Bahri
البحري

Annual Report 2018

بسم الله الرحمن الرحيم

King Salman bin Abdulaziz Al-Saud

Custodian of the Two Holy Mosques

May God protect him

His Royal Highness
Prince Mohammad bin Salman Al-Saud
Crown Prince of Saudi Arabia, Chief of the Royal Court, First Deputy Prime Minister, and Minister of Defense
May God protect him

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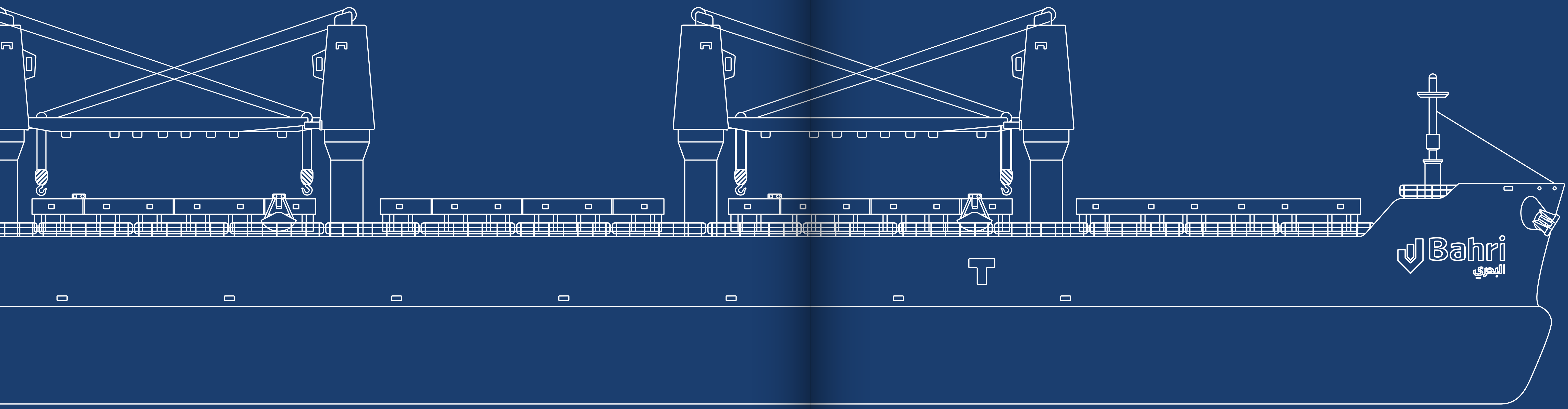


Foreword by the Chairman

Abdulrahman Mohammed Al-Mofadhi

Dear respected shareholders,

It has been yet another successful year for Bahri, which continues to establish its reputation as one of the largest logistics and transportation companies in the world. Over the course of 2018, we have been even more determined to reinforce our leading position and play a major role in developing the global transport industry through our extensive expertise and promoting innovation and compliance as hallmarks of our business.

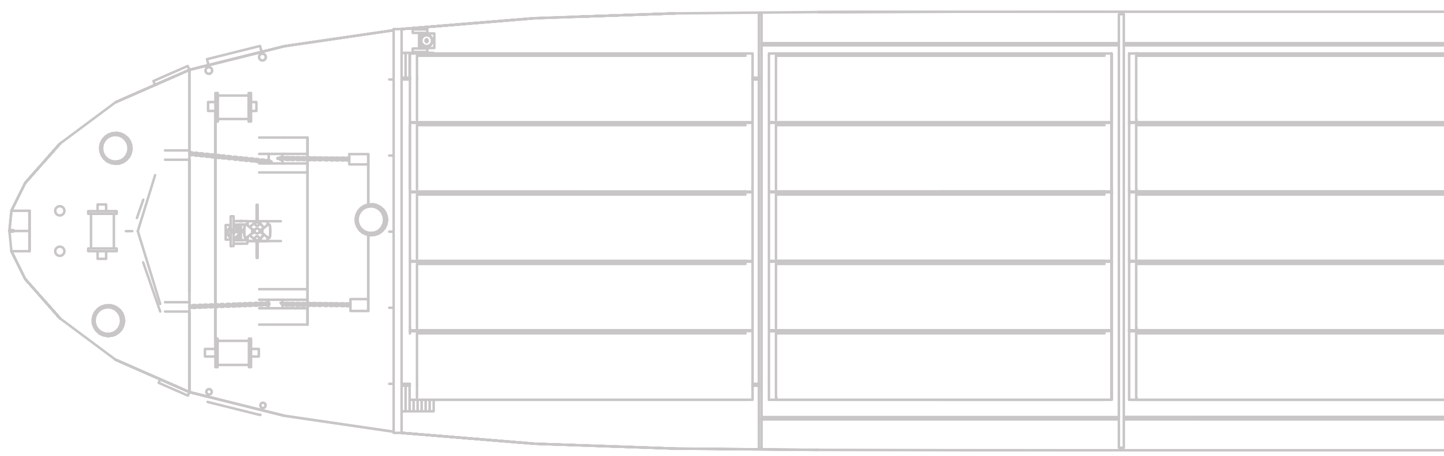
2018 has been a year of continued success. This success coincides with the maritime industry being positioned as a key component of the Saudi economy in line with the Saudi Vision 2030 and the aspirations of the government led by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al-Saud and Crown Prince Mohammed bin Salman. Their aim is to plan for the future with decisiveness and implement clear policies, as well as major development projects.

To further reinforce Bahri's leadership position in this sector, we strengthened our internal structure and foundations and focused on developing our long-term strategy. Despite key challenges in 2018, including the slow growth of global demand for crude oil due to increased oil prices as well as the new vessels that have entered the market, Bahri has maintained its strong position in the oil transportation market. We also delivered an increase in daily oil transportation rates as a result of our operational efficiency, optimal fleet scheduling, and benefitted from the long-term contracts. The expansion of Bahri Oil fleet has also played a key role in delivering competitive results and achieving higher profit margins throughout the year, in addition to decreasing the need to charter vessels from the market.

The Saudi Vision 2030 has always served as a compass for our business. As a result of our dedication to fulfilling this strategic vision, Bahri has ended 2018 with renewed hope and aspirations, confidently continuing our journey through an era full of opportunities to stimulate the growth of the global trade movement. We have also focused on building and advancing coastal cities by developing seaports and shipyards. In fact, this is one field where Saudi Arabia is a pioneer in, achieving a ranking of 26 globally in terms of the total net capacity of its commercial vessels, according to the 2018 annual report of the United Nations Conference on Trade and Development (UNCTAD).

Bahri has also worked on developing partnerships with those investing in projects around Saudi Arabia, boosting our capability to secure an even better economic advantage for the Kingdom and taking full advantage of the country's geographical prime location. This in turn will enable the Kingdom to acquire a larger share of the maritime market.
2018 has also been a year in which many achievements and key partnerships have been realized. This is in line with our strategy, which aims to develop the logistics and transportation industry and further improve Saudi Arabia's global position in this field by building strategic capabilities and relationships with key industry players. We have identified the main logistical projects which Bahri needs to be involved. Additionally, the Company has been qualified to engage with many projects nationwide.

Finally, I would like to thank the government of the Custodian of the Two Holy Mosques and his Crown Prince for their support. I would also like to thank Bahri's Board of Directors for all their continued efforts in helping us achieve our objectives. Finally, I extend my gratitude to Bahri's owners, customers and employees for their endeavors in helping the Company meet the aspirations and expectations of its shareholders and customers.



Statement by the CEO

Abdullah Aldubaikhi

Bahri has continued on its path to become a capable and successful corporation; its inspiring journey has spanned a little over 40 years and set a high benchmark for other businesses to follow. All praise and thanks is firstly due to Allah, then to the support of our government led by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al-Saud, and Crown Prince Mohammed bin Salman, and finally our committed staff.

At Bahri, we are always proud whenever the Saudi flag flies high on the mast of one of our ships; it is testament to the global nature of our operation, the prosperity of our Kingdom and the professionalism of our citizens who account for the majority of our employees, especially in leadership positions. It is proof to our efforts to achieve long-term objectives of developing our customer base and broadening the range of our global voyages.

The results of our operations over 2018 have demonstrated Bahri's success in more than doubling our shipping movement compared to 2017, despite having to face significant challenges and obstacles. Our high-quality services and competitive prices were the main factors in establishing the Company as a preferred partner for global oil-producing stakeholders.

Our aspirations have proven critical in overcoming any challenges. And Bahri was destined to demonstrate the robustness of its vision and effectiveness of its strategy, which is based on a philosophy where we accentuate today's achievements and seize tomorrow's opportunities. These factors will help us preserve Bahri's leading position in the oil transportation market and increase the daily transportation rate of crude oil by continuously advancing operations and optimizing fleet scheduling, as well as benefiting from the strategic advantage offered by key long-term contracts. Expansion of the Bahri Oil fleet has also played a key role in achieving competitive results and profit margins over the year, in addition to decreasing the need for chartering carriers.

Today, Bahri is the largest owner and operator of VLCCs in the world and the largest owner and operator of chemical tankers in the Middle East. The Company runs a huge fleet of 92 multi-purpose vessels, including VLCCs, chemical and product tankers, general cargo vessels, and dry bulk carriers. We are proud to announce a 45-percent growth in our fleet over the last four years, with our VLCC's total capacity increasing to 14 million DWT. The total capacity of our chemical tankers now stands at 1.4 million DWT. This has laid the foundations for the Company to be stronger than ever in the future.

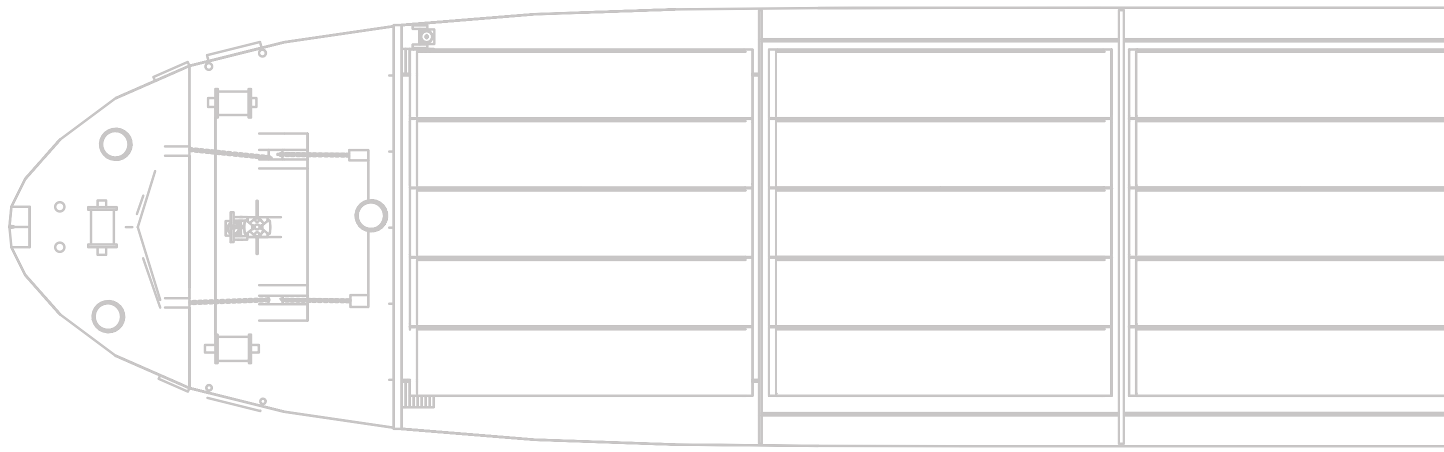
The Company has demonstrated its innovativeness across its business. We signed many contracts and partnerships over the year. Automation of our operations has also continued to be Bahri's main area of focus. The Company invests in the automation of all human resources services by utilizing sophisticated global systems. We focused this year on developing our learning and development environment within the group by fostering innovation and creativity and by providing new services to the Saudi society.

2018 has been a year full of professional accomplishments and it was one where Bahri added 11 more prestigious awards, further establishing Bahri as a leading Company and a benchmark in the maritime transport and logistics industry. Bahri was recognized by many industry bodies as the best shipping company and ship manager of the year, and was honored for its role in supporting innovation and talent development.

We take pride in our impressive history and the success of our continued business, which aims to improve the maritime transport and logistics sector, and further strengthen our leading position. These factors are the reason why we were honored with a wide array of awards including the Tanker Shipping & Trade (TST)'s Award for Operational Excellence granted to the best commercial tanker building company. We were also awarded the Topaz Excellence in Logistics Award by Lloyd's List South Asia, Middle East and Africa, among others.

We present to you Bahri's 2018 annual report, which provides a detailed outline on all lines of our business alongside detailed statistical information. This is to ensure we are meeting the highest transparency and governance standards that are an integral component of our corporate activities. We are forging ahead by entering new areas of operations and exploring new avenues where we can improve by identifying the finest technical solutions and highest safety and security standards, upon which we can base our business.

I would like to conclude by thanking everyone who has contributed to Bahri's achievements, especially our government, Bahri's Board of Directors, shareholders and employees, along with our partners and customers.



Bahri’s Board of Directors

Mr. Abdulrahman Mohammed Al-Mofadhi
Chairman

Mr. Mohammed Abdulaziz Al-Sarhan
Vice Chairman

Mr. Saleh Abdullah Al-Debasi
Board Member

Mr. Yasir Abdullah Al-Salman
Board Member

Eng. Ahmed Ali Al-Subaey
Board Member

Dr. Abdulmalik Abdullah Al-Hogail
Board Member

Eng. Ibrahim Qassim Al-Buainain
Board Member

Mr. Khalid Mohammed Al-Araifi
Board Member

Mr. Khalifa Abdullatif Al-Mulhim
Board Member

Board of Directors' Report

Bahri's Board of Directors is pleased to present to its shareholders the Company's annual report prepared in accordance with Corporate Governance Regulations, Registration and Listing Rules, and the Company's Articles of Association. The annual report outlines the Company's business and performance for the year ending December 31, 2018 and is annexed with audited financial statements and notes. It also states the Company's performance and activities.

One: Establishment and activity

Bahri, the National Shipping Company of Saudi Arabia (Bahri), was established by Royal Decree no. M/5 as a public shareholding company on 21 January 1978, under commercial registration no. 1010026026 issued in Riyadh, dated 22 October 1979. Bahri's capital consists of 393,750,000 shares as of December 31, 2018. The business areas of the Company and its subsidiaries comprise the purchase, sale and operation of ships and vessels for the transportation of individuals and cargo; participation in maritime shipping operations; acting as an agent for maritime shipping companies, cargo clearance, loading and arrangement of cargo; and other means of transportation, storage and all maritime shipping activities. Bahri conducts its business through four different channels of activity – crude oil, chemicals, breakbulk, and dry breakbulk transportation.

Bahri Oil:

Bahri Oil's fleet comprises 45 Very Large Crude-oil Carriers (VLCCs) that operate in the spot market and through shipping contracts. The sector also owns five carriers for refined oil products that are chartered to Aramco Trading Company (ATC).

Bahri Chemicals:

This business unit is fully operated by the National Chemical Carriers Limited Company, a subsidiary with an 80-percent stake owned by Bahri and owns 31 chemical tankers operating as follows:

3 Tankers	16 Tankers	11 Tankers	1 Tanker
Chartered on a bareboat basis under a finance charter contract with Odfjell SE, Norway (a trading partner)	Self-operated by the subsidiary in the spot market	Six of which chartered to the International Shipping and Transportation Company Ltd. (ISTC), a subsidiary of the Saudi Arabia Basic Industries Company (SABIC). and the other five are chartered to Aramco Trading Company (ATC)	Works with Odfjell SE, Norway

Bahri Logistics:

This business unit owns and operates six shipping vessels that are run on trade routes between North America, Europe, the Middle East, and the Indian subcontinent. The business unit operates in maritime and aviation-based freight and goods transportation, in addition to serving as a maritime and aviation agent, a shipping intermediary, and a charteree for ships and airplanes.

Bahri Dry Bulk:

This business unit is fully run by the Bahri Dry Bulk, a subsidiary with a 60-percent stake owned by Bahri. It owns five dry bulk carriers, all chartered to the Arabian Agricultural Services Company (ARASCO).

Units' individual contribution to Company sales as per audited financial statements

Thousands (SAR)	Crude oil	Chemicals	Logistics	Dry bulk and others	Total
Revenue	3,692,550	872,174	1,158,022	407,164	6,129,910
Percentage	60%	14%	19%	7%	100%

Two: Geographical distribution of revenues

There is no geographical distribution of revenues due to the nature of the Company's business; ships and tankers transport shipments between many local and global ports.

Three: Plans, future expectations and new projects

a. Plans and future expectations:

Bahri is committed to developing its business and constantly plans to improve its operations and stimulate growth. Future expectations for the shipping sector, are difficult to precisely forecast due to many governing variables that need to be accounted for and are in turn subject to economic factors over which the Company has no control.

b. Structural changes and new projects:

As part of ongoing initiatives to deliver performance improvements, Bahri restructured its functional units. Service departments including Finance, Human Resources, Procurement and IT have been integrated into one unit called Shared Services. The aim of this restructuring is to strengthen the Company's organizational and negotiation capabilities, especially through the integration of the procurement unit to serve all subsidiaries – increasing negotiation capabilities and achieving costs efficiency. Bahri will start implementing further initiatives that are expected to increase its capabilities to face future challenges. As part of its efforts to strengthen its leadership position and in line with strategies to diversify its business and income channels, Bahri entered into a 19.9-percent stake partnership with the International Maritime Industries Company (IMI). This partnership will facilitate the construction, development and operation of an international maritime yard at the King Salman International Complex for Maritime Industries and Services in Ras Al-Khair. The Company will build and maintain various kinds of ships including VLCCs. Construction work is underway and will be completed over multiple stages. The production capabilities of the complex are expected to be completed by 2022. Bahri has strengthened its fleet with the addition of five VLCCs in 2018 that helped improve efficiency and further established Bahri's position as the world's largest owner and operator of VLCCs. Bahri plans to increase its share in the dry bulk transportation market by receiving four new carriers in 2020.

