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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

31 MARCH, 2014

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Interim Consolidated Financial Statements (Unaudited)
For the three month period ended 31March, 2014
and independent accountants' limited review report

Contents	**Page**
Independent accountants' limited review report	2
Interim consolidated statement of balance sheet	3
Interim consolidated statement of income	4
Interim consolidated statement of cash flows	5
Notes to the interim consolidated financial statements	6-20

Building a better working world

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:

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 31 March 2014, and the related interim consolidated statements of income and cash flows for the three 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
5 PROFESSIONAL LICENCE No. 45 ٥
ERNST & YOUNG

Riyadh: 16 Jamad Al Thani 1435H
(16 April 2014)

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Balance Sheet
For the three month period ended 31 March, 2014
(In Thousands Saudi Riyals)

ASSETS	Note	31 March, 2014 (Unaudited)	December 31, 2013 (Audited)	31 March, 2013 (Unaudited)
Current assets:				
Bank balances and cash	3	**154,879**	106,525	210,567
Murabaha and short term deposits	3	**185,866**	237,940	120,571
Trade receivables, net		**640,170**	608,623	435,936
Lease receivable for vessels, net		**16,707**	15,256	11,272
Prepaid expenses and other receivables		**71,500**	79,616	90,315
Agents' current accounts		**37,577**	27,523	22,973
Inventories		**203,924**	223,023	199,132
Accrued bunker subsidy, net		**123,785**	123,880	144,315
Incomplete voyages		**-**	4,456	9,803
Investments held for trading		**-**	-	31,681
Total current assets		**1,434,408**	1,426,842	1,276,565
Non-current assets:				
Lease receivable for vessels , net		**374,472**	379,423	391,180
Investments held to maturity		**40,587**	40,587	40,587
Investments available for sale		**14,399**	14,399	59,030
Investments in associated companies	4	**905,592**	841,985	642,310
Deferred dry-docking cost, net		**121,822**	104,672	99,678
Fixed assets, net		**9,181,393**	8,512,152	7,652,860
Ships under construction and others	5	**229,293**	676,468	996,114
Total non-current assets		**10,867,558**	10,569,686	9,881,759
Total assets		**12,301,966**	11,996,528	11,158,324
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable and accruals		**340,812**	282,765	264,840
Murabaha and long-term financing -current portion	6	**579,024**	564,292	495,799
Short term Murabaha financing		**237,500**	337,000	200,000
Unclaimed dividends	7	**346,982**	32,088	345,761
Provision for zakat and tax	8	**140,163**	138,907	124,166
Incomplete voyages		**5,338**	-	-
Total current liabilities		**1,649,819**	1,355,052	1,430,566
Non-current liabilities:				
Murabaha and long-term financing	6	**4,498,847**	4,376,589	4,105,760
Provision for employees' end of service benefits		**46,587**	46,760	41,025
Other liabilities	9	**30,704**	30,704	30,704
Total non-current liabilities		**4,576,138**	4,454,053	4,177,489
Total liabilities		**6,225,957**	5,809,105	5,608,055
Equity:				
Shareholders' equity				
Share capital	1	**3,150,000**	3,150,000	3,150,000
Statutory reserve		**1,017,575**	998,060	936,642
Retained earnings		**1,558,414**	1,697,784	1,145,024
Unrealized (loss) gain from available for sale investments		**(115)**	(115)	3,528
Total shareholders' equity		**5,725,874**	5,845,729	5,235,194
Non-controlling interests	1	**350,135**	341,694	315,075
Total equity		**6,076,009**	6,187,423	5,550,269
Total liabilities and equity		**12,301,966**	11,996,528	11,158,324

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 31 March 2014 (Unaudited)	2013 (Unaudited)
Operating revenues		**771,006**	598,660
Bunker cost		**(237,183)**	(221,322)
Other operating expenses		**(383,372)**	(332,051)
Gross operating income before bunker subsidy		**150,451**	45,287
Bunker subsidy		**43,555**	55,940
Gross operating income		**194,006**	101,227
General and administrative expenses		**(27,277)**	(23,039)
Operating income		**166,729**	78,188
Group's share in associated companies net income	4	**63,607**	24,419
Finance charges	6	**(16,960)**	(13,480)
Other income, net	10	**844**	67,940
Income before zakat, tax and non-controlling interests		**214,220**	157,067
Zakat and tax, net	8	**(10,634)**	(8,739)
Income before non-controlling interests		**203,586**	148,328
Non-controlling interests in consolidated subsidiaries' net income		**(8,441)**	(10,244)
Net income for the period		**195,145**	138,084
Earnings Per Share (in SR):			
Attributable to operating income	7	**0.53**	0.25
Attributable to net income for the period	7	**0.62**	0.44

