. Major renewals and improvements that extend the useful life of the related assets are capitalized and the assets replaced are retired.

l. Impairment of non-current assets

The carrying value of non-current assets is reviewed for any indication of a loss as a result of impairment. If such indication exists, the recoverable amount, which is the higher of the asset's fair value less cost to sell or the gross future discounted cash flows, is estimated to identify the loss amount, If the recoverable amount cannot be determined for an asset, the grouped will estimate the recoverable amount at the cash-generating units which the asset belong to it.

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

In an exception for goodwill, if a subsequent reverse occurred to the impairment loss, the carrying amount of the asset or cash-generating unit is increased to the adjusted estimate of recoverable amount, not to increase the carrying amount more than the carrying amount that would have been determined as if there wasn't any impairment loss been recognized for the asset or cash generating unit in prior years. A reversal on an impairment loss is recognized as income immediately in the interim consolidated statement of income.

m. Accounts payable and accruals

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Provisions

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

o. Zakat and income taxes

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

p. Provisions for employees' end of service benefits

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

q. Hedge agreements and derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure of its commission rate risks arising from financing activities. The Group generally designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Group's policies, which provide principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in equity, if material and the ineffective portion is recognized in the interim consolidated statement of income.

r. Statuary reserve

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

s. Revenue recognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

t. *Bunker subsidy*

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

u. *Expenses*

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

v. *Borrowing costs*

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

w. *Foreign currency transactions*

Foreign currency transactions are translated into Saudi riyals at prevailing exchange rates on the transaction date, Monetary assets and liabilities denominated in foreign currencies at the interim statement of financial position date are translated into Saudi riyals at the prevailing exchange rates on that date.

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

x. *Operating leases*

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

y. *Earnings per share and proposed dividends*

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

z. *Segment reporting*

Operating segment

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

- That are engaged in revenue operating activities;
- Have opration results which are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment.
- Thier financial information are available separately.

(In Thousands Saudi Riyals)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent Bank balances and cash, and investments in Murabaha and short-term deposits, out of which SR 89.10 million as of 30 June 2014 (2013:SR 72.43 million) are restricted for repayment of loan installments falling due within 180 days from the interim consolidated statement of financial position date.

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:

	30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2013 (Unaudited)
Bank balances and cash	**178,358**	106,525	154,521
Amounts restricted by banks	**-**	(9,428)	(6,314)
	178,358	97,097	148,207
Investment in Murabaha and short-term deposits	**106,096**	237,940	173,875
Amounts restricted by banks	**(89,096)**	(65,471)	(66,112)
	17,000	172,469	107,763
Cash and cash equivalents balance at the end of the period	**195, 358**	269,566	255,970

4. INVESTMENTS IN ASSOCIATED COMPANIES

Summary of the movement in investments in associated companies is as follows:

	30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2013 (Unaudited)
Balance, beginning of the period	**841,985**	651,982	651,982
Group's share in associated companies' results*	**114,332**	291,235	75,704
Dividends received during the period	-	(96,591)	(34,091)
Transferred to a subsidiary company (note1)	-	(4,641)	(4,641)
Balance, end of the period	**956,317**	841,985	688,954

* Share in results of associates represents the Company's share in net results of Petredec Limited Company of SR 114.33 million for the six months period ended 30 June 2014 (2013: SR 75.70 million).

(In Thousands Saudi Riyals)

5. SHIPS UNDER CONSTRUCTION AND OTHERS

The movement in the account of ships under construction and others is summarized as follows:

30 June 2014 (Unaudited)				
	The Company	**National Chemical Carriers**	**Bahri Dry Bulk Company**	**Total**
Beginning Balance	**440,313**	**-**	**236,155**	**676,468**
Additions	**111,728**	**-**	**276,946**	**388,674**
Disposals	**-**	**-**	**-**	**-**
Transferred to fixed assets	**(539,440)**	**-**	**(513,101)**	**(1,052,541)**
Ending Balance	**12,601**	**-**	**-**	**12,601**

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

30 June 2013 (Unaudited)				
	The Company	National Chemical Carriers	Bahri Dry Bulk Company	Total
Beginning Balance	697,969	322,988	151,034	1,171,991
Additions	448,006	66,951	36,903	551,860
Disposals	-	(184,854)	-	(184,854)
Transferred to fixed assets	(559,357)	-	-	(559,357)
Ending Balance	586,618	205,085	187,937	979,640

(In Thousands Saudi Riyals)

6. MURABAHA AND LONG-TERM FINANCING

The Group has signed various Murabaha and long term financing agreements which are primary for financing the building of new VLCCs and petrochemicals carriers and new office in Dubai.