Four: Bahri's risk management and monitoring policy

Bahri's Board of Directors regularly reviews the Company's policies related to risk management to ensure approved policies and programs are implemented and risks to the Company are minimized. The executive management also ensures that risk management operations and implemented systems work efficiently across all organizational levels. Bahri's approach to risk management is centered around prioritizing safety in all of its activities and working towards prevention of risk resulting from major and minor accidents as part of Bahri's strategic objectives and internal organizational controls. The maritime shipping sector, however, is not void of risks, especially operational ones such as threats posed by terrorist attacks, war and piracy, in addition to marine accidents, cargo damage, and crew injuries. Hence, Bahri has attached a high degree of importance to preventing and minimizing risk by utilizing proper risk management systems in addition to issuing certificates, classifying equipment and procedures, and providing safety training that contributes to safeguarding workers and cargo, in addition to quality assurance and achieving efficient use of available resources. Bahri also relies on insurance coverage, which protects the Company against risks threatening its vessels, cargo, crews and employees. Providers are selected by monitoring and evaluating their solvency, technical capabilities and obligations before and during the insurance term to ensure Bahri is receiving the best value and benefits for its investment. Additionally, there are financial risks resulting from the Company's activities including liquidity and credit risks; these are managed through continuous measurement and monitoring procedures. Bahri works towards minimizing the implications of such risks through various methods including necessary financial derivatives to hedge against loan interest rates.

Five: Board composition, member classification and table of attendance

Bahri's Board of Directors is composed of nine members – the following table outlines Board composition in 2018 and positions of its members					
Name	Position	Executive	Non-executive	Independent	Note
Mr. Abdulrahman Mohammed Al-Mofadhi	Chairman		√		
Mr. Mohammed Abdulaziz Al-Sarhan	Vice Chairman			√	
Mr. Saleh Abdullah Al-Debasi	Board Member		√		
Eng. Ahmed Ali Al-Subaey	Board Member		√		
Eng. Ibrahim Qassim Al-Buainain	Board Member		√		
Mr. Khalifa Abdullatif Al-Mulhim	Board Member			√	
Dr. Abdulmalik Abdullah Al-Hogail	Board Member			√	
Mr. Khalid Mohammed Al-Araifi	Board Member			√	
Mr. Yasir Abdullah Al-Salman	Board Member		√		Board membership valid from Mar 27, 2018
Dr. Ghassan Bin Abdulrahman Al-Shibl	Board Member		√		Board membership ended on Mar 26, 2018

Board Meetings and Attendance Sheets							
Name	Position	Meeting 1 Feb 28, 2018	Meeting 2 Apr 29, 2018	Meeting 3 Jul 29, 2018	Meeting 4 Oct 25, 2018	Meeting 5 Dec 10, 2018	Meeting 6 Dec 11, 2018
Mr. Abdulrahman Mohammed Al-Mofadhi	Chairman	√	√	√	√	√	√
Mr. Mohammed Abdulaziz Al-Sarhan	Vice Chairman	√	√	√	√	√	√
Mr. Saleh Abdullah Al-Debasi	Board Member	√	√	√	√	√	√
Eng. Ahmed Ali Al-Subaey	Board Member	√	√	√	√	√	√
Eng. Ibrahim Qassim Al-Buainain	Board Member	√	√	√	√	√	√
Mr. Khalifa Abdullatif Al-Mulhim	Board Member	√	√	√	√	√	√
Dr. Abdulmalik Abdullah Al-Hogail	Board Member	√	√	√	√	√	√
Mr. Khalid Mohammed Al-Araifi	Board Member	√	√	√	√	√	√
Mr. Yasir Abdullah Al-Salman	Board Member	×	√	√	√	√	√
Dr. Ghassan Bin Abdulrahman Al-Shibl	Board Member	√	×	×	×	×	×

Six: Board Members' biographies, including qualifications, experience and other companies they are board members of

Mr. Abdulrahman Mohammed Al-Mofadhi

Bachelor of Economics from King Saud University and MBA from the University of Michigan, USA.
Previous roles include:

- **Acting Secretary General of the Public Investment Fund (PIF)**
- **Deputy Governor of the OPEC Fund for International Development (OFID)**
- **Executive Director for Saudi Arabia of the World Bank Group**

Company	Legal Entity	Location	Membership
Saudi Stock Exchange, Tadawul	Shareholding - unlisted	Inside KSA	Current
Dar Al Tamleek Company	Shareholding – unlisted	Inside KSA	Current
Saudi Real Estate Construction Company	Shareholding – unlisted	Inside KSA	Current
POSCO E&C Saudi Arabia	Shareholding – unlisted	Inside KSA	Current
Al Wedyan Saudi Real Estate Company	Shareholding - unlisted	Inside KSA	Current
National Commercial Bank (NCB)	Shareholding - listed	Inside KSA	Previous
Saudi Real Estate Company	Shareholding - listed	Inside KSA	Previous

Mr. Mohammed Abdulaziz Al-Sarhan

Bachelor of Science in Mathematics and Computer Science from Oregon State University, USA. Mr. Al-Sarhan has studied many specialized courses in international universities such as Harvard Business School, USA, and IMD Institute, London.
Previous roles include:

- **Advisor to Al Faisaliah Group (AFG) and Chairman of Al Safi Danone**
- **VP for Al Faisaliah Group Holding (AFG)**
- **Managing Director and CEO of Al Safi Danone Ltd.**
- **Managing Director of Al Safi Food Company**
- **VP of the Saudi Arabian Marketing and Refining Company (SAMAREC)**
- **General Manager of Petromin Refinery in Riyadh**

Company	Legal Entity	Location	Membership
Al Safi Danone	Limited Liability Company	Inside KSA	Current
Al Faisaliah Group Holding (AFG)	Shareholding – unlisted	Inside KSA	Current
Riyadh Airports Company	Shareholding – unlisted	Inside KSA	Previous
Saudi Airlines Catering Company (SACC)	Shareholding – listed	Inside KSA	Current
National Chemical Carriers Company	Limited Liability Company	Inside KSA	Current
Goknur Foods Import Export Trading & Distribution Company	Limited Liability Company	Outside KSA	Current
Venture Capital	Limited Liability Company	Outside KSA	Current
IKEA Company	Shareholding – unlisted	Inside KSA	Current
Bayan Realty Estate Company	Limited Liability Company	Inside KSA	Previous
Saudi Arabia Public Transport Company (SAPTCO)	Shareholding – listed	Inside KSA	Previous
Bahri Dry Bulk Company	Limited Liability Company	Inside KSA	Previous

Mr. Saleh Abdullah Al-Debasi

Bachelor of Geography from Imam Muhammad Ibn Saud Islamic University, and Master of Public Administration from the University of Pittsburgh, USA.

Previous roles include:

- **Head of the military sector of the Ministry of Finance's Agency for Budget and Regulatory Affairs.**
- **Assistant Undersecretary for Budget and Regulatory Affairs, Ministry of Finance.**

Company	Legal Entity	Location	Membership
Bahri Dry Bulk Company	Limited Liability Company	Inside KSA	Current
Tatweer Co. for Educational Services	Shareholding – unlisted	Inside KSA	Current
Saudi-Korean Company for Maintenance and Properties Management (Mumtalakat)	Limited Liability Company	Inside KSA	Current
Al Moammar Information Systems Company	Shareholding – unlisted	Inside KSA	Current
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	Shareholding – unlisted	Inside KSA	Previous
The Saudi-Moroccan Investment Company (Asma Invest)	Limited Liability Company	Outside KSA	Previous

Eng. Ahmed Ali Al-Subaey

Bachelor of Electrical Engineering from the University of Arizona, USA; Master of Electrical Engineering from the University of Arizona, USA; and Executive MBA from Stanford University, USA. Eng. Al-Subaey is currently working as Saudi Aramco's VP for Marketing, Sales and Supply Planning.

Previous roles include:

- **CEO of Saudi Petroleum Limited Co. in Tokyo**
- **CEO and Senior Executive of Saudi Petroleum International Inc. in New York**
- **Senior Executive and Representative Director of S-Oil Company in South Korea**

Company	Legal Entity	Location	Membership
National Chemical Carriers Company	Limited Liability Company	Inside KSA	Current
Saudi Aramco Base Oil Company (Luberef)	Limited Liability Company	Inside KSA	Current
Arab Petroleum Pipelines Company (SUMED)	Unlisted	Outside KSA	Current
POSCO Engineering and Construction	Unlisted	Outside KSA	Current
Aramco Trading Company (ATC)	Limited Liability Company	Inside KSA	Current
Aramco Asia Company	Limited Liability Company	Inside KSA	Current
Saudi Petroleum Overseas Ltd. (SPOL)	Limited Liability Company	Outside KSA	Current
Saudi Petroleum International Inc.	Limited Liability Company	Outside KSA	Current

Eng. Ibrahim Qassim Al-Buainain

Bachelor of Mechanical Engineering, Master of Global Business Administration, and Master of Innovation and Leadership from the Massachusetts Institute of Technology (MIT), USA. Mr. Al-Buainain has also achieved a certificate from the Executive Development Program, MIT, Switzerland. Currently working as CEO of Aramco Trading Company (ATC)

Previous roles include:

- **General Manager of Saudi Aramco's joint venture in South Korea**
- **Investment manager of all Saudi Aramco's international joint ventures**
- **Manager of Saudi Aramco's joint venture in Asia**
- **Manager of structuring and joint ventures at Saudi Aramco's department for new business**
- **Head of Operations Development at Saudi Aramco**

Company	Legal Entity	Location	Membership
Aramco Trading Company (ATC)	Limited Liability Company	Inside KSA	Current
Aramco Singapore Trading Company	Limited Liability Company	Outside KSA	Current
S-Oil Company	Shareholding - listed	Outside KSA	Current

Mr. Khalifa Abdullatif Al-Mulhim

Bachelor of Business and Finance Administration from the University of Colorado Boulder, USA. Mr. Al-Mulhim is currently working as CEO of Khalifa A. Almulhem Company Ltd. (Kamco)

Worked previously at the Saudi Industrial Development Fund (SIDF).

Company	Legal Entity	Location	Membership
Advanced Petrochemical Company	Shareholding - listed	Inside KSA	Current
Saudi White Cement Company	Shareholding - unlisted	Inside KSA	Current
Al Jazeera Support Services Company (MEHAN)	Limited Liability Company	Inside KSA	Current
Saudi British Bank (SABB)	Shareholding - listed	Inside KSA	Previous
Saudi-Spanish Bank	Shareholding - listed	Outside KSA	Previous
Nama Chemicals Company	Shareholding - listed	Inside KSA	Previous
Bank Aljazira	Shareholding - listed	Inside KSA	Previous
Al-Ittefaq Steel Products Company (ISPC)	Shareholding - unlisted	Inside KSA	Previous

Dr. Abdulmalik Abdullah Al-Hogail

Bachelor of Accounting from King Saud University, Riyadh and Master of Accounting from Case Western Reserve University, USA. Dr. Al-Hogail also has a PhD in Accounting from Case Western Reserve University as well as professional certificates including the CPA and SOCPA.

Previous roles include:

- **VP and Chief Financial Officer of Al Faisaliah Group Holding (AFG)**
- **Member of the Audit Committee of the Capital Market Authority (CMA)**
- **Faculty Member for the Institute of Public Administration**

Company	Legal Entity	Location	Membership
Saudi Electricity Company (SEC)	Shareholding - listed	Inside KSA	Current
Alinma Investment Company	Shareholding - unlisted	Inside KSA	Current
International Medical Holding Company	Limited Liability Company	Inside KSA	Current
National Chemical Carriers Company	Limited Liability Company	Inside KSA	Current
Americana Group	Shareholding - unlisted	Outside KSA	Current
Pharma International Company (PIC)	Limited Liability Company	Inside KSA	Previous
Electronics & Systems Holding Company	Limited Liability Company	Inside KSA	Previous
Philips Healthcare Saudi Arabia Company	Limited Liability Company	Inside KSA	Previous
Accenture Saudi Arabia Ltd. Company	Limited Liability Company	Inside KSA	Previous

Mr. Khalid Mohammed Al-Araifi

Bachelor and Master of Accounting from King Abdulaziz University, Jeddah. Currently working as Assistant Governor for Finance at the Public Pension Agency.

Previous roles include:

- **Advisor and General Supervisor of the General Directorate of Internal Auditing and Follow-Up at the Ministry of Civil Service**
- **Director of the Internal Audit Department at the Saline Water Conversion Corporation (SWCC)**

Company	Legal Entity	Location	Membership
Bahri Dry Bulk Company	Limited Liability Company	Inside KSA	Current

Mr. Yasir Abdullah Al-Salman

Bachelor of Accounting from King Saud University, Riyadh and Master of Accounting and Information Systems from Middle Tennessee State University (MTSU), USA. Currently working as Chief Financial Officer of the Public Investment Fund (PIF).

Previous roles include:

- **Chief Financial Officer of the Saudi Agricultural and Livestock Investment Company (SALIC)**
- **General Manager of Investments at Mobily**
- **Executive Manager of the Finance Department at Kingdom Holding Company**

Company	Legal Entity	Location	Membership
National Water Company (NWC)	Shareholding - unlisted	Inside KSA	Current
Saudi Railway Company (SAR)	Shareholding - unlisted	Inside KSA	Current
King Abdullah Financial District Company (KAFD)	Shareholding - unlisted	Inside KSA	Current

Seven: Executive Management

Eng. Abdullah bin Ali Aldubaikhi

Bachelor of Electrical Engineering from King Fahd University of Petroleum and Minerals (KFUPM), Dhahran and MBA from the University of Oxford, UK.

Company	Legal Entity	Location	Membership
CEO of Bahri	Listed	Inside KSA	Current
CEO of the Saudi Agricultural and Livestock Investment Company (SALIC)	Unlisted	Inside KSA	Previous
CEO of Afwaf Investment Holding	Limited Liability Company	Inside KSA	Previous
CEO of AwalNet	Limited Liability Company	Inside KSA	Previous
CEO and Co-Founder of DowLog Technology	Limited Liability Company	Inside KSA	Previous
Credit Advisor at the Saudi Industrial Development Fund	Governmental Authority	Inside KSA	Previous
Board Member of Alessa Industries	Unlisted	Inside KSA	Current
Board Member of Abdullah Al-Othaim Markets	Unlisted	Inside KSA	Current
Board Member of the International Maritime Industries Company (IMI)	Unlisted	Inside KSA	Current
Board Member of Petredec Ltd.	Limited Liability Company	Outside KSA	Current
Board Member of the Saudi Civil Aviation Holding Company	Semi-Governmental	Inside KSA	Current
Board Member of Mulkia Investment	Unlisted	Inside KSA	Current
Chairman of Bahri Bolloré Logistics	Joint Limited Liability Company	Inside KSA	Current
Chairman of BahriBunge Dry Bulk	Joint Limited Liability Company	Outside KSA	Current
Board Member of Bahri Dry Bulk	Limited Liability Company	Inside KSA	Current

Mr. Naser Mohammed Al-Abdulkarim

Bachelor of Science in Industrial Management and MBA from King Fahd University of Petroleum and Minerals (KFUPM), Dhahran. Mr. Al-Abdulkarim is also a graduate of the Executive Management Program from the University of Oxford, UK.

Company	Legal Entity	Location	Membership
President of Bahri Oil	Listed	Inside KSA	Current*
Saudi Aramco	Semi-governmental	Inside KSA	Current
Modern Industries Company	Limited Liability Company	Inside KSA	Previous
Saudi Electricity Company (SEC)	Listed	Inside KSA	Previous

*Seconded from Saudi Aramco

Mr. Ahmed Mohammad Al-Ghaith

Certificate in Business Administration and certified by the Ship Management Program from Acomarit Academy, UK. Mr. Al-Gaith also completed executive programs at the International Maritime Organization (IMO) and the International Organization for Standardization (ISO).

Company	Legal Entity	Location	Membership
President of Bahri Logistics	Listed	Inside KSA	Current
Board Member of BahriBolloré Logistics	Joint Limited Liability Company	Inside KSA	Current
Board Member of the National Shipping Company of Saudi Arabia (Bahri), USA	Limited Liability Company	Outside KSA	Current

Eng. Fayez Abdullah Al-Asmari

Bachelor of Industrial Engineering from King Saud University, Riyadh and holder of the Credit Program Certificate from Chase Manhattan Bank, USA.