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

(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 three-month period ended 31 March 2014 (Unaudited)	2013 (Unaudited)
Cash flows from operating activities:			
Net income for the period		**195,145**	138,084
Adjustments to reconcile net income for the period to net cash flows from operating activities:			
Depreciation		**117,099**	103,275
Amortization of deferred dry-docking costs		**11,022**	10,618
Unrealized gain from investments held for trading		**-**	(5,297)
Group's share in net results of associated companies		**(63,607)**	(24,419)
Gains from sale of fixed assets		**(65)**	(38,142)
Non-controlling interests in consolidated subsidiaries' net income		**8,441**	10,244
Zakat and tax, net		**10,634**	8,739
employees' end of service benefits, net		**(173)**	812
		278,496	203,914
Changes in operating assets and liabilities:			
Trade receivables, net		**(31,547)**	(183,171)
Lease receivable for vessels, net		**3,500**	2,370
Prepaid expenses and other receivables		**8,116**	51,385
Agents' current accounts		**(10,054)**	4,841
Inventories		**19,099**	(67,064)
Accrued bunker subsidy, net		**95**	(11,762)
Incomplete voyages		**9,794**	11,572
Accounts payable and accruals		**58,047**	34,527
Zakat and tax paid		**(9,378)**	(3,351)
Other liabilities		**-**	(6,046)
Net cash flows from operating activities		**326,168**	37,215
Cash flows from investing activities:			
Murabaha and short-term deposits		**18,023**	32,384
Dividends received from associated companies		**-**	34,091
Additions to fixed assets		**(5,421)**	(204)
Additional discount on received vessels		**-**	320
Proceeds from sale of fixed assets		**65**	59,514
Ships under construction and others, net		**(333,744)**	(98,045)
Deferred dry-docking costs		**(28,172)**	(11,621)
Net cash (used in) from investing activities		**(349,249)**	16,439
Cash flows from financing activities:			
(Repayment) proceeds from short-term Murabaha financing		**(99,500)**	40,000
Proceeds from Murabaha and long-term financing		**293,464**	74,052
Repayment of Murabaha and long-term financing		**(156,474)**	(192,312)
Dividends paid		**(106)**	(180)
Non-controlling interests		**-**	(10,000)
Net cash from (used in) financing activities		**37,384**	(88,440)
Net change in cash and cash equivalents during the period		**14,303**	(34,786)
Cash and cash equivalents at the beginning of the year		**269,566**	320,466
Cash and cash equivalents at the end of the period	3	**283,869**	285,680
Major non-cash transactions:			
Ships under construction and others transferred to fixed assets		**780,919**	273,922
Unrealized gain from available for sale investments		**-**	1,196

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 31 March, 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
Consolidated Subsidiaries:					
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)* & 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 with "Odfjell SE" on Jumada Thani 22, 1430H, (corresponding to June 15, 2009) to establish an equally owned company in Dubai (United Arab Emirates), 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, vegetable oils and refined petroleum products on a world-wide basis with its focus on the growing production and export market of the Arabian Gulf Region. On 1 June 2013, NCC acquired all "Odfjell JLT" shares which represents 50% of "NCC- Odfjell" and becomes the sole owner of the Company.

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 five RoRo/RoCon vessels operate on commercial lines between North America and Europe, the Middle East and the Indian subcontinent.

NCC owns Twenty-four tankers specialty chemicals, three of which are leased in the form of iron under an operating lease signed on January 30, 2009, with "Odjfell SE" and twelve tankers operate with its subsidiaries in Dubai, and eight other carriers leased to the International Shipping and Transportation Co, Ltd. a subsidiary of Saudi Basic Industries Corporation "SABIC" and one tanker operates in a pool with Odjfel in Dubai.

BDB 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/ capital 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 these investments is not available, cost is considered the most appropriate method for such securities.

(In Thousands Saudi Riyals)

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%
Motor vehicles	20 to 25%
Computer equipment	15 to 25%
Container yard facilities	10 to 25%
Others	7 to 15%

* RoRo/RoCon 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 by itself, assets are grouped at the lowest level for which they are separately identifiable (cash-generating units).

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. Impairment loss recognized on intangible assets is not reversible.