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

30 June 2014 (Unaudited)				
Financing	**The Company**	**Subsidiaries**	**Total**	**%**
Murabaha financing	**1,406,510**	**2,127,706**	**3,534,216**	**71%**
Commercial loans	**32**	**-**	**32**	**0%**
Public Investment Fund "Murabaha financing"	**1,171,875**	**-**	**1,171,875**	**23%**
Public Investment Fund finance "commercial loans"	**-**	**290,500**	**290,500**	**6%**
Total Murabaha and long term financing	**2,578,417**	**2,418,206**	**4,996,623**	**100%**
Current portion of Murabaha and long-term financing	**(331,416)**	**(234,404)**	**(565,820)**	**-**
Non-current portion of long-term financing	**2,247,001**	**2,183,802**	**4,430,803**	**-**

31 December 2013 (Audited)				
Financing	The Company	Subsidiaries	Total	%
Murabaha financing	1,825,756	1,958,186	3,783,942	76%
Commercial loans	32	-	32	0%
Public Investment Fund "Murabaha financing"	825,000	-	825,000	17%
Public Investment Fund finance "commercial loans"	23,250	308,657	331,907	7%
Total Murabaha and long term financing	2,674,038	2,266,843	4,940,881	100%
Current portion of Murabaha and long-term financing	(343,592)	(220,700)	(564,292)	-
Non-current portion of long-term financing	2,330,446	2,046,143	4,376,589	-

30 June 2013 (Unaudited)				
Financing	The Company	Subsidiaries	Total	%
Murabaha financing	1,270,301	1,827,286	3,097,587	66%
Commercial loans	32	-	32	0%
Public Investment Fund "Murabaha financing"	1,215,000	-	1,215,000	26%
Public Investment Fund finance "commercial loans"	42,000	326,813	368,813	8%
Total Murabaha and long term financing	2,527,333	2,154,099	4,681,432	100%
Current portion of Murabaha and long-term financing	(326,203)	(186,237)	(512,440)	-
Non-current portion of long-term financing	2,201,130	1,967,862	4,168,992	-

6. **MURABAHA AND LONG-TERM FINANCING (continued)**

- The finance cost is calculated as per the financing agreements at market prevailing rates.
- The Company's fleet and equipment includes VLCCs and petrochemical carriers that are financed by banks and mortgaged in favor of the lending banks.

7. **EARNINGS PER SHARE AND DIVIDENDS**

Earnings per share is calculated based on the number of shares outstanding during the period ended 30 June 2014 and 2013 totaling 315 million shares.

The General Assembly approved in its meeting held on 31 March 2014, a distribution of cash dividends of 10% of the share capital amounting to SR 315 million, representing SR 1 per share for the year 2013. The balance of unclaimed dividends as of 30 June 2014 amounted to SR 34.98 million (2013: SR 34.01 million).

8. **ZAKAT AND INCOME TAX**

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

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

The Company has filed its zakat returns up to 2012. The zakat assessments have been agreed with the Department of Zakat and Income Tax ("DZIT") for all the years up to 2000. The "DZIT" has raised the zakat assessment for the years 2001 to 2007 claiming additional zakat liabilities of SR 22 million. The Company filed an objection against these assessments and its calculation method to the Department of Zakat and Income Tax ("DZIT"), and technically the department approved on the objection. The Company did not receive the final assessments for the years from 2008 until 2012.

9. **OTHER LIABILITIES**

This item represents the total of amounts received from one of the ships building companies as at 30 June 2014 and 2013 against charging this company with the repair costs of the tanks related to the new six vessels built for National Chemical Carrier Company. Therefore, it was agreed to charge the ships building company a total amount of SR 36.750 million, SR 6.12 million for each ship. During the period ended 31 March 2013, repair of tanks for one of these vessels was made during its maintenance period, which resulted in saving of SR 5.2 million. This amount was recognized as other income (note10). As National Chemical Carrier Company do not have a maintenance plan for the remaining vessels for the next 12 months, the item was classified as non-current liabilities.