Company	Legal Entity	Location	Membership
Chief Financial Officer of Bahri	Listed	Inside KSA	Current
Board Member of BahriBunge Dry Bulk Company	Joint Limited Liability Company	Outside KSA	Current
Member of the Audit Committee at Al Moammar Information Systems (MIS)	Unlisted	Inside KSA	Current
Chief Operating Officer of the Arabian Company for Water and Power Development (ACWA Holding)	Unlisted	Inside KSA	Previous
Vice President of Finance of the National Manufacturing Company	Listed	Inside KSA	Previous
Senior Manager at the Samba Financial Group	Listed	Inside KSA	Previous
Credit Advisor at the Saudi Industrial Development Fund	Governmental Authority	Inside KSA	Previous
Member of the Audit Committee at Malath Insurance	Listed	Inside KSA	Previous
Member of the Audit Committee at Watan Investment	Unlisted	Inside KSA	Previous

Eng. Abdulaziz Abdulrahman Sabri

Bachelor of Mechanical Engineering from King Fahd University of Petroleum and Minerals (KFUPM) in Dhahran.

Company	Legal Entity	Location	Membership
President of Bahri Ship Management	Listed	Inside KSA	Current
Board Member of the National Shipping Company of Saudi Arabia (Bahri), USA	Limited Liability Company	Outside KSA	Current
Board Member of the National Maritime Academy, King Salman International Maritime Industries Complex	Semi-governmental	Inside KSA	Current
Maintenance Engineer at Saudi Aramco	Semi-governmental	Inside KSA	Previous
Senior Head of Fleet Operations at Vela International Marine Limited Company	Semi-governmental	Outside KSA	Previous
Shipyard Manager for South Korea branch, Vela International Marine Limited Company	Semi-governmental	Outside KSA	Previous
Manager of Fleet Operations at Vela International Marine Limited Company	Semi-governmental	Outside KSA	Previous

Mr. Hisham Hussain Alkhaldi

Bachelor of Business Administration and holder of a level-five certificate in leadership from the British Institute of Leadership and Management (ILM).

Company	Legal Entity	Location	Membership
Chief Support Officer at Bahri	Listed	Inside KSA	Current
Senior Manager of Human Resources, Alshaya International Trading Company	Limited Liability Company	Inside KSA	Previous
Board Member of Leejam Sports and Chairman of the Company's Nomination and Remuneration Committee	Listed	Inside KSA	Current
Vice Chairman of Human Resources and Labor Market Committee, Riyadh Chamber of Commerce	Semi-governmental	Inside KSA	Current
Member of the Committee on the Localization of the Maritime Industry, Public Transport Authority	Governmental	Inside KSA	Current

Eng. Mubarak Abdullah Al-Khater

Bachelor and Master of Chemical Engineering from King Fahd University of Petroleum and Minerals (KFUPM) in Dhahran. Mr. Al-Khater also completed the Advanced Program in Management from the International Institute for Management Development, Lausanne, Switzerland; and executive Financial Analysis Program from INSEAD Business School in France.

Company	Legal Entity	Location	Membership
Head of Strategy at Bahri	Listed	Inside KSA	Current
Head of New Business Development at Saudi Electricity Company (SEC)	Listed	Inside KSA	Previous
CEO of the Saudi Paper Manufacturing Company	Listed	Inside KSA	Previous
Engineer at Saudi Aramco	Semi-governmental	Inside KSA	Previous
Engineer at Al-Jubail Petrochemical Company (SABIC)	Limited Liability Company	Inside KSA	Previous

Eng. Nezar Husain Banabila

Bachelor of Electrical Engineering and Computer from Umm Al-Qura University, Saudi Arabia. He holds Harvard University's Executive Program Certificate and several certificates in professional development from the University of Pennsylvania's Wharton School, USA; University of Cambridge, UK; and London Business School, UK.

Company	Legal Entity	Location	Membership
President of Bahri Dry Bulk	Listed	Inside KSA	Current
Board Member of BahriBunge Dry Bulk	Joint Limited Liability Company	Outside KSA	Current
Board Member of the National Shipping Company of Saudi Arabia (Bahri), USA	Limited Liability Company	Outside KSA	Current
General Executive Manager of Alliance Planning and Portfolio Management at Etihad Etisalat (Mobily)	Listed	Inside KSA	Previous
Vice President for Wholesale Sales and Business at Viva Bahrain	Limited Liability Company	Outside KSA	Previous

Mr. Claus Breitenbauch

From AP Moller-Maersk Shipping Academy

Company	Legal Entity	Location	Membership
President of Bahri Chemicals	Listed	Inside KSA	Current
CEO of SEA-tankers	Limited Liability Company	Outside KSA	Previous
Managing Director at Tomini Shipping	Limited Liability Company	Outside KSA	Previous
CEO of Emirates Ship Investment LLC (Eships)	Limited Liability Company	Outside KSA	Previous
CEO of Nordic Tankers	Listed	Outside KSA	Previous
CEO/ General Manager of Wrist Europe B.V.	Listed	Outside KSA	Previous
Director of Operations at Ove Wrist & Co. Ltd.	Listed	Outside KSA	Previous
Regional Director at Falck Rescue Corps	Listed	Outside KSA	Previous
Director of Operations at Neptun Hotel Group	Limited Liability Company	Outside KSA	Previous

Eight: Description and tasks of Board committees

Audit Committee

Tasks and Responsibilities:

- **The Audit Committee examines and expresses opinions and recommendations on the initial consolidated annual financial statements of the Company. Additionally, it studies analyses provided by the external auditor and ensures measures taken to address its recommendations are implemented.**
- **The committee ensures the efficiency of internal control systems and applicable policies and procedures as well as the tasks, work and reports of the internal audit department. It also ensures the implementation of measures taken to address the recommendations of such reports in order to achieve the Company's objectives and protect shareholders' interests.**
- **The Audit Committee reviews regulatory authorities' reports and measures taken by the executive management to address them.**
- **The committee makes recommendations to the Board of Directors on the appointment of an external auditor, defines their remuneration, assesses their performance, verifies their independence and reviews the scope of work and contractual terms.**
- **The Audit Committee monitors the work and activities of executives and managers responsible for risk management.**

Audit Committee Meetings and Attendance Sheet

Name	Position	Meeting 1 28 Jan 2018	Meeting 2 25 Feb 2018	Meeting 3 25 Apr 2018	Meeting 4 24 Jul 2018	Meeting 5 24 Oct 2018	Meeting 6 23 Dec 2018
Dr. Abdulmalik Abdullah Al-Hogail	Chairman	√	√	√	√	√	√
Mr. Saleh Abdullah Al-Debasi	Member	√	√	×	√	√	√
Mr. Khalid Mohammed Al-Araifi	Member	√	×	√	√	√	√
Dr. Saad Saleh Al-Ruwaita*	Member	√	√	√	√	×	√

*Dr. Saad Saleh Al-Ruwaita is a non-board committee member specialized in finance and accounting. He is holder of a Bachelor of Accounting from King Saud University's Department of Administrative Sciences, Riyadh; a Master of Accounting from the University of Miami, USA; and a PhD from the University of Colorado, USA.

Company	Legal Entity	Location	Membership
Chairman of the Audit Committee, National Commercial Bank (NCB)	Listed	Inside KSA	Previous
Member of the Board of Trustees, Prince Sultan University	Private University	Inside KSA	Current
Board Member, Wedyan Real Estate	Closed Joint Stock Company	Inside KSA	Current
Chairman of the Audit Committee, Saudi Real Estate Company	Listed	Inside KSA	Current
Chairman of the Testing Committee, Saudi Organization for Certified Public Accountants	Professional Saudi Authority	Inside KSA	Previous
Member of the Zakat and Tax Appeal Committee, Ministry of Finance	Governmental	Inside KSA	Previous
Chairman of the Audit Committee, Saudi Research and Marketing Group	Listed	Inside KSA	Previous
Member of the Audit Committee, Public Pension Agency	Governmental	Inside KSA	Current
Chairman of the Audit Committee, Public Education Evaluation Commission	Governmental	Inside KSA	Current

Remuneration and Compensation Committee

Tasks and Responsibilities:

- **To ensure that the Board of Directors is composed of individuals capable of undertaking their responsibilities in line with the law and highest governance standards.**
- **To ensure the implementation of measures that evaluate the remuneration granted to board members and senior executives.**
- **To develop and obtain approval from the Board of Directors on a clear policy on the remuneration of Board members, committee members and executive management members.**
- **To conduct periodic reviews of the remuneration policy and evaluate its efficiency.**
- **To define key performance indicators (KPIs) for all Board members and committees and conduct annual performance appraisals against such KPIs.**
- **To control and monitor the selection process for senior executives.**
- **To ensure there is an active succession plan and that it is periodically updated.**
- **To develop a set of governance standards that define the main responsibilities of the Board and its committees, in addition to reviewing human resources-related duties, policies and programs as well as formulating relevant recommendations to the Board and implementing them.**
- **To ensure compliance with corporate governance guidelines and regulations issued by regulatory and supervisory bodies and authorities.**

Remuneration and Compensation Committee Meetings and Attendance Sheet

Name	Position	Meeting 1 Feb 28, 2018	Meeting 2 Mar 19, 2018	Meeting 3 Apr 29, 2018	Meeting 4 Jul 25, 2018	Meeting 5 Dec 10, 2018	Meeting 6 Dec 27, 2018
Mr. Mohammed Abdulaziz Al-Sarhan	Chairman	√	√	√	√	√	√
Mr. Saleh Abdullah Al-Debasi	Member	√	√	√	√	√	√
Eng. Ibrahim Qassim Al-Buainain	Member	√	√	√	√	√	√
Mr. Khalifa Abdullatif Al-Mulhim	Member	×	×	√	√	√	√

Nine: AGMs held in 2018

The 42nd Annual General Meeting was held on April 17, 2018 and attended by the following Board members:

- **Mr. Abdulrahman Mohammed Al-Mofadhi**
- **Mr. Khalifa Abdullatif Al-Mulhim**
- **Dr. Abdulmalik Abdullah Al-Hogail**
- **Mr. Khalid Mohammed Al-Araifi**

Ten: Procedures taken by the Board to inform its members, including non-executives, of shareholders' feedback concerning the Company's performance

Members of the Board are committed to attending AGM meetings to answer shareholders' enquiries and receive their feedback regarding the Company and its performance. They also communicate with Bahri's Investor Relations Department to receive shareholders' suggestions via email (investorrelations@bahri.sa) and other communication channels.

Eleven: Subsidiaries and Sister Companies

Company	Headquarters	Activity	Capital	Type	Ownership
National Shipping Company of Saudi Arabia (Bahri), USA	Based in Baltimore, Maryland, USA, with its base of operations in the USA	Bahri Ship Agent	3,750,000	Limited Liability Company	100%
Mideast Ship Management Ltd.	Based in Dubai, UAE, and operates around the world	Ships Technical Management	307,000	Limited Liability Company	100%
National Chemical Carriers Company	Based in Riyadh Saudi Arabia, and operates around the world	Petrochemicals Transportation	610,000,000	Limited Liability Company	80%
Bahri Dry Bulk LLC (BDB)	Based in Riyadh Saudi Arabia, and operates around the world	Dry bulk Transportation	200,000,000	Limited Liability Company	60%
BahriBolloré Logistics	Based in Riyadh Saudi Arabia, and operates around the world	Logistical Services	30,000,000	Joint Limited Liability Company	60%
BahriBunge Dry Bulk*	Based in Dubai, UAE, and operates around the world	Dry bulk Transportation	18,750,000	Limited Liability Company	36%
Petredec Company Ltd.	Based in Singapore, and operates around the world	Liquefied Natural Gas (LNG) Transportation	22,917,000	Limited Liability Company	30.3%
International Maritime Industries Company (IMI)	Based and operates in Ras Al-Khair Saudi Arabia	Maritime Industries	1,107,000,000	Joint Limited Liability Company	19.9%

* The Group owns an indirect controlling interest in BahriBunge Dry Bulk through Bahri Dry Bulk LLC (BDB).

Twelve: Loans and Sukuk received by the Company and subsidiaries according to audited financial statements

Thousands (SAR)								
Company	Note	Original loan amount	Opening balance	Balance added during the year	Payments during the year	Ending balance	Loan term (years)	Lender
Bahri	Sukuk	3,900,000	3,900,000	0	0	3,900,000	7	Public offering
	Short-term loans	1,012,500*	0	580,000	490,000	90,000	-	Local and international banks
	Long-term loans	6,918,535	4,189,908	806,825	800,342	4,196,391	10	Local and international banks, Public Investment Fund (PIF)
	Total	11,831,035	8,089,908	1,386,825	1,290,342	8,186,391		
Bahri Chemicals	Long-term loans	3,001,900	1,917,724	0	245,547	1,672,176	10	Local and international banks, Public Investment Fund (PIF)
	Total	3,001,900	1,917,724	0	245,547	1,672,176	10	
Bahri Dry Bulk	Short-term loans	75,000*	0	6,000	0	6,000	1	Local bank
	Long-term loans	528,000	324,450	108,000	29,400	403,050	10	Local bank
	Total	603,000	324,450	114,000	29,400	409,050		

*Total credit limits available for short-term loans.

Thirteen: Description of debt instrument activities

Transferable debt instruments

Bahri has not issued or granted any transferable debt instruments, contractual securities, memoranda on subscription rights or any similar rights in 2018.

Transfer or subscription rights under debt instruments

Bahri has not issued or granted any transfer or subscription rights by virtue of any transferable debt instruments, contractual securities, memoranda on subscription rights or any similar rights in 2018.

Redeemable debt instruments

There has been no purchase or cancellation of any redeemable debt instruments by Bahri.

Fourteen: Operational results

The Company's revenues have witnessed increases over 2018 compared to 2017 due to the addition of new vessels to the Company's fleet and the improved performance of our business units. Despite the decline in shipping rates and increase in fuel costs over the current period compared to 2017, the new fleet additions and performance improvements helped offset the effects of these negative factors on operating profits and profitability of the current period.

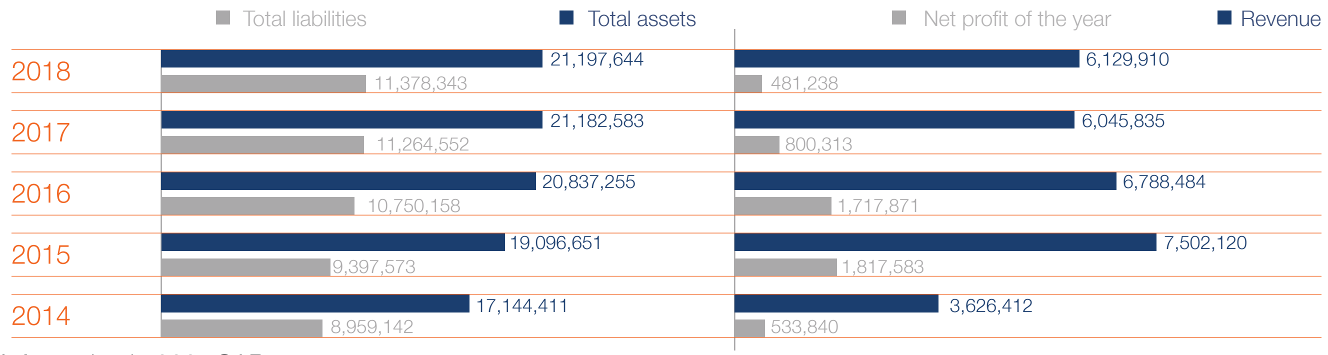
The net profit decline for the current period compared to the previous year, however, is mainly due to the impact of non-operating items. They include the losses of SAR 119 million incurred in associates during the current year compared to the profits of SAR 82 million the previous year, in addition to an increase of financing expenses of SAR 81 million this year.

Generally, there has been no substantial difference between the operational results of 2018 and 2017. However, fleet expansion and performance improvements minimized the effects of declining maritime transportation rates on the Company's performance. Moreover, our financial results exceeded expectations when compared to the performance of global transportation and shipping companies and decline of shipping rates due to the difficulties and challenges faced by global shipping companies.

Fifteen: Bahri assets, liabilities and business results for the last five fiscal years

Bahri has an exceptional financial position that reflects its strong performance and indicates the high solvency the Company was able to achieve and maintain. The table below is a summarized version of Bahri's business, assets and liabilities for the previous five fiscal years

Bahri Financial Information and Business Results (2014-2018) 000s SAR					
Item	2018	2017	2016	2015	2014
Revenues	6,129,910	6,045,835	6,788,484	7,502,120	3,626,412
Net period profit	481,238	800,313	1,717,871	1,817,583	533,840
Total assets	21,197,644	21,182,583	20,837,255	19,096,651	17,144,411
Total liabilities	11,378,343	11,264,552	10,750,158	9,397,573	8,959,142



Information in 000s SAR

Sixteen: Note on departure from accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA)

Bahri prepares its financial statements in compliance with the International Financial Reporting Standards (IFRS) that are adopted by SOCPA.