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. 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 50% of the paid-up capital. The reserve is not available for distribution to shareholders.

r. 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.

s. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Expenses

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

u. 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.

v. 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.

w. Operating leases

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

x. 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.

y. Segment reporting

Operating segment

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

(i) That are engaged in revenue operating activities;

(ii) Have opration results which are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment;

(iii) 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 56.88 million as of 31 March, 2014 (2013:SR 45.46 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:

	31 March, 2014 (Unaudited)	December 31, 2013 (Audited)	31 March, 2013 (Unaudited)
Bank balances and cash	**154,879**	106,525	210,567
Amounts restricted by banks	**(18,856)**	(9,428)	(19,087)
	136,023	97,097	191,480
Investment in Murabaha and short-term deposits	**185,866**	237,940	120,571
Amounts restricted by banks	**(38,020)**	(65,471)	(26,371)
	147,846	172,469	94,200
Cash and cash equivalents balance at the end of the period	**283,869**	269,566	285,680

4. INVESTMENTS IN ASSOCIATED COMPANIES

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

	31 March, 2014 (Unaudited)	December 31, 2013 (Audited)	31 March, 2013 (Unaudited)
Balance, beginning of the period	**841,985**	651,982	651,982
Group's share in associated companies' results*	**63,607**	291,235	24,419
Dividends received during the period	-	(96,591)	(34,091)
Transferred to a subsidiary company (note1)	-	(4,641)	-
Balance, end of the period	**905,592**	841,985	642,310

* Share in results of associates represents the Company's share in net results of Petredec Limited Company of SR 63.61 million for the three months period ended 31 March,2014 (2013: SR 24.42 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:

31 March, 2014 (Unaudited)				
	The Company	**National Chemical Carriers**	**Bahri Dry Bulk Company**	**Total**
Beginning Balance	**440,313**	**-**	**236,155**	**676,468**
Additions	**57,941**	**-**	**275,803**	**333,744**
Disposals	**-**	**-**	**-**	**-**
Transferred to fixed assets	**(268,961)**	**-**	**(511,958)**	**(780,919)**
Ending Balance	**229,293**	**-**	**-**	**229,293**

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

31 March, 2013 (Unaudited)				
	The Company	National Chemical Carriers	Bahri Dry Bulk Company	Total
Beginning Balance	697,969	322,988	151,034	1,171,991
Additions	218,577	50,091	136	268,804
Disposals	-	(170,759)	-	(170,759)
Transferred to fixed assets	(273,922)	-	-	(273,922)
Ending Balance	642,624	202,320	151,170	996,114

(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:

31 March, 2014 (Unaudited)				
Financing	**The Company**	**Subsidiaries**	**Total**	**%**
Murabaha financing	**1,395,791**	**2,167,017**	**3,562,808**	**70%**
Commercial loans	**32**	**-**	**32**	**0%**
Public Investment Fund "Murabaha financing"	**1,183,125**	**-**	**1,183,125**	**23%**
Public Investment Fund finance "commercial loans"	**23,250**	**308,656**	**331,906**	**7%**
Total Murabaha and long term financing	**2,602,198**	**2,475,673**	**5,077,871**	**100%**
Current portion of Murabaha and long-term financing	**(350,975)**	**(228,049)**	**(579,024)**	**-**
Non-current portion of long-term financing	**2,251,223**	**2,247,624**	**4,498,847**	**-**

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	-

31 March, 2013 (Unaudited)				
Financing	The Company	Subsidiaries	Total	%
Murabaha financing	1,211,070	1,859,738	3,070,808	67%
Commercial loans	32	-	32	0%
Public Investment Fund "Murabaha financing"	1,125,000	-	1,125,000	24%
Public Investment Fund finance "commercial loans"	60,750	344,969	405,719	9%
Total Murabaha and long term financing	2,396,852	2,204,707	4,601,559	100%
Current portion of Murabaha and long-term financing	(307,571)	(188,228)	(495,799)	-
Non-current portion of long-term financing	2,089,281	2,016,479	4,105,760	-

6. MURABAHA AND LONG-TERM FINANCING (continued)

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

7. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share is calculated based on the number of shares outstanding during the period ended 31 March,2014 and 2013 totaling 315 million shares. The earnings per share from non-operating income for the three months period ended March 31, 2014 amounted to SR 0.09 (2013: SR 0.19).

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 31 March, 2014 amounted to SR 31.98 million (2013: SR 30.76 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 31 March, 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 US$ 9.8 million (SR 36.750 million), US$ 1.7 million (SR 6.1 million) for each ship. During the year ended December 31, 2013, repair of tanks for one of these vessels was made during its maintenance period, which resulted in saving of SR 5.2 million. This amount was recognized as other income (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 INCOME, NET

Other income, net as of 31 March comprise the following:

	2014 (Unaudited)	2013 (Unaudited)
Net gain from investments	**446**	5,514
Gains from sale of fixed assets	**65**	38,142
Settlement as a result of cancellation of ship under construction (note 5)	**-**	13,751
Vessel repair settlement (note 9)	**-**	5,242
Others	**333**	5,291
	844	67,940

11. CAPITAL CONTINGENT LIABILITIES

The Group has capital commitments related to shipyards construction amounting to SR 0.051 billion to build RoCon ships as at 31 March, 2014 (2013: SR 0.67 billion). The capital commitments of NCC's subsidiary company to build petrochemical ships nil as of 31 March, 2014 (2013: SR 0.049 billion). The capital commitments of the subsidiary company to build bulk transportation ships nil as at March 31, 2014 (2013: SR 0.45 billion).