(In Thousands Saudi Riyals)

10. OTHER (EXPENSES) INCOME, NET

Other (expenses) income, net as of 30 June comprise the following:

	2014 (Unaudited)	2013 (Unaudited)
Net gain from investments	**672**	7,719
Gains from sale of fixed assets	**820**	38,647
Settlement as a result of cancellation of ship under construction (note 5)	-	13,751
Vessel repair settlement (note 9)	-	5,242
Others	**(2,793)**	(2,006)
	(1,301)	63,353

11. CAPITAL CONTINGENT LIABILITIES

The Group has no capital commitments as at 30 June 2014 (2013: capital commitments related to shipyard construction amounting to 0.46 billion to build RoCon ships). There are no capital commitments of NCC's subsidiary company as of 30 June 2014 (2013: Capital commitments amounting to SR 0.05 billion). The capital commitments of the subsidiary company to build bulk transportation ships nil as at 30 June 2014 (2013: Capital commitment amounting to SR 0.41 billion).

The Group has outstanding letters of guarantee of SR 275,12 million as at 30 June 2014 (2013: SR 238,85 billion) issued during the normal course of business.

The Group also has certain outstanding legal proceedings that have risen in the normal course of business. As 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 Group's results of operations or its financial position.

12. SEGMENTAL INFORMATION

A) The following schedule illustrates the distribution of the Group's activities according to the operating segments for the period ended:

	30 June 2014 (Unaudited)				
	Oil Transportation	**Petrochemical Transportation ***	**General Cargo Transportation**	**Bulk Transportation**	**Total**
Operating revenues	**791,123**	**399,568**	**278,921**	**63,889**	**1,533,501**
Bunker costs	**(349,427)**	**(102,779)**	**(41,938)**	**-**	**(494,144)**
Other operating expenses	**(306,362)**	**(240,376)**	**(209,502)**	**(32,463)**	**(788,703)**
Total operating expenses	**(655,789)**	**(343,155)**	**(251,440)**	**(32,463)**	**(1,282,847)**
Gross operating income before bunker subsidy	**135,334**	**56,413**	**27,481**	**31,426**	**250,654**
Bunker subsidy	**66,428**	**11,924**	**7,771**	**-**	**86,123**
Gross operating income	**201,762**	**68,337**	**35,252**	**31,426**	**336,777**

(In Thousands Saudi Riyals)

12. SEGMENTAL INFORMATION (continued)

	30 June 2013 (Unaudited)				
	Oil Transportation	Petrochemical Transportation *	General Cargo Transportation	Bulk Transportation	Total
Operating revenues	719,427	252,603	264,635	53,058	1,289,723
Bunker costs	(344,195)	-	(73,678)	-	(417,873)
Other operating expenses	(306,222)	(171,147)	(160,066)	(38,722)	(676,157)
Total operating expenses	(650,417)	(171,147)	(233,744)	(38,722)	(1,094,030)
Gross operating income before bunker subsidy	69,010	81,456	30,891	14,336	195,693
Bunker subsidy	71,328	2,207	10,441	-	83,976
Gross operating income	140,338	83,663	41,332	14,336	279,669

* The financial information of National Chemical Carriers Ltd. Co. (NCC) and its subsidiary have been consolidated starting 1 June, 2013, which resulted in stating the gross amounts of revenues, bunker costs and other operating expenses.

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

B) The following schedule illustrates the distribution of the Group's assets and liabilities according to the operating segments as of 30 June:

	2014 (Unaudited)					
	Oil Transportation	**Petrochemical Transportation***	**General Cargo Transportation**	**Bulk Transportation**	**Shared Assets and Liabilities****	**Total**
Assets	**4,990,882**	**3,560,664**	**1,849,536**	**705,649**	**1,143,370**	**12,250,101**
Liabilities	**1,557,903**	**2,269,376**	**1,256,585**	**452,144**	**500,736**	**6,036,744**

	2013 (Unaudited)					
	Oil Transportation	Petrochemical Transportation*	General Cargo Transportation	Bulk Transportation	Shared Assets and Liabilities**	Total
Assets	5,258,375	3,463,895	1,367,891	223,209	1,009,956	11,323,326
Liabilities	1,799,052	2,260,002	973,847	9,390	554,451	5,596,742

* The financial information of National Chemical Carriers Ltd. Co. (NCC) and its subsidiary have been consolidated starting from 1 June, 2013, which resulted in stating the gross amounts of assets and liabilities.