Seventeen: Dividend distribution policy

Dividend distribution is decided at the AGM based on the recommendation of the Board of Directors. Dividend distribution depends on net profit, cash flow and future investment while taking into consideration the importance of maintaining a strong financial position in order to respond to any fundamental organizational, market or economic changes. Bahri's net profits are distributed annually. The Company may distribute interim dividends biannually or quarterly. However, this must follow a Board resolution authorized on an annual basis by the General Assembly and in accordance with regulatory procedures issued by the Capital Market Authority (CMA). Dividends must be net of all general expenses and other costs as follows:

- **A provision of 10 percent of the net profits to form the statutory reserve of the Company. The General Assembly of Shareholders may hold such a provision once the reserve amounts to 30 percent of the paid-in capital.**
- **The General Assembly of Shareholders at the AGM may, upon a Board suggestion, set aside a certain percentage of the net profits to form a voluntary reserve for one or more specific purposes agreed upon by the AGM.**
- **A first dividend payment of the remaining amount shall be distributed among shareholders, provided that it is not less than 1 percent of the paid-in capital.**
- **Board members are entitled to an allowance based on their attendance at Board meetings, in addition to lump sum annual bonus according to the relevant governing rules based on Article 34 of the Company's Articles of Association.**

On December 10, 2018, Bahri's Board of Directors issued a resolution recommending the General Assembly of Shareholders to distribute cash dividends of SAR590.63 million to shareholders for the fiscal year ending on December 31, 2018, which amounts to SAR1.50 per share and represents 15 percent of the share par value. The Board of Directors will designate a time for dividend distribution following the AGM. The General Assembly of Shareholders approved in its session held on April 17, 2018 the distribution of cash dividends of SAR590.63 million among shareholders, amounting to SAR1.50 per share, for the fiscal year ending on December 31, 2017 . The dividends were paid on May 3, 2018.

Eighteen: Private Interests in Bahri's Shares

In the fiscal year ending on December 31, 2018, there were no private interests with regards to the class of shares carrying voting rights .

Nineteen: Description of any deal between Bahri and third parties

Bahri ships the products of its affiliates across the world via agreements signed with these companies. It also deals with stakeholders while practicing its ordinary business such as the Aramco Trading Company (ATC) owned by Saudi Aramco, which owns 20 percent of Bahri's capital; and the International Shipping and Transportation Company Ltd. (ISTC), a subsidiary of SABIC, which owns 20 percent of the National Chemical Carriers Company's capital, with Bahri owning the other 80 percent. It also deals with ARASCO, which owns a 40-percent stake of Bahri Dry Bulk LLC's capital with Bahri owning the other 60 percent. The financial details are disclosed in the published financial statements.

Twenty: Board members, senior executives and their relatives' interests and rights in Bahri's shares and debt instruments and change during 2018

Board Members	Position	Period Start No. of shares	Period End No. of shares	Net Change
Mr. Abdulrahman Mohammed Al-Mofadhi	Chairman	0	0	0
Mr. Mohammed Abdulaziz Al-Sarhan	Vice Chairman	369,053	369,053	0
Mr. Saleh Abdullah Al-Debasi	Board Member	10,500	10,500	0
Mr. Ahmed Ali Al-Subaey	Board Member	0	0	0
Mr. Ibrahim Qassim Al-Buainain	Board Member	0	0	0
Mr. Khalifa Abdullatif Al-Mulhim	Board Member	2,508,956	2,508,956	0
Dr. Abdulmalik Abdullah Al-Hogail	Board Member	120,000	120,000	0
Mr. Khalid Mohammed Al-Araifi	Board Member	0	0	0
Mr. Yasir Abdullah Al-Salman	Board Member	0	0	0

Board Members	Position	Period Start No. of shares	Period End No. of shares	Net Change
Eng. Abdullah bin Ali Al-Dubaikhi	CEO	0	0	0
Mr. Naser Mohammed Al-Abdulkarim	President of Bahri Oil	0	0	0
Eng. Fayez Abdullah Al-Asmari	CFO	0	0	0
Mr. Hisham Husain Alkhaldi	Head of Support Functional Unit	0	0	0
Mr. Ahmed Mohammad Al-Ghaith	President of Bahri Logistics	0	0	0
Eng. Nezar Husain Banabila	President of Bahri Dry Bulk	0	0	0
Mr. Claus Breitenbauch	President of Bahri Chemicals	0	0	0
Eng. Abdulaziz Abdulrahman Sabri	President of Bahri Ship Management	0	0	0
Eng. Mubarak Abdullah Al-Khater	Head of Strategy	0	0	0

There is no interest, contractual securities, subscription rights or debt securities belonging to Board members, Senior Executives and their relatives.

Twenty-one: Policy and breakdown of Bahri Board of Directors, Board committees and Executive Management's compensations and bonuses for 2018

First: Bahri Board of Directors, Board committees and Executive Management compensation and bonuses policy

The regulation of the Remuneration and Compensation Committee has been disclosed in the announcement published on March 28, 2018 on the Saudi Stock Exchange's (Tadawul) website inviting shareholders to attend the Company's 42nd Annual General Meeting. On April 18, 2018 the General Assembly of Shareholders approved the regulation, which stated that the Remuneration and Compensation Committee should prepare a clear policy on the compensation and bonuses of Board members, committees and Executive Management. Additionally, the same policy should be presented to the Board of Directors to obtain final approval without prejudice to the provisions of the Company's Law and Corporate Governance Regulations. The Board approved the Compensation and Bonuses Policy on April 29, 2018.

Second: Board Compensations and Bonuses

(SAR)	Fixed amount	Fixed bonuses						Variable bonuses						End-of-service benefits	Grand total	Expenses allowance
		Board meetings attendance allowance	Total committee meetings attendance allowance	In-kind benefits	Technical, administrative and advisory works compensation	Bonus of the Chairman, Managing Director or secretary, if he is a Board member	Total	Percentage of the profits	Periodic bonuses	Short-term incentive plans	Long-term incentive plans	Granted shares	Total			
First: Independent Members																
1.Mr. Mohammed Abdulaziz Al-Sarhan	400,000	30,000	30,000	-	-	-	460,000	-	-	-	-	-	-	-	460,000	-
2. Mr. Khalifa Abdullatif Al-Mulhim	350,000	25,000	15,000	-	-	-	390,000	-	-	-	-	-	-	-	390,000	-
3. Dr. Abdulmalik Abdullah Al-Hogail	400,000	30,000	30,000	-	-	-	460,000	-	-	-	-	-	-	-	460,000	-
4. Mr. Khalid Mohammed Al-Araifi	400,000	30,000	25,000	-	-	-	455,000	-	-	-	-	-	-	-	455,000	-
Total	**1,550,000**	**115,000**	**100,000**	**-**	**-**	**-**	**1,765,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,765,000**	**-**
Second: Non-Executive Members																
1. Mr. Abdulrahman Mohammed Al-Mofadhi	300,000	30,000	-	-	-	-	330,000	-	-	-	-	-	-	-	330,000	-
2. Mr. Saleh Abdullah Al-Debasi	500,000	27,500	45,000	-	-	-	572,500	-	-	-	-	-	-	-	572,500	-
3. Mr. Ahmed Ali Al-Subaey	300,000	30,000	-	-	-	-	330,000	-	-	-	-	-	-	-	330,000	-
4. Mr. Ibrahim Qassim Al-Buainain	400,000	30,000	25,000	-	-	-	455,000	-	-	-	-	-	-	-	455,000	-
5. Mr. Yasir Abdullah Al-Salman	250,000	25,000	-	-	-	-	275,000	-	-	-	-	-	-	-	275,000	-
6. Dr. Ghassan Bin Abdulrahman Al-Shibl	50,000	5,000	-	-	-	-	55,000	-	-	-	-	-	-	-	55,000	-
Total	**1,800,000**	**147,500**	**70,000**	**-**	**-**	**-**	**2,017,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,017,500**	**-**

Third : Board committees' compensation and bonuses

(SAR)	Fixed Bonuses (Excluding Meetings Attendance Allowance)	Meetings Attendance Allowance	Total
Audit Committee Members			
1. Dr. Abdulmalik Abdullah Al-Hogail	100,000	30,000	130,000
2. Mr. Saleh Abdullah Al-Debasi	100,000	20,000	120,000
3. Mr. Khalid Mohammed Al-Araifi	100,000	25,000	125,000
4. Dr. Saad Saleh Al-Ruwaita	100,000	22,500	122,500
Total	400,000	97,500	497,500
Remuneration and Compensation Committee Members			
1. Mr. Mohammed Abdulaziz Al-Sarhan	100,000	30,000	130,000
2. Mr. Saleh Abdullah Al-Debasi	100,000	25,000	125,000
3. Eng. Ibrahim Qassim Al-Buainain	100,000	25,000	125,000
4. Mr. Khalifa Abdullatif Al-Mulhim	50,000	15,000	65,000
Total	350,000	95,000	445,000

Fourth: Senior executives' compensation and bonuses

Details of Compensation and Bonuses paid to Senior Executives	
(SAR)	Five senior executives including the CEO and CFO
Salaries and compensation	7,648,942
Periodic and annual bonuses	775,758
In-kind compensation and benefits	-
End-of-service benefits	564,654
Total	8,989,354

Twenty-two: Bonus waivers

There has been no arrangement or agreement pursuant to which a Board member or Senior Executive waived their right to receive any bonuses.

Twenty-three: Shareholders' rights to dividend waivers

There has been no arrangement or agreement under which a shareholder of the Company has waived any of their rights to dividends.

Twenty-four: Description of the value of any investments or reserves created for Bahri's employees

None

Twenty-five: Results of the annual audit of the effectiveness of the Company's internal control procedures and the Audit Committee's opinion on the sufficiency of the Company's internal control system

Having reviewed internal control and auditing procedures and discussed the preliminary, annual and final business results with the external auditor and Executive Management, the Audit Committee can give assurances regarding the Bahri's internal control systems within the scope of its limited and planned tasks and work assigned by the Internal Audit Department. The committee did not discover any substantial issues that need to be highlighted or are believed to result in a weakness or major flaw in the Company's internal control systems. However, any internal control system, regardless of its design, integrity and effectiveness of implementation, cannot provide absolute affirmation.

Twenty-six: Bahri's shareholder register requests – dates and reasons

Request No.	Date of Request	Date of Ownership File	Reason
1	17/12/2018	31/12/2018	Other
2	14/08/2018	13/08/2018	Other
3	31/07/2018	30/06/2018	Companies' procedures
4	31/07/2018	31/07/2018	Other
5	18/04/2018	19/04/2018	General Assembly
6	01/04/2018	29/03/2018	Other
7	05/02/2018	05/02/2018	Other
8	28/01/2018	01/01/2018	Other
9	28/01/2018	17/01/2017	Other
10	08/01/2018	28/12/2017	Other

Twenty-seven: Audit Committee's recommendations not in accordance with board's resolutions or which the board refused to consider concerning the appointment, dismissal, remuneration, and evaluation of the performance of the Company's auditor or the appointment of the internal auditor, as well as justifications for such recommendations

There has been no conflict between the Audit Committee and the Board resolutions.

Twenty-eight: The Audit Committee's recommendation concerning the need to appoint an internal auditor, if not already available

Bahri has a dedicated internal auditing function.

Twenty-nine: Official government payments

The National Shipping Company of Saudi Arabia (Bahri) is committed to paying certain fees and expenses to relevant authorities in the Saudi government in accordance with applicable conditions and regulations. Such fees are usually regarded as expenses depending on their nature and reported in the operational results. The following table shows government payments that are paid or payable during 2018 with a brief description and justifications.

Statement of Official Government Payments during 2018

Governmental Authority	2018	2017	Description	Justification
General Authority of Zakat and Tax (GAZT)	98,036,576	76,049,149	Amounts imposed as Zakat and tax expenses as per the provisions and rules for Zakat and tax	Governmental requirement
General Organization for Social Insurance (GOSI)	5,945,672	5,031,165	Amounts paid or imposed as social insurance as per the law	Governmental requirement

Thirty: Sanctions and Penalties

Bahri has not been subject to any sanctions or penalties of any supervisory, regulatory or judicial entity during 2018.

Thirty-one: Implemented and unimplemented corporate governance provisions and justifications for non-implementation

All provisions set forth in the Corporate Governance Regulations that are issued by the Capital Market Authority (CMA) shall be implemented except the following:

Article / Clause No.	Article / Clause Text	Non-implementation Justification
39	Training of Board Members and Executive Management	This Article is a guideline. The Company is committed to providing necessary training for the executive management as part of its plans for general employee development.
41	Assessment of Board Members and Executive Management	This Article is a guideline. The Remuneration and Compensation Committee uses certain methods for assessment.
70	Composition of the Risk Management Committee	These Articles are guidelines. The Company's management constantly reviews its risk management policies to ensure the implementation of approved policies and programs and prevent risks that the Company can face. Additionally, the Audit Committee ensures risk management operations and applicable systems work efficiently across all levels of the Company.
71	Meetings of the Risk Management Committee	
72	Competencies of the Risk Management Committee	
83	Regulating the Relationship with Stakeholders	This Article is a guideline. Bahri's Articles of Association and the policies and regulations approved by the General Assembly, the Board and relevant laws and regulations guarantee the protection of the rights of all stakeholders.
85	Employee Incentives	This Article is a guideline. The Company has as part of its policies many employee development and incentive programs.
87	Social Responsibility	These Articles are guidelines.
88	Social Initiatives	
3/89	The Company's website shall include all information required to be disclosed and any details or other information that may be published through other disclosure methods	This clause is a guideline. The Company publishes all information and details required by applicable laws and regulations to be disclosed in accordance with the method approved by the Capital Market Authority (CMA).
95	Formation of a Corporate Governance Committee	This Article is a guideline. The Company develops, monitors the implementation of, verifies the effectiveness and amends when necessary its corporate governance rules.
Appendix (1)	Remuneration of Senior Executives	This Clause is a guideline.

Twenty-two: Acknowledgments and disclosures

1. The Board of Directors hereby acknowledges the following:

- **Accounting records have been prepared in a sound manner**
- **The internal control system has been established on a sound basis and implemented effectively**
- **The Company's ability to continue its operations is not subject to doubt**

2. Conflicts of Interest:

The Board of Directors hereby acknowledges that there have been no businesses or contracts to which the Company has been a party that carries any interest for any Board member, senior executive or any person in relationship with either party.

1.0 Chapter One
About Bahri

About Bahri

Bahri, the National Shipping Company of Saudi Arabia, was established by Royal Decree no. M/5 on January 22, 1978. The Company adheres to a comprehensive strategy that outlines its vision of investment and expansion in the logistics and transportation sector locally and worldwide. As a result of this strategy, the Company underwent a significant period of transformation over the last four years. From its roots as a small shipping firm operating multipurpose vessels, Bahri became one of the largest logistics and transportation providers in the world, occupying a leading position in the global maritime industry today.
After 40 years of operations, Bahri continues to fulfil its aim of facilitating further development and success as well as building a robust network of clients inside and outside the Kingdom of Saudi Arabia. Our target is to establish a global and unrivaled reputation for quality, reliability and safety that supports our status as one of the world's largest owners and operators of VLCCs, creating added value for the Kingdom, shareholders and Company's employees.
As we are committed to innovation and applying best practices across all areas of our business, Bahri has been able to stay at the forefront of the maritime industry throughout its operational history while diversifying its business operations and expanding into new markets to support its position as a global leader in the logistics and transportation sector.

A fleet of **92** multi-purpose tankers and ships

Number **1** owner and operator of VLCCs

11 Awards in 2018

Number **1** owner and operator of chemical tankers in the Middle East

Bahri's Strategy

In 2018, Bahri continued to implement its strategy, which acts as a basis for its development vision and supporting investment in onshore, offshore and aviation-based transportation and logistics in the local and global markets. The Company had two overall aims over the year. Firstly, to increase its presence in the maritime transport sector, and secondly, to develop new business in non-maritime logistics. Our target is to establish the Kingdom as a global hub for the efficient transportation of goods and resources by improving its supply chain.

Bahri's role is to connect major logistics companies with local talents and utilize global innovation by establishing a network of logistical centers across the Kingdom. This is seen as a key strategy to improve Saudi Arabia's Logistics Performance Index (LPI) ranking, which currently stands at number one regionally and among the top 50 globally.

Bahri has started establishing a presence in non-maritime transport operations by establishing strategic logistical partnerships that will serve as a basis for new business activities. Bahri's maritime transport business also grew organically through the diversification of its product output and expansion of its current value chain.

Main Foundations of Bahri's Strategy

Bahri's strategy is based on five main pillars:

- Growth and development of the Company's business to increase revenue.
- Development of the Company to become a global provider of logistical services.
- Achievement of a leading position in the Kingdom's logistical services sector.
- Diversification of Bahri's revenue base through expansion in logistics operations.
- Creation of added value for the Kingdom, shareholders and employees.

Main and Technical Sectors

Bahri is one of the world's foremost transportation and logistics companies. Established as the national shipping carrier of Saudi Arabia, Bahri has played a leading role in the transformation and growth of the global shipping industry through a focus on innovation and commitment to delivering technology-driven and value-added onshore, offshore and aviation-based services.

As one of the major providers of maritime services in the world, Bahri structures its operations around the following key business units:

- **Bahri Oil**
- **Bahri Chemicals**
- **Bahri Logistics**
- **Bahri Dry Bulk**
- **Bahri Ship Management**

Vision

Connecting economies, sharing prosperity and driving excellence in global logistics services.

Mission

By consistently focusing on our values and responsible business fundamentals, we shall be a leading service provider applying best practices to run a world-class fleet, whilst building mutually beneficial relationships with all stakeholders.