The Group has outstanding letters of guarantee of SR 264,90 million as at 31 March, 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 31 March:

	2014 (Unaudited)				
	Oil Transportation	**Petrochemical Transportation ***	**General Cargo Transportation (Liner)**	**Bulk Transportation**	**Total**
Operating revenues	**414,237**	**193,665**	**131,811**	**31,293**	**771,006**
Bunker costs	**(168,415)**	**(50,781)**	**(17,987)**	**-**	**(237,183)**
Other operating expenses	**(153,891)**	**(117,491)**	**(94,329)**	**(17,661)**	**(383,372)**
Total operating expenses	**(322,306)**	**(168,272)**	**(112,316)**	**(17,661)**	**(620,555)**
Gross operating income before bunker subsidy	**91,931**	**25,393**	**19,495**	**13,632**	**150,451**
Bunker subsidy	**31,047**	**8,692**	**3,816**	**-**	**43,555**
Gross operating income	**122,978**	**34,085**	**23,311**	**13,632**	**194,006**

(In Thousands Saudi Riyals)

12 SEGMENTAL INFORMATION (continued)

	2013 (Unaudited)				
	Oil Transportation	Petrochemical Transportation *	General Cargo Transportation (Liner)	Bulk Transportation	Total
Operating revenues	330,601	119,948	130,567	17,544	598,660
Bunker costs	(165,142)	-	(56,180)	-	(221,322)
Other operating expenses	(143,495)	(85,182)	(90,723)	(12,651)	(332,051)
Total operating expenses	(308,637)	(85,182)	(146,903)	(12,651)	(553,373)
Gross operating income before bunker subsidy	21,964	34,766	(16,336)	4,893	45,287
Bunker subsidy	47,130	1,699	7,111	-	55,940
Gross operating income	69,094	36,465	(9,225)	4,893	101,227

* 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 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 31 March:

	2014 (Unaudited)					
	Oil Transportation	**Petrochemical Transportation***	**General Cargo Transportation (Liner)**	**Bulk Transportation**	**Shared Assets and Liabilities****	**Total**
Assets	**5,204,003**	**3,464,960**	**1,805,341**	**696,141**	**1,131,521**	**12,301,966**
Liabilities	**1,605,437**	**2,189,697**	**1,258,961**	**456,862**	**715,000**	**6,225,957**

	2013 (Unaudited)					
	Crude Oil Transportation	Petrochemical Transportation*	General Cargo Transportation (Liner)	Bulk Transportation	Shared Assets and Liabilities**	Total
Assets	5,414,805	3,480,316	1,111,111	213,361	938,731	11,158,324
Liabilities	1,825,252	2,308,622	807,124	8,435	658,622	5,608,055

* The financial information of National Chemical Carriers Ltd. Co. (NCC) and its subsidiary have been consolidated starting from 1 June, 2013, which resulted an increase in current liabilities for the period ended 31 March, 2014.

** 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$1.3 billion). The consideration will comprise a cash payment amounting to SR 3.12 billion (equivalent to US$ 832.75 million) in addition to 78.75 million new Bahri shares to be issued to Vela at an agreed price of SR 22.25 per share. The Company's post merger issued number of shares will be 393,75 million shares and the new shares issued to 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 Safar 19, 1434H (corresponding to January 1, 2013) until the long-term shipping contract becomes effective according to the terms of the merger agreement.

The merger agreement is subject to various terms including the approval of the Extraordinary General Assembly of the Company on the merger and capital increase and obtaining other regulatory approvals such as the Capital Market Authority which is in process. The approvals of the Competition Protection Council in Saudi Arabia and the Supreme Council for Petroleum and Mineral Affairs have been already obtained.

An adjustment had been made to voyages' operations under Saudi Aramco program during 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.

Based on the above reclassification, comparative figures for the period ended 31 March, 2013 were adjusted by SR (6.4) million for the following accounts:

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

14. RECLASSIFICATION

In addition to what has been mentioned in note 13 above, certain comparative figures of the 31 March 2013 interim consolidated financial statements have been reclassified to conform to the current period presentation.