** Shared assets and liabilities represent amounts that cannot be allocated to a specific segment such as bank balances, Murabaha and deposits, investments held to maturity, unclaimed dividends, and others.

13. THE SIGNED AGREEMENTS WITH ARAMCO AND VELA

On November 4, 2012 the Company signed an agreement with Saudi Aramco whereby the total ownership of Vela International Marine Ltd.'s fleet. (Vela) will be transferred to the Company after obtaining required regulatory approvals. The Vela's fleet consists of fourteen VLCCs, one VLCC for floating storage and five refined petroleum product tankers.

Pursuant to the merger agreement, Bahri will pay Vela a total consideration of approximately SR 4,88 billion (equivalent to US$1.3 billion). The consideration will comprise a cash payment amounting to SR 3.12 billion (equivalent to USS 832.75 million) in addition to 78.75 million new Bahri shares to be issued to Vela at an agreed price of SR 22.25 per share. The Company's post merger issued number of shares will be 393,75 million shares and the new shares issued to Vela which is wholly owned by Saudi Aramco will equal 20 % of Bahri's share capital. Vela will have a fair representation in Bahri's Board. The Company plans to fund the cash consideration through Sharia compliant financing agreements.

According to the terms of a long-term shipping contract with a minimum period of 10 years, the Company will be the exclusive carrier to Saudi Aramco for the transportation of crude oil sold by Saudi Aramco on the FOB basis. According to this contract and to meet Saudi Aramco's demand which is estimated to be 50 VLCC's the Company plans to best optimize the utilization of its post merger fleet which will total 31 VLCC's in addition to charter VLCC's when necessary.

The long-term shipping contract includes an agreed upon terms protects the Company when freight rates falls below the minimum agreed limit. On the other hand if freight rates increased above specific limit agreed on (compensation limit) the Company will compensate Saudi Aramco.

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

The merger transaction subject to various statotury conditions. The Company has obtained from Counsel of Protection's approval on February, 5 2014 and the approval of the Supreme Council for Petroleum and Mineral Affairs (SPMC) in the Kingdome of Saudi Arabia on April, 10 2014, followed by the Capital Market Authirity board approval on May, 20 2014, sanctioning the prospectus for the increase of Bahri's capital from SR (3,150,000,000) to SR (3,937,500,000) for the purpose of the merger of Vela fleet and operations with Bahri. Also the Company has obtained the approval on nonextra general meeting on the merger and the capital increase on June, 19 2014.

On June, 22 2014, the Company signed Murabah agreement with various banks for an amount of SR 3,182,812,500 to finance the cash compensation of merger of Vela fleet and operations, as will as the merger related expenses. This bridge finance is for 12 months. The agreed-upon assets of Vela will be received during 3rd quarter of this year.

An adjustment had been made to voyages' operations under Saudi Aramco program during the forth quarter of 2013, which resulted in the increase of revenue by SR 49 million for the period ended in 30 September 2013, and it was as follows :

- The first quarter as at 31 March 2013 : SR (6.4) million.
- The second quarter as at 30 June 2013 : SR 32.1 million.
- The third quarter as at 30 September 2013 : SR 23.3 million.

13. THE SIGNED AGREEMENTS WITH ARAMCO AND VELA - continued

Based on the above reclassification, comparative figures for the period ended 30 June 2013 were adjusted by SR (25.7) million for the following accounts:

- Trade receivables, net
- Statutory reserve
- Retained earnings
- Operating revenues
- Net income for the period

14. RECLASSIFICATION

In addition to the restatement setout in note 13 above, certain comparative figures of the 30 June 2013 interim consolidated financial statements have been reclassified to conform to the current period presentation.