Values

Bahri's values are key in determining the direction of our business and policies, through which the Company aims to maximize business results and expand in the regional and global markets. These values are:

- Driven
- Relentless
- Transparent
- Considerate

Bahri Oil fleet in 2018

Vessel name	Year built	Type	Length (m)	Beam (m)	DWT	No. of tanks	Speed (knots)
Ghawar	1996	Double hull	340	56	300,361	17	15
Watban	1996	Double hull	340	56	300,361	17	15
Hawtah	1996	Double hull	340	56	300,361	17	15
Safaniyah	1997	Double hull	340	56	300,361	17	15
Harad	2001	Double hull	333	58	303,116	17	17
Marjan	2002	Double hull	333	58	302,977	17	17
Safwa	2002	Double hull	333	58	303,139	17	17
Abqaiq	2002	Double hull	333	58	302,986	17	17
Tinat	2002	Double hull	333	60	316,502	17	15
Hilwah	2002	Double hull	333	60	316,808	17	15
Lulu	2003	Double hull	333	60	316,507	17	15
Shiblah	2003	Double hull	333	60	316,476	17	15
Wafrah	2007	Double hull	333	60	317,788	17	17
Layla	2007	Double hull	333	60	317,821	17	17
Jana	2008	Double hull	333	60	317,693	17	17
Habari	2008	Double hull	333	60	317,664	17	17
Shaybah	2008	Double hull	333	60	319,429	17	16
Manifa	2008	Double hull	333	60	319,428	17	16
Jaham	2008	Double hull	333	60	319,430	17	16
Jaladi	2008	Double hull	333	60	319,464	17	16
Khuzama	2008	Double hull	333	60	319,423	17	16
Karan	2009	Double hull	333	60	319,411	17	16
Kahla	2009	Double hull	333	60	317,521	17	17
Dorra	2009	Double hull	333	60	317,458	17	17
Ghazal	2009	Double hull	333	60	317,388	17	17
Sahba	2009	Double hull	333	60	317,563	17	17
Farhah	2010	Double hull	333	60	319,302	17	16
Ghinah	2010	Double hull	333	60	319,141	17	16
Niban	2010	Double hull	333	60	319,286	17	16
Nisalah	2010	Double hull	333	60	319,288	17	16
Kidan	2010	Double hull	333	60	321,234	17	15
Wedyan	2010	Double hull	333	60	321,234	17	15
Arsan	2010	Double hull	333	60	314,000	17	15
Dilam	2010	Double hull	333	60	314,000	17	15
Awtad	2011	Double hull	333	60	309,988	17	15
Amjad	2017	Double hull	333	60	299,772	17	15
Maharah	2017	Double hull	333	60	299,772	17	15
Aslaf	2017	Double hull	333	60	299,772	17	15
Rimthan	2017	Double hull	333	60	299,772	17	15
Shaden	2017	Double hull	333	60	299,772	17	15
Amad	2017	Double hull	333	60	299,772	17	15
Kassab	2017	Double hull	333	60	299,772	17	15
Khurais	2017	Double hull	333	60	299,772	17	15
Lawhah	2017	Double hull	333	60	299,772	17	15
Qamran	2017	Double hull	333	60	299,772	17	15

Total DWT 13,992,628.50

Bahri Chemicals fleet in 2018						
Vessel name	Year built	Length (m)	Beam (m)	DWT	No. of tanks	Speed (knots)
NCC Makkah*	1995	183	32	37,500	52	16
NCC Riyadh*	1995	183	32	37,500	52	16
NCC Jubail*	1996	183	32	37,500	52	16
NCC Najed	2005	183	32	46,200	22	15
NCC Al Hijaz	2005	183	32	46,200	22	15
NCC Tihama	2006	183	32	46,200	22	15
NCC Abha	2006	183	32	46,200	22	15
NCC Tabuk	2006	183	32	46,200	22	15
NCC Qassim	2006	183	32	46,200	22	15
NCC Rabigh	2007	183	32	46,200	22	15
NCC Sudair	2007	183	32	46,200	22	15
NCC Dammam	2008	183	32	46,200	22	15
NCC Hail	2008	183	32	46,200	22	15
NCC Noor	2011	183	32	45,000	22	15
NCC Huda	2011	183	32	45,000	22	15
NCC Amal	2011	183	32	45,000	22	15
NCC Safa	2011	183	32	45,000	22	15
NCC Danah	2011	183	32	45,000	22	15
NCC Nasma	2011	183	32	45,000	22	15
NCC Shams	2012	183	32	45,000	22	15
NCC Najem	2012	183	32	45,000	22	15
NCC Reem	2012	183	32	45,000	22	15
NCC Sama	2012	183	32	45,000	22	15
NCC Fajr	2013	228	37	75,000	30	14
NCC Qamar	2009	183	32	46,195	22	15
NCC Maha	2009	183	32	46,265	22	15
NCC Bader	2014	183	32	50,000	14	15
NCC Ghazal	2014	183	32	50,000	14	15
NCC Jood	2014	183	32	50,000	14	15
NCC Masa	2014	183	32	50,000	14	15
NCC Wafa	2014	183	32	50,000	14	15

Total DWT **1,441,890**

Bahri Logistics Fleet in 2018								
Vessel name	Year built	Weight (DWT)	Draft (m)	Beam (m)	Length (m)	Horse-power	Capacity (TEU container)	Speed (knots)
Bahri Abha	2013	26,000	10	32	225	8,907	2,500	17
Bahri Hofuf	2013	26,000	10	32	225	8,907	2,500	17
Bahri Tabuk	2013	26,000	10	32	225	8,907	2,500	17
Bahri Jazan	2013	26,000	10	32	225	8,907	2,500	17
Bahri Jeddah	2014	26,000	10	32	225	8,907	2,500	17
Bahri Yanbu	2014	26,000	10	32	225	8,907	2,500	17

Bahri Dry Bulk Fleet in 2018							
Vessel name	Year built	DWT	Draft (m)	Beam (m)	Length (m)	Horsepower	Speed (knots)
Bahri Arasco	2013	81,855	14	32	229	9,840	15
Bahri Grain	2014	81,855	14	32	229	9,840	15
Bahri Bulk	2014	81,855	14	32	229	9,840	15
Bahri Wafi	2014	81,855	14	32	229	9,840	15
Bahri Trader	2014	81,855	14	32	229	9,840	15

Bahri Clean Petroleum Product (CPP) Fleet in 2018							
Vessel name	Year built	Type	Length (m)	Beam (m)	DWT	No. of tanks	Speed (knots)
Khafji	2003	Double hull	248	43	97,000	14	14
Bahri Iris	2005	Double hull	200	32	49,000	14	14
Bahri Jasmine	2005	Double hull	200	32	49,000	14	14
Bahri Rose	2006	Double hull	200	32	49,000	14	14
Bahri Tulip	2006	Double hull	200	32	49,000	14	14

Fleet Capacity

14M DWT **The capacity of Oil Tanker fleet**

1.4M DWT **The capacity of Chemical fleet**

156K DWT **The capacity of Logistics fleet**

400K DWT **The capacity of Dry Bulk fleet**

293K DWT **The capacity of Clean Petroleum Product (CPP) fleet**

Awards and Certificates

Bahri won 11 awards in 2018, extending its history of success in the shipping, logistics and transport sectors locally and globally. These accolades have helped Bahri establish its position as a leader in the on-shore, off-shore and aviation-based logistics and transportation sectors. The Company has been celebrated and honored at many international events in recognition of its significant accomplishments and received awards for demonstrating excellence in innovation, talent development and operational excellence. This is a clear reflection of Bahri's successful journey, which includes fostering a culture of creative and efficient work practices.

Shipping Line of The Year - Break Bulk Operator

India Maritime and Logistics Awards (MALA)

Shipping Company of the Year

Ship Manager of the Year

The Maritime Standard Awards (TMS)

Shipping Company of the Year

Middle East's Supply Chain & Transport Awards (SCATAs)

Breakbulk Operator of the Year

Global Freight Awards – Lloyd's List

Shipping Company of the Year

Maritime Logistics Award

Seatrade Maritime Awards Middle East, Indian Subcontinent and Africa

Operational Excellence

Tanker Shipping & Trade Awards (TST)

Topaz Excellence in Logistics

Lloyd's List South Asia, Middle East and Africa

Innovation Award

Dubai Maritime Innovation Awards

Best Talent Development Strategy

Future Workplace Awards

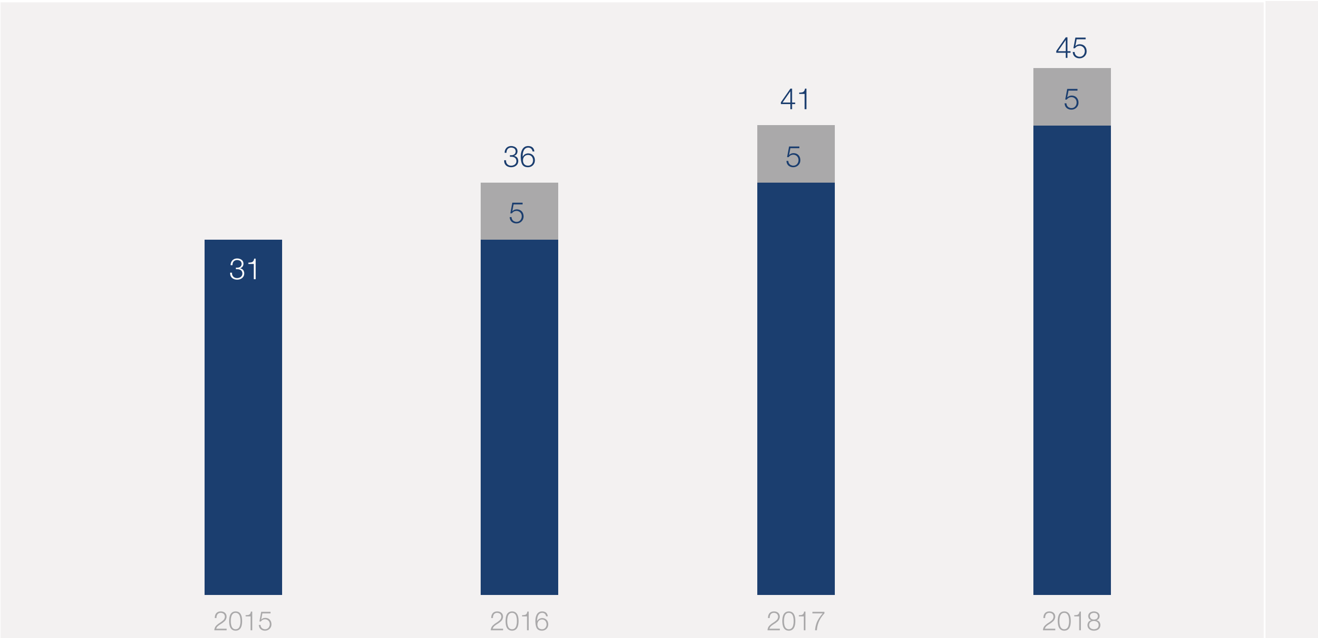
2.0 Chapter Two
Business Units

Bahri Oil

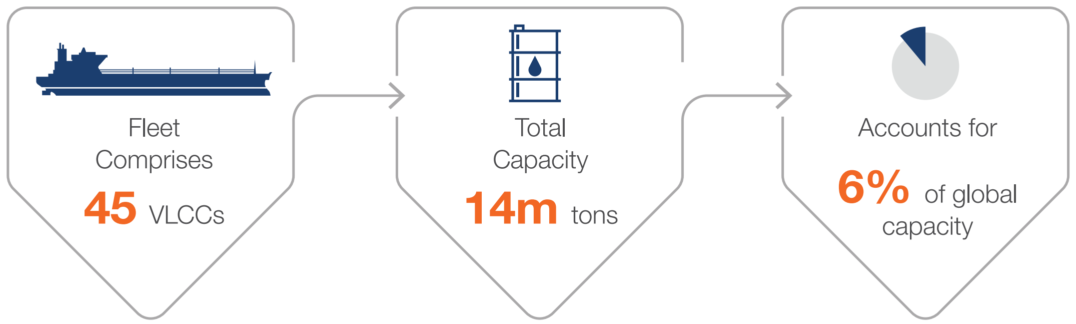
Bahri Oil is one of the world's largest oil transporters due to the size of its fleet which comprises 45 Very Large Crude-oil Carriers (VLCCs) with a total capacity of 14 million tons as of 2018 – accounting for 6 percent of global capacity.

Bahri Oil's fleet of VLCCs has grown by 45 percent over the last four years, reflecting our long-term commitment to preserving our leading position in this sector. The Company successfully expanded over 2018 by adding five new carriers to its fleet, further cementing Bahri's position as the world's largest owner and operator of modern and efficient VLCCs that are fitted with the latest maritime technology and best-in-class safety features.

VLCC Fleet Growth



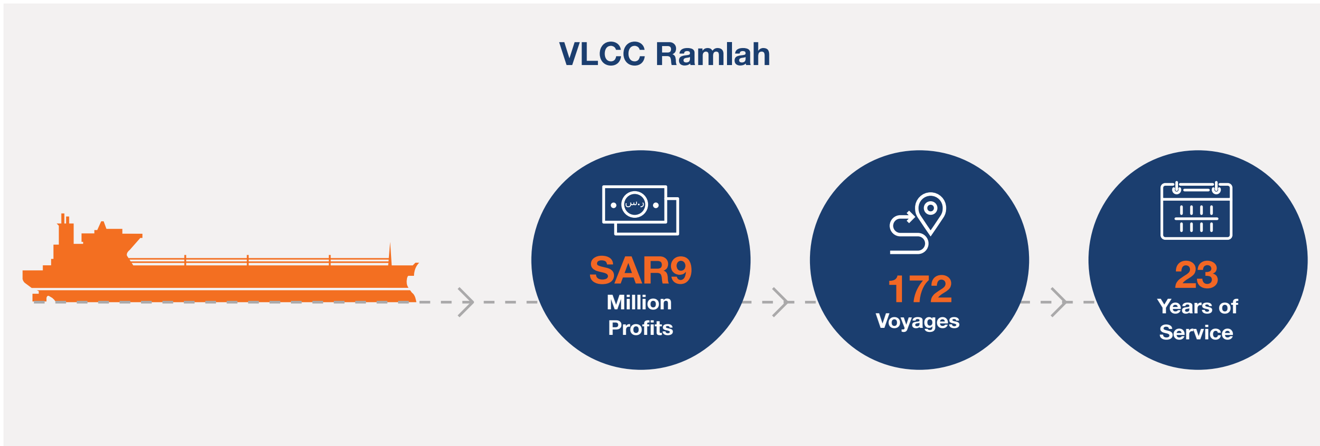
The new vessels feature an advanced marine technology that can minimize fuel consumption, further improving our operations.
Our expanding fleet has enabled us to achieve our goal of developing our customer network and broadening market reach in 2018 in line with Bahri's long-term strategy of maintaining its leading position in this sector. We also managed to increase our market share by transporting eastbound oil shipments from the United States and acquiring new clients. We achieved an increase of more than double in our shipping movement compared to the previous year. This was due the high quality of our services and competitive prices that made Bahri the go-to partner for oil-producing clients and refineries around the world.
We were undeterred by challenges encountered over 2018 including the slow growth in global demand for crude oil due to volatile prices, the continued increase in the number of carriers entering the market and pressures on the global shipping market that were exacerbated by high fuel prices. Bahri, however, preserved its leading position in the oil transportation market. The Company shipped 2.25 million barrels of crude oil a day across the world throughout the year. This is due to our operational efficiency, optimal fleet scheduling and careful leveraging of long-term contracts in line with our strategic vision. This allowed Bahri to achieve competitive results throughout the year. With our increased fleet, we were able to depend less on charters and achieved higher profit margins.



Leadership in Fleet Quality and Operations

As part of Bahri's efforts to maintain a modern and competitive fleet, the Company took its very first VLCC, Ramlah, out of commission after almost 23 years. It had undergone 172 voyages transporting crude oil across all main trade routes around the globe and had been used by Saudi Aramco as a floating storage unit since 2016. The carrier was sold at a price higher than value, delivering an additional non-operating profit for Bahri. The Company also added five new VLCCs to its fleet in 2018, bringing the number of carriers added to the fleet over the last two years to 10.
It goes without saying that fuel is a major operational cost for shipping organizations. However, in 2018 Bahri Oil was able to achieve fuel consumption savings of 8 percent compared to the previous year, contributing to an improved financial performance. These savings were achieved with the addition of five new vessels with fuel saving technology, scheduling optimization and careful voyage management, and implementation of dynamic speed management for vessels.
Another contributory factor was the introduction of periodic inspections for 11 tankers. The Company docked these tankers to ensure they were performing optimally as part of Bahri Oil's wider periodic inspection program. Implementation of the most effective fuel-saving solutions were prioritized as fuel prices kept increasing in 2018.
Our VLCC fleet embarked on a total of 410 voyages over the year, shipping 832 million barrels of oil worldwide. This represented a shipping increase of 6 percent compared to 2017. As part of our target to diversify our routes, we increased shipments to destinations outside the GCC by 20 percent – ensuring such shipments accounted for 45 percent of our total cargo over the year.
Within the GCC, the Company added the Al-Basra Oil Terminal as one of its loading terminals, following the Ras Tanura Terminal. Bahri transported three shipments from Al-Basra to the United States, a new route for the Company.
We have also maintained our presence in the GCC-to-East shipping market by transporting 38 consignments over the year, including one via a new route from Ras Tanura to Malaysia.
We also concluded a voyage from the Arabian Gulf to India as part of our continued efforts to enhance business operations and increase efficiency.
Having added new vessels to the fleet, voyages returning from the West witnessed an increase of 23 percent compared to the previous year.
Our share of high-revenue shipments from the US to the East also improved in 2018 – we transported 32 shipments, a 300-percent increase compared to 2017.
These consignments included 13 shipments via a new route from the US to India. We also served five new clients over nine voyages. The number of returning clients has also grown – seven of our existing clients launched four voyages or more with Bahri Oil in 2018 compared to only four clients the year before.
As part of our agreement with the Arab Petroleum Investments Corporation (APICORP) to create a mutual maritime investment fund, we plan to buy an initial five new VLCCs in 2019. These carriers will be under the umbrella of the mutual fund while under the technical and commercial management of Bahri, expanding the fleet and providing further scope for revenue optimization.

Bahri's US-Gulf Shipments Ratio to Total Shipments Returning from the West



Bahri Oil's Commercial Operations in 2018

410 voyages in **total**

832 million **oil barrels transported around the world**

55% of voyages **were oil shipments from Ras Tanura**

45% of voyages **were shipments from the Red Sea, Mediterranean, West Africa, US Gulf Coast and Caribbean regions.**

38 Voyages from **the Arabian Gulf/ Red Sea to the Far East**

VLCC Voyages in 2017 and 2018

Route	2017	2018
The Arabian Gulf - US	22%	18%
US - Ain Sukhna	12%	10%
The Arabian Gulf - Yanbu	19%	18%
The Arabian Gulf – Onsan	9%	9%
The Arabian Gulf – Okinawa	1%	0%
Yanbu - Ain Sukhna	15%	21%
Sidi Kerir - Rotterdam	6%	6%
The Caribbean/West Africa - Asia/Far East	16%	18%
Total	100%	100%

ISO 9001:2015 Certification

As part of its commitment to maintaining the highest level of customer satisfaction and quality management, Bahri Oil achieved ISO certification and DNV-GL 9001:2015 certification for a period of three years. This certification demonstrates Bahri Oil's capabilities in providing high-quality services that meet customers' needs and are in line with legal and regulatory requirements. It also certifies that Bahri implements efficient systems. Customer satisfaction is also measured by conducting the Net Promoter Score (NPS) survey, which gauges consumer loyalty to any given supplier. Any score higher than nine is considered excellent and means that customers are more likely to exhibit positive consumer behaviors such as repeat purchases, extended customer loyalty and providing positive referrals to other potential clients.

Due to this sustained focus on achieving customer satisfaction, Bahri Oil achieved an increase in repeat business and new client signings compared to the previous year. The NPS survey that was conducted to measure Bahri Oil's performance in 2018 resulted in excellent scores.

We see such pleasing results as an additional seal of quality from our clients, who attest to our continued efforts to provide the best services in this industry.


DNV·GL
MANAGEMENT SYSTEM CERTIFICATE
Bahri Oil
ISO 9001:2015
IAF

Other Achievements

In November 2018, Bahri Oil successfully hosted its fourth annual reception, which was attended by more than 400 guests including policymakers, regulators, and CEOs of maritime companies. This event, formally known as the Bahri Oil Week, aims to provide a forum to owners, operators and intermediaries to exchange expertise and thoughts on the future of the market and identify ways to increase cooperation in all areas. Intermediaries and other industrial players typically hold meetings on the sidelines of the event, helping achieve further integration and increasing opportunities to cooperate.

Bahri Chemicals

Bahri Chemicals was established as a joint venture with the Saudi Basic Industries Corporation (SABIC), with Bahri owning an 80-percent stake and the remaining 20 percent owned by SABIC. Its objective is to provide services across 150 ports around the world, making it the largest owner and operator of chemical tankers in the Middle East.

Compared to its competitors, Bahri Chemicals delivered in 2018 an exceptional time charter equivalent (TCE) performance. It also improved the volume of its business contracts and focused on improving the efficiency of its IMO II fleet that ships chemicals and oil products.

Business Results and Achievements

Bahri Chemicals boosted its capabilities in the chemicals sector and moved on to establish itself in other operational areas including the transportation of clean petroleum products (CPP) and vegetable oil products via established trade routes. These new business channels helped the fleet compete in the Company's various markets and achieve positive results as described below:

- A total of 10 million tons of chemicals, clean petroleum products (CPP) and vegetable oils were shipped over the year on the commercially managed fleet, in addition to a total of 20 million tons on Bahri's owned fleet.
- Bahri Chemicals had to manage the challenge of fuel price increases in 2018 and the implications that had on the CPP market, adversely affecting supply and demand. However, our performance recorded continued improvements compared to other competitors as a result of careful adherence to Bahri's long-term trading strategy.
- Bahri Chemicals continued to concentrate on building its business in the CPP and vegetable oils sectors despite ongoing supply and demand volatility and other challenges related to high fuel prices. The Company believes these two sectors offer huge revenue potential once the market stabilizes – expected to happen after the Company's fleet expansion is accommodated and the International Maritime Organization (IMO)'s regulations are implemented by January 2020.

Commercial Performance

8%	Increase in Revenues	SAR872 million	2017 Levels	SAR805 million
65%	Net Profit Increase before Zakat and Tax	SAR61 million	2017 Levels	SAR37 million

3,062,018 Voyages in 2018

An Increase of More than 27% Compared to 2017

27%

Strategic Partnerships

- Bahri transported **4,598,410** tons of chemicals for SABIC.
- Bahri successfully transported **191,857** tons of methanol for Methanol Holdings Trinidad Limited Company.
- Bahri completed the transportation of **484,404** tons of chemicals for Saudi Aramco.

Bahri Chemicals Fleet

31 tankers

16 tankers	6 tankers	5 tankers	3 tankers	1 tanker
IMO II chemical tankers. Capacity: 46,000 DWT. Working as part of the direct delivery fleet / COA	IMO II MR chemical tankers. Capacity: 46,000 DWT. Chartered by SABIC.	MR petroleum products tankers. Capacity: 50,000 DWT. Chartered by Saudi Aramco	made to the highest specification and from stainless steel.	IMO II LR chemical tanker. Capacity: 83,000 DWT. Chartered by SABIC.

Fleet Strategy

Our ships continue to develop a reputation for upholding the highest safety and security standards, and are among the most secure high-quality chemical tankers in the world today. The Company constantly aims to grow its MRO MR fleet through partnerships, acquisitions and building our own new ships and growing our transportation bases. Our aim is to continue developing our fleet and meet the needs of our partners regionally and globally including SABIC and Saudi Aramco.

Fuel-Saving Initiatives

Bahri launched a series of fuel-saving initiatives over the last two years that have helped in reducing daily fuel consumption average by more than three metric tons per ship. These initiatives include:

- **Close monitoring of operations to ensure optimal speed at all times**
- **Programs to forecast the weather in and around the coasts and determine the most efficient routes**
- **A new type of body coating on our ships that contributed to fuel reductions**
- **Investment in different onboard fuel-saving equipment**

Future Prospects

Bahri is pushing forward with exploring potential strategic partnerships. One of our main priorities is to increase our international presence, expand the scope of our service offerings and focus on investment in assets, initiatives and programs to ensure the delivery of high-quality services to our clients.
The market's potential recovery over the short and medium terms will depend on its ability to absorb supply growth over the last few years. The current rate of new orders has remained at a stable level – a good reason to be optimistic in 2019-2021 and beyond.
As witnessed in 2018, the trend towards mergers has begun to dominate the chemical shipping sector. This is expected to continue in 2019, leading to new competitive dynamics. Additionally, new sulfur reduction regulations from the International Maritime Organization (IMO) will come into effect from 2020 and are expected to impact the financial performance of the maritime shipping industry. Other factors include increased fuel consumption expenses and shipping prices.

Aspirations and Challenges

Bahri Chemicals' strong performance has been evident in 2018 compared to its competitors. Our success was achieved through a sustained focus on optimization, performance and efficiency. The Company optimized its assets and maintained its firm position in key sectors including CPP and vegetable oils, ensuring our ships are constantly returning with new cargo.

Bahri Logistics

Since its foundation, Bahri Logistics has concentrated on providing an optimal mix of shipping services while specializing in subsurface storage capabilities.

Bahri Logistics operates state-of-the-art multipurpose vessels with a capacity of 26,000 DWT each, when run on a regular basis. Its fleet consists of six vessels; four of them connect the Kingdom with the United States and key seaports in the Arabian Gulf, Indian subcontinent and Mediterranean region, and two vessels connect Saudi Arabia with Europe and key seaports in the Arabian Gulf and Mediterranean region. The Company is served by a full network of offices and agents across the world that help deliver a wide array of services to clients.

Strategic Business Plan

Despite the abundance of supply and fluctuating commercial flows evident especially in the final quarter of 2018, Bahri Logistics' continued to focus on implementing its overall annual strategy as well as positive decision-making. This resulted in constant improvements and optimization of costs while maintaining daily excellence in performance.

The Company's strategic plan aimed to achieve higher growth rates across our main markets including the Americas, Europe, Arabian Gulf, and the Mediterranean region. To facilitate this overarching aim, we successfully implemented services expansion and financial modeling initiatives along with other strategies related to developing new maritime routes.

Best practices have also been standardized across all business sectors, including the OneBahri performance initiative and implementation of a customer-focused culture. We also achieved increases in efficiency and productivity as a result of continuously monitoring ships and voyages. The Company's strategic business plan included ensuring synergy with our new partner BahriBolloré Logistics, in addition to expanding Bahri's overall footprint all over the world.

Business Results and Achievements

- **Bahri Logistics retained its market share and fulfilled its objectives by continuing to use its regular shipping lines despite a declining wider market, increase in cargo volume and decrease in shipments.**
- **The heavy machinery and equipment industry in Saudi Arabia is expected to grow by approximately 6 percent due to the various infrastructure projects taking place in the country. This industry, in turn, is driving demand for transportation units and regular shipping lines.**
- **A major contract was signed with ArcelorMittal to export steel pipes from Saudi Arabia.**
- **Bahri's vessels transported more than 360 types of goods with a total bulk of 930,000 tons to more than 2,890 customers via 47 ports in 23 countries.**

Focus on Quality

- **Bahri Logistics was awarded the ISO 9001:2015 certification for adhering to new international standards, ensuring business continuity, and improving and maintaining customer satisfaction.**
- **The Company developed its relations management with service providers through partnerships in the achievement of quality objectives and key performance indicators.**
- **Bahri Logistics worked closely with the Company's support functions to measure its results with regard to planning and operational control through effective infrastructure and facilitating resources.**
- **The Company improved the management of its business challenges and stakeholders' concerns by conducting a thorough operational and organizational risk management analysis.**
- **Bahri Logistics employed recognized quality analyses such as FMEA, RCA, SWOT and PESTEL throughout its business operations to facilitate constant optimization of quality.**
- **As part of our environmental protection measures, we implemented new modifications to all our vessels to reduce their environmental impact, including fitting them with scrubbers that helped reduce sulfur emissions, in conformance with standard IMO 2020 regulations.**

BahriBolloré Logistics

Bahri understands that successful partnerships are often the key to realizing its ambitions. To that end, BahriBolloré Logistics was established as a strategic partnership between Bahri and the Bolloré Group, one of the largest groups for goods clearance and logistics in the world, with Bahri owning a 60-percent stake and Bolloré owning the remaining 40 percent.

The joint venture provides global integrated logistics and supply management solutions to local and international companies working in Saudi Arabia.

BahriBolloré Logistics

Challenges

- **Business activity was impacted by volatile business conditions internationally, the geopolitical climate and increased slowdown of key projects. Nevertheless, key initiatives from our client relations team helped maintain client satisfaction and retention of our market share.**
- **Shipping revenues were severely impacted, and ship fuel supply prices increased 47 percent in 2018 compared to 2017.**
- **Ship usage rate has been and continues to depend on the resolution of international trade disputes that can affect the volume of cargo, especially in the dry bulk and vehicles sectors.**
- **Unexpected congestion at ports impacted our delivery dates**
- **The shipping industry saw the entry of three key maritime consortia, which increased competition.**

Future Aspirations

While the international economy is still influenced by trade volatility, Bahri Logistics works to leverage on its strength in current trade routes by focusing on client relations and managing its main accounts through:

- **Utilization of the latest digital technology, especially in the field of transportation, enabling a deeper participation in third-party logistics activities that are deeply competitive.**
- **Engagement with the government and key stakeholders in ongoing strategies to grow the Saudi economy in line with the Vision 2030, and the enormous potential offered by increasing activity along regular shipping lines to serve the infrastructure and dry bulk transportation sectors.**
- **Bahri's growth will contribute to increased activity along regular shipping lines and lead to more private projects being set up. It will also help the transportation sector avoid revenue fluctuations in the long-term.**
- **Implementation of a long-term plan for trade with Africa, Asia and Europe.**
- **Bahri Logistics works on integrating all activities and benefiting from BahriBolloré Logistics' expertise to provide customers with a full set of logistical solutions that meet their strategic objectives worldwide.**
- **Our main transformation drivers include deeper market analysis, adoption of risk mitigation plans and focusing on customers.**
- **It is expected that capital expenditure in Saudi Arabia will grow over the next five years across the heavy industries sector, including machinery and equipment, with an expected total growth of 6 percent. Our key markets are also expected to grow by 4.5 percent on an annual basis, especially after the shipping industry's global slowdown in 2018.**

Bahri Dry Bulk

Bahri Dry Bulk (BDB) was established in 2010 under a joint venture agreement between Bahri and the Arabian Agricultural Services Company (ARASCO), with Bahri owning 60 percent and ARASCO owning 40 percent. The partnership offers a wide array of assets that effectively provide supply chain management services while maintaining the highest degree of expertise in ship management.

Bahri Dry Bulk owns and manages a fleet of single-hulled dry bulk carriers that offer high fuel consumption efficiency and the capability to optimize their operational costs, leading to higher revenues. The Company is Saudi Arabia's national shipping operator for dry bulk cargoes, including grain, coal, iron ore, phosphate and sulfur. We also have a diversified portfolio that includes regional clientele signed under firm and long-term shipping partnerships and which comprise regional and global cargo owners. Additionally, the Company launched many initiatives to increase market share and boost its current cargo volume to more than 6 million tons by 2019/2020, as well as widening its footprint regionally and globally.

As part of its ongoing business growth strategy, Bahri Dry Bulk focuses on all international markets that have the potential to provide the Company with access to key business regions such as Egypt and Morocco, as well as Asian countries such as China, India and Indonesia.

Bahri Dry Bulk

World-class capabilities

Transparency when conducting operations

Representative offices and agents around the world

Constant annual financial growth

Integrated team of experts in trade and operation

Sound cash flow to support business expansion initiatives

Consulting studies being conducted with global organizations into the Group's strategy

Growing base of clients, including more than 35 major global companies

Membership of the Baltic and Singapore Exchange for market value accounting or fair value accounting

Operation of the voyage management systems DA-Desk and IMOS for ports management

Membership of the central M5 group

Operation of the IMOS business unit

Engages in business exchanges for forward freight agreements (FFA)

Business Results and Achievements

Bahri Dry Bulk recorded many achievements in terms of increasing market share, as outlined below:

- **Bahri Dry Bulk recorded higher revenue levels compared to previous years as a result of its efforts to increase its share of a growing market and build new business relations through long-term partnerships and contracts with agents, government traders, ship owners and international charterers.**
- **The Company announced an expansion plan to build four new carriers designed according to the latest international technical specifications. The vessels are to be delivered and added to the Company's current fleet by 2020.**
- **The Company is working with BahriBunge Dry Bulk Ltd., a joint venture in which Bahri Dry Bulk owns a 60-percent stake and the remaining 40 percent owned by Bunge. The Company is regarded as the best provider and operator in the Middle East for facilitating the flow of imported and exported dry bulk cargo shipments.**
- **Exports increased to 6 million tons.**
- **Our storage units held 11 types of dry bulk cargo.**
- **Around 485,000 tons of goods were imported for the Saudi Grains Organization (SAGO) – 25 percent barley and 75 percent wheat/grain.**
- **A contract to ship 1 million tons of cargo was signed in 2019.**
- **A contract was signed with a company to transport 13 shipments via two trade routes, from King Abdullah Port to Bangladesh and Japan and from the same port to the United Arab Emirates.**
- **A contract was signed with a company to transport six shipments via the Australia – UAE route.**

BahriBunge Dry Bulk Ltd.

BahriBunge was established in 2017 under a joint-venture agreement between Bahri Dry Bulk and Dutch firm Koninklijke Bunge B.V. (Bunge) for dry bulk carriers, a wholly-owned subsidiary of Bunge Limited, which is a global agribusiness and food company. Under the joint venture, Bahri would own a 60-percent stake and the remaining 40 percent owned by Bunge. The venture is managed primarily from Dubai, UAE, with an office in Cairo, Egypt.

BahriBunge has cultivated a wide network of regional customers. It also has well-established and long-term partnerships with major ship and cargo owners regionally and globally. The Company has launched many strategic initiatives to increase its presence in the market and boost its current cargo volume to more than 6 million tons by 2019/2020, as well as increasing its regional and global reach.

The Company has made every effort to increase its market share and build new business relations via long-term partnerships and contracts with agents, government traders, ship owners and international charterers.

As part of its ongoing business growth strategy, BahriBunge focuses on all international markets that have the potential to provide the Company with access to key business regions domestically and in the GCC and Africa. These markets include Egypt, Morocco and Asian countries such as China, India and Indonesia.

Bahri Ship Management

Bahri Ship Management was established in 1996 to become the leading provider of technical and commercial ship management services for Bahri's VLCCs, chemical tankers, product and bulk carriers, and roll-on/roll-off ships. The Company prioritizes safety, quality and environment protection in all its ship management activities. In 2018, the Company managed to increase the number of ships under its technical management. Bahri Ship Management also carefully planned the docking and maintenance of ships to be completed within the shortest time possible without affecting quality or customer service.

Business Results and Achievements

Bahri Ship Management recorded key achievements that support the overall success of its business strategy over 2018 as outlined below:

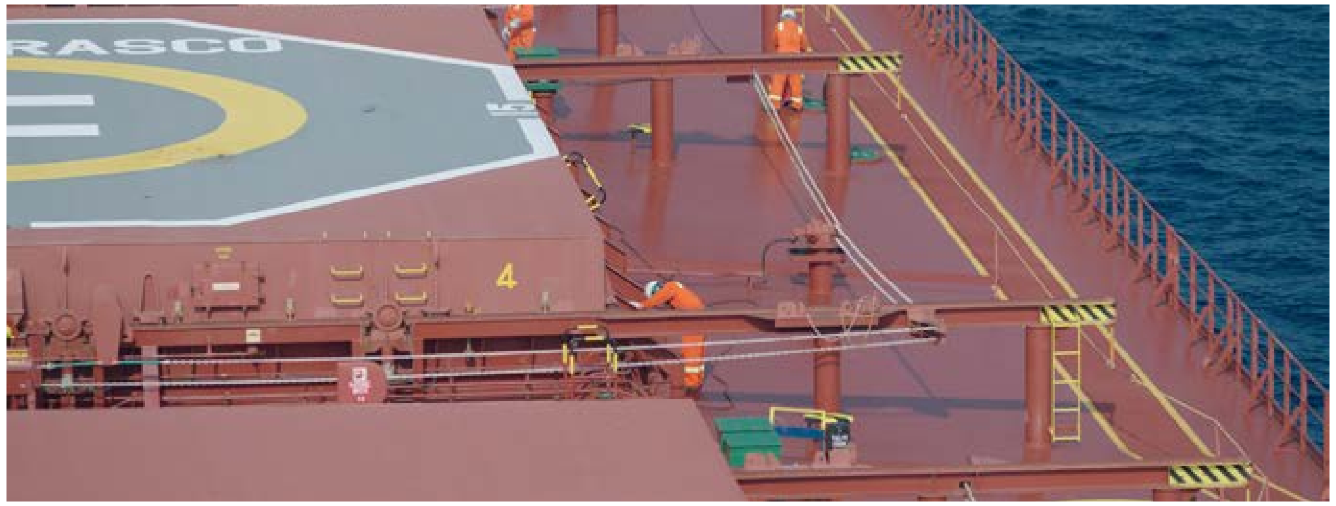
- **The Company was the best performing company according to the Ship Inspection Report Programme (SIRE). The average number of observations was 2.33 per ship compared to the global rate of three.**
- **The Company was the best performing company in terms of inspections carried out by the Port State Control (PSC), recording an average of 0.7 observations per ship compared to the Paris MoU Benchmark of 2.7.**
- **Our fleet has undergone 34 inspections by the US Coast Guard (USCG) throughout the year with no negative observations.**
- **The Company successfully joined an EU program to record and reduce its CO_2 emissions.**
- **The Company successfully passed the TMSA audit run by Saudi Aramco and Exxon.**
- **The Company adopted the latest OCIMF VIQ7 global standards for oil companies related to quality safety management.**
- **The Company trained 56 Saudi students from King Abdulaziz University and 12 from Saudi Aramco on board its fleet.**
- **Hosted an international ship owners' security forum to discuss common security concerns and share best practices.**

Safety

Bahri takes pride in being at the forefront of the shipping sector in applying the highest level of safety standards that comply with best practices in the following fields:

Safety Management System Foundations

- **Management, leadership and accountability**
- **Onboard functions monitoring**
- **Maintenance of ships and critical equipment**
- **Maritime safety**
- **Transfer, braking and docking operations**
- **Measurement, analysis and key performance indicators**



Certificates and Awards

Bahri has been awarded in 2018 a number of certificates in the fields of shipping, safety and energy management, including:

- Ship Manager of The Year award by the Maritime Standard (TMS) Awards.
- International Safety Management (ISM) certificate via DNV-GL.
- Completion of the ISO 50001 certification in the field of energy consumption.
- ISO certificate for meeting new standards in quality management and environment protection.

3.0 Chapter Three
Supporting Departments

Human Resources

Bahri treats its employees as its primary asset and the foundation upon which the group depends on in establishing its corporate values. Therefore, it spares no efforts in developing its employees' knowledge, skills and capabilities in a way that makes them partners in achieving success and improving the Company's professionalism. Bahri takes pride in its continued investment in the recruitment and development of Saudi talent, who accounts for 69 percent of its total workforce. Bahri also integrated more women into its workforce with the aim of supporting its overall plans, and achieving synergy between different business sectors nationally and internationally to further establish a culture of values and professional management as well as boost innovation and creativity.

Human Resources Policies and Procedures

- **Enhancing the incentives system and linking it to performance.**
- **Implementation of work policies and procedures developed in line with the best practices and clearly communicated to all employees in order to facilitate a workplace culture based on complete transparency.**
- **Organizing workshops to further improve communication with staff and celebrate those contributing to performance optimization.**

Training and Development

Bahri is committed to investing in the development of its human resources according to the latest global best practices through a variety of initiatives. These initiatives include, for instance, enrolling employees in leadership, technical and behavioral training courses. In 2018, Bahri organized training programs for its employees in Saudi Arabia and many other countries.

419+
Number of training seats

250+
Employees enrolled in courses

Digital Transformation in Human Resources Services

Bahri uses world-class technical systems to improve daily operations and deliver automated employee-related services.

Development and Recruitment of Graduates and Supporting Continuing Education

Bahri provides a set of programs for training and developing Saudi talent including:

Bahri Graduate Development Program (GDP)

- **This is a training program that targets fresh male and female Saudi graduates and develops them over the course of a fast-track 10-month program in which a trainee is placed in one of Bahri's business or functional units. Throughout the program, the trainee will develop the necessary knowledge and skills to be a success in their chosen area of expertise.**
- **For Saudis only**
- **More than 21 graduates.**

Cooperative Training Program (COOP)

Bahri, in cooperation with universities in Saudi Arabia, offers its Cooperative Training Program to help students understand postgraduate practical life. The program also offers short specialized courses on the Company's operations.

University Program for Continuing Education

The Company supports its employees wishing to continue their education by covering their tuition costs and providing them with necessary time-off to complete their studies.

Future Aspirations

Bahri aspires to continue its success over the next year in developing its employees, improving its working environments, developing a workplace culture based on performance and encouragement of staff's contributions to the Company's productivity, and implementing the best practices in order to create a unique experience for prospective job candidates and employees. The Company also intends to increase localization at its Dubai office, and promote Bahri as an employer of choice in the local market via different channels. Bahri is pushing forward with its initiative to optimize costs while focusing on an extensive set of training programs targeting Saudi talent such as the Summer Training Program (SAIFI), Bahri Cooperative Training Program (COOP), and Bahri Graduate Development Program (GDP).

Corporate Communications

This department is committed to providing high-quality services for our national and international partners.

Key Achievements in 2018

External Events

25+ Events in which Bahri participated

Nine of them were officially sponsored by Bahri where the Company has reached an audience of more than 50,000 people.

Awards

11 Awards

Presented to Bahri and organized by major organizations in the maritime sector such as Lloyd's, Seatrade and The Maritime Standard (TMS).

Internal Announcements

180 Internal Announcements

Sent internally to all employees, including news about the Company's activities, achievements and new recruits.

Sub Branding

2 Sub Branding

Launched for Bahri

EMDAD إمداد

HR CARE

Internal Events

30+ Events organized

These events gathered employees from Bahri's different departments and offices, and strengthened the OneBahri culture within the Company.

Press Releases

31 Distributed Press Releases

82 million Opportunities to See (OTS)

650+ Press Clippings

Visual Production

16 Video Clips

Produced as part of coverage for the Company's events, activities and achievements, and posted on Bahri's YouTube channel.

Publications

- Daily news updates
- Two issues of Mersat (Anchor) magazine
- 2017 Annual Report
- A booklet about Bahri Logistics
- An ISO booklet

Social Media

30+ Events

Covered. We reached around (as per the Arabic version) 2 million followers.

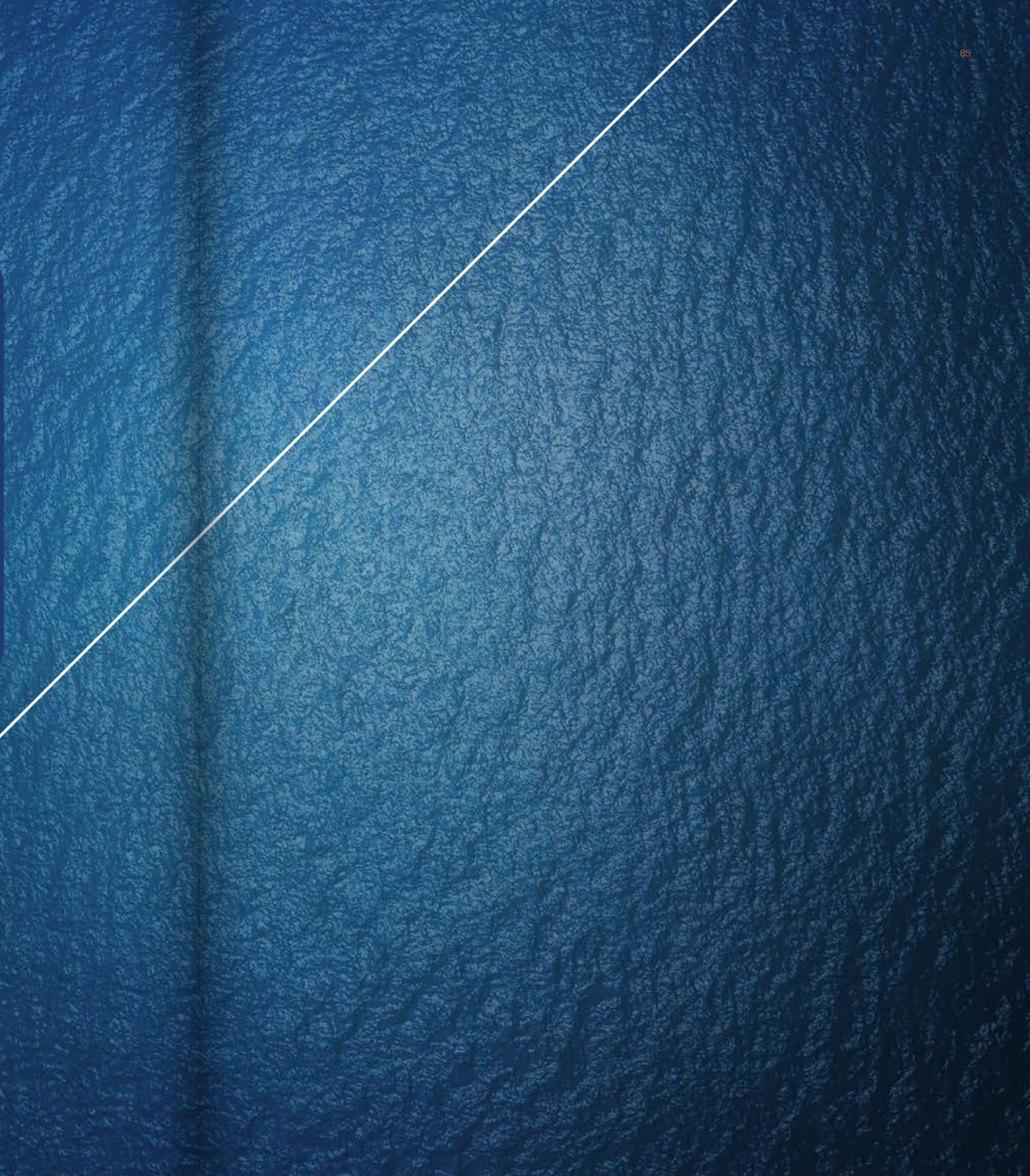
Total followers of Bahri's social media accounts:

YouTube	LinkedIn	Facebook	Twitter
1000+ views	25000+ followers	75000+ followers	45000+ followers

Internal Capabilities

Handling creative design and social media accounts internally without depending on external agencies.

4.0 Chapter Four
Financial Indicators



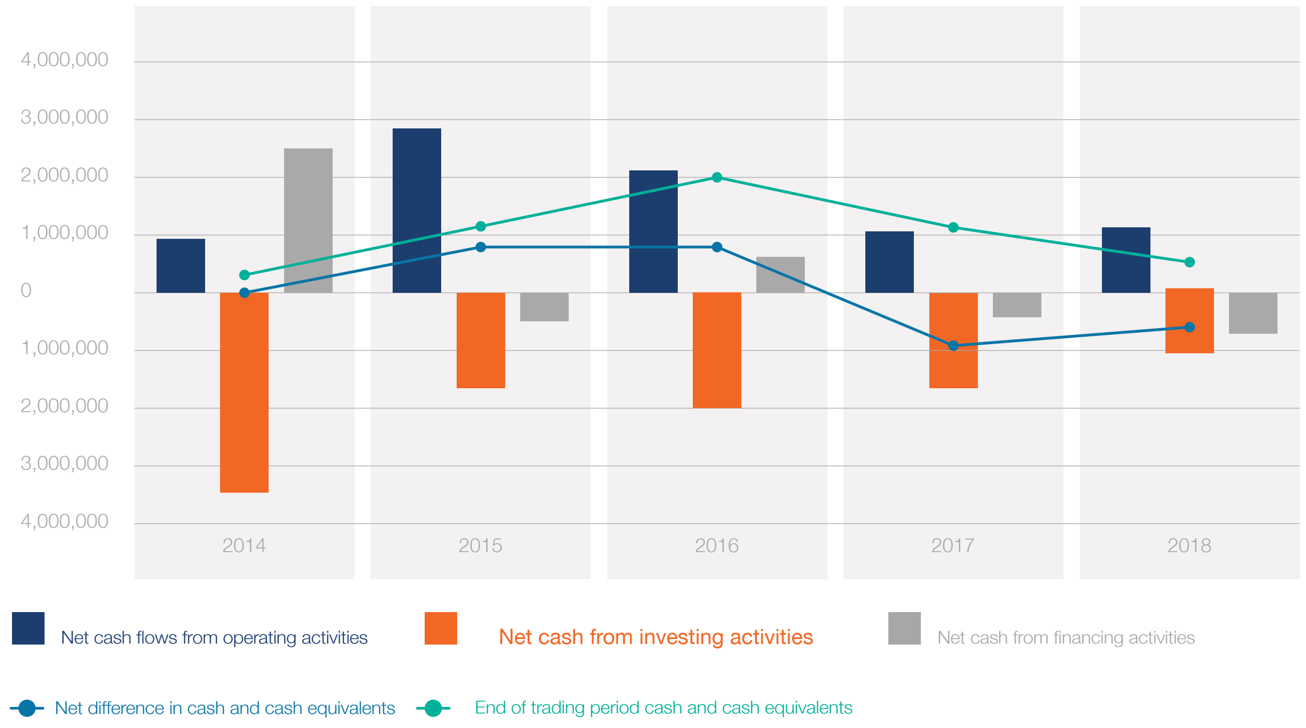
Capital Structure & Financing

Bahri's healthy financial position is the result of consistently strong performance and the high level of solvency the Company has managed to achieve and maintain. It is also reflective of positive cash flows achieved from the Company's operations which are expected to be maintained in the future. The Company's future growth is dependent on its expansion strategies and purchasing its fixed assets through its own capital sources and long-term loans. Fixed assets depreciate over a long period of time, typically 25 years. Bahri was able to diversify its funding sources, including short-term borrowings and long-term loans, by working with government entities, local, and international commercial banks. These loans were secured in either Saudi riyals or US dollars to acquire the required funding at competitive prices and reduce the risks associated with the increase of interest rates and other funding costs.

Murabaha financing & long-term loans during 2018 (In thousand)

10,332,082	10	914,825	1,075,289	10,171,617
Start of Year Loan Balance	Loan Average Duration (Years)	Additions Throughout the Year	Paid During the Year	End of Year Loan Balance

Consolidated Cashflow 2014 - 2018

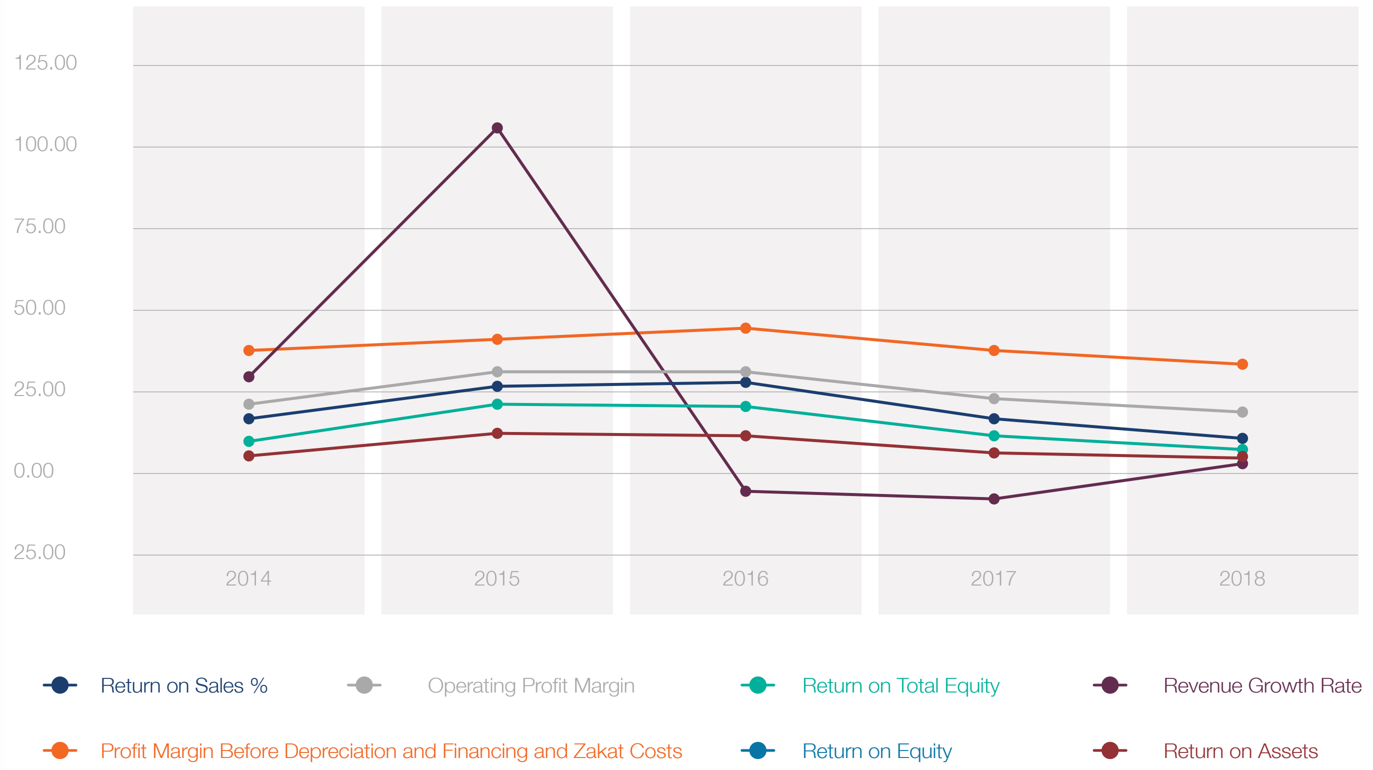


Cash Flows 2014 - 2018					
(SAR "000")	2018	2017	2016	2015	2014
Net cash flows from operating activities	1,119,244	1,140,085	2,187,733	2,923,047	940,856
Net cash from investing activities	(1,081,616)	(1,640,781)	(2,008,035)	(1,629,098)	(3,474,732)
Net cash from financing activities	(635,263)	(388,856)	660,433	(464,426)	2,577,618
Net difference in cash and cash equivalents	(597,635)	(889,552)	840,131	829,523	43,742
End of trading period cash and cash equivalents	592,806	1,190,441	2,079,993	1,142,831	313,308

Key Indicators - Efficiency 2014-2018

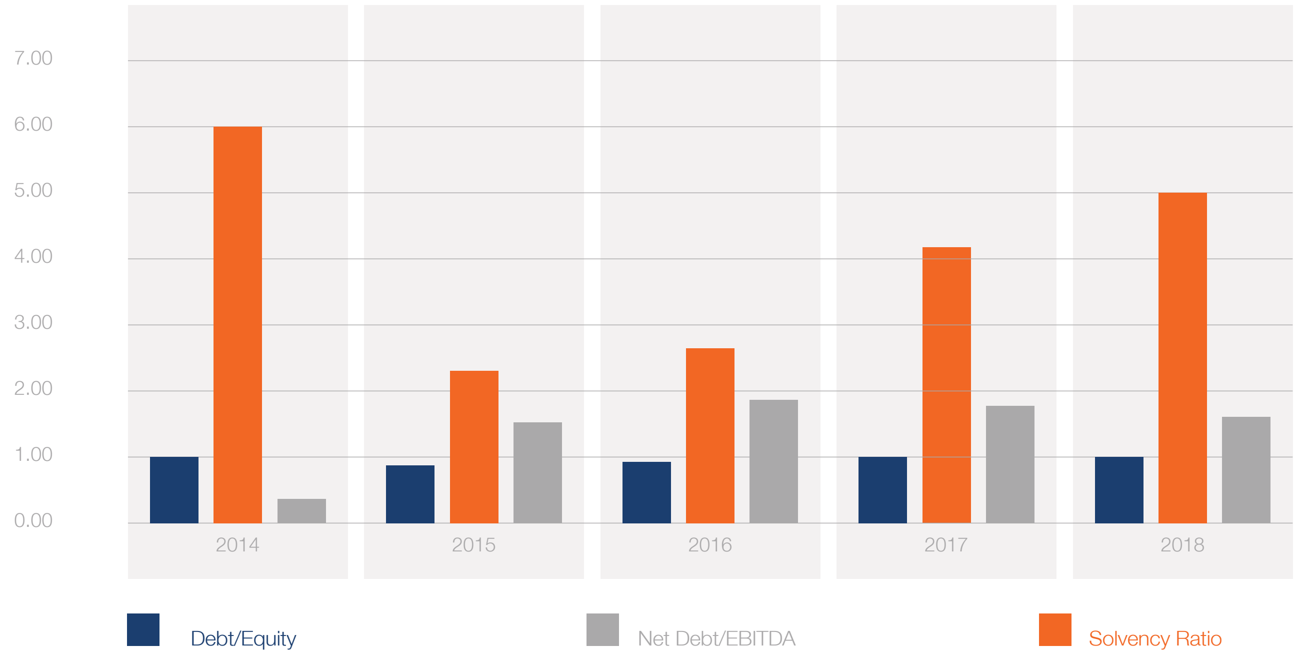
Despite the decline in global transportation rates, Bahri was able to achieve positive financial results and continue delivering good net income and financial indicators in 2018 compared to other transport and shipping companies, and despite the difficulties and challenges faced by the maritime transportation sector over the year.

Bahri's strategy has contributed to business diversification and fleet expansion in addition to long-term partnerships with strategic customers and enhanced operation efficiency through positive financial results. Furthermore, achieving a healthy financial position and high level of solvency will enable the Company to continue pursuing its investment and strategic plans.



Efficiency 2014 – 2018					
	2018	2017	2016	2015	2014
Return on Sales %	7.97	13.34	25.77	24.82	14.72
Profit Margin Before Depreciation and Financing and Zakat Costs %	30.91	35.71	42.18	39.21	35.31
Operating Profit Margin %	15.82	20.00	28.19	28.41	18.69
Return on Equity %	5.21	8.49	18.08	19.58	6.83
Return on Total Equity %	4.97	8.13	17.35	18.74	6.52
Return on Assets %	2.30	3.81	8.40	9.52	3.12
Revenue Growth Rate %	1.39	(10.94)	(9.05)	105.82	27.39

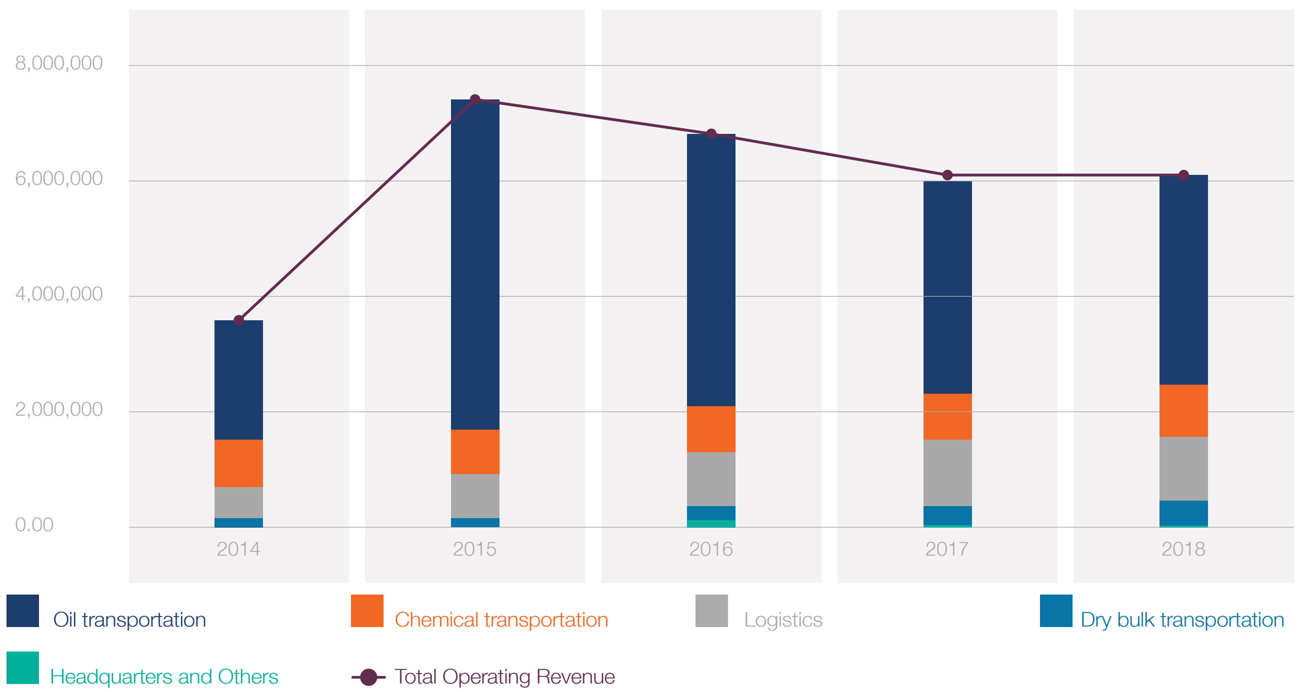
Solvency 2014-2018



2014 – 2018 Solvency	2018	2017	2016	2015	2014
Debt to Equity Ratio (D/E)	1.04	1.03	0.96	0.83	1.00
Net Debt/Profit Margin Before Depreciation and Financing and Zakat Costs	5.07	4.20	2.65	2.31	6.08
Solvency Ratio	1.60	1.78	1.89	1.55	0.39

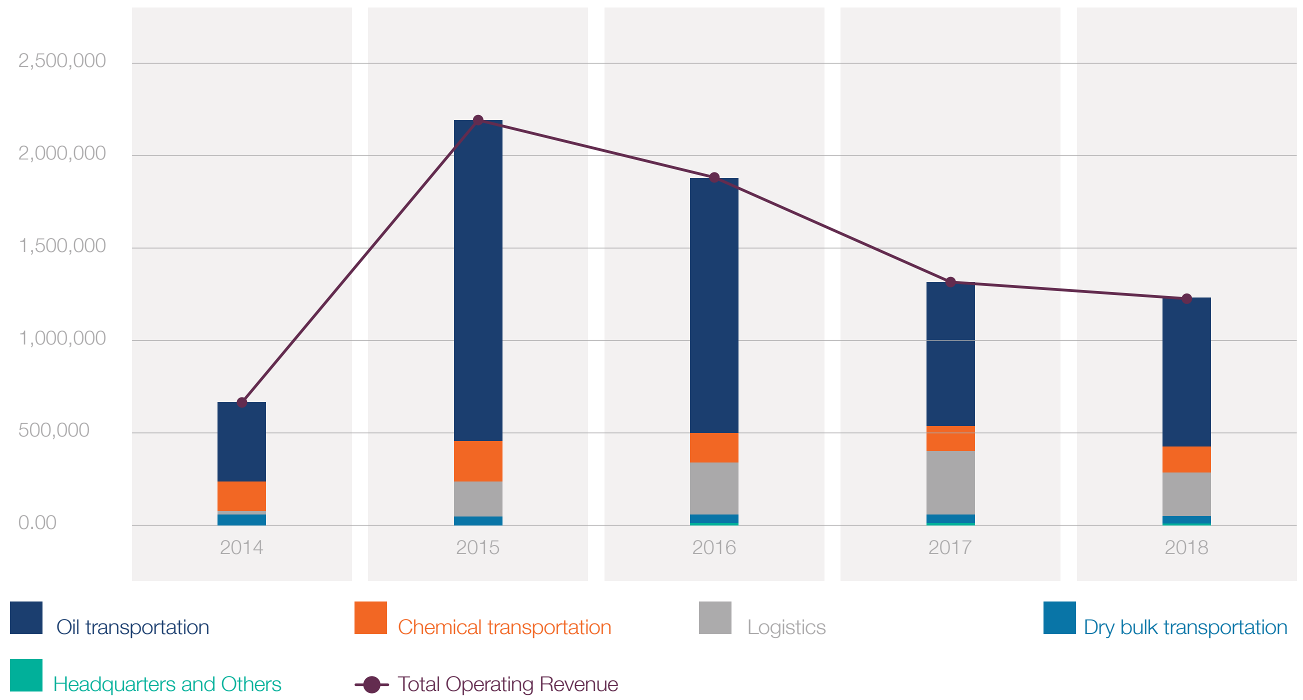
The above financial indicators reflect Bahri's strong and robust financial position where debt to equity ratio is low, giving the Company the required capacity to obtain further strategic loans to finance investment opportunities and implement its expansion plans.
The positive financial ratios also emphasize the high liquidity and solvency by the Company, enabling it to meet its short and long-term financial obligations and attract necessary financing to execute its strategic and expansion strategies.

Operating Segments - Operating Revenue 2014-2018



Operating Revenue (SAR "000")	2018	2017	2016	2015	2014
Oil transportation	3,692,550	3,726,244	4,797,713	5,764,525	2,152,259
Chemical transportation	872,174	805,270	774,148	774,610	802,922
Logistics	1,158,022	1,137,955	931,772	848,426	550,392
Dry bulk transportation	387,389	362,297	271,156	114,559	120,839
Headquarters and Others	19,775	14,069	98,748	-	-
Total Operating Revenue	6,129,910	6,045,835	6,788,484	7,502,120	3,626,412

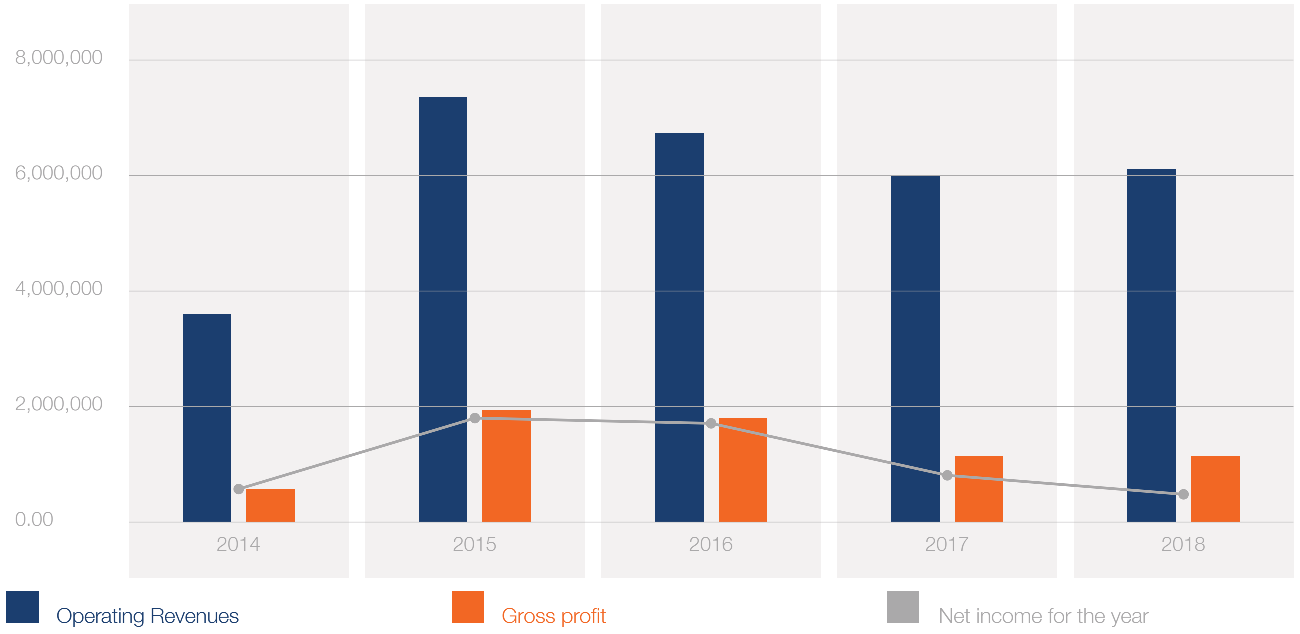
Gross profit 2014-2018



Gross profit 2014 – 2018 (SAR "000")	2018	2017	2016	2015	2014
Oil transportation	813,618	780,445	1,387,926	1,746,737	448,540
Chemical transportation	135,181	137,823	167,347	212,980	148,962
Logistics	242,281	345,321	277,573	185,032	22,968
Dry bulk transportation	37,821	46,998	45,790	51,770	53,756
Headquarters and Others	11,333	10,094	13,695	-	-
Total Gross profit	1,240,234	1,320,681	1,892,331	2,196,519	674,226

Consolidated Income Statement 2014-2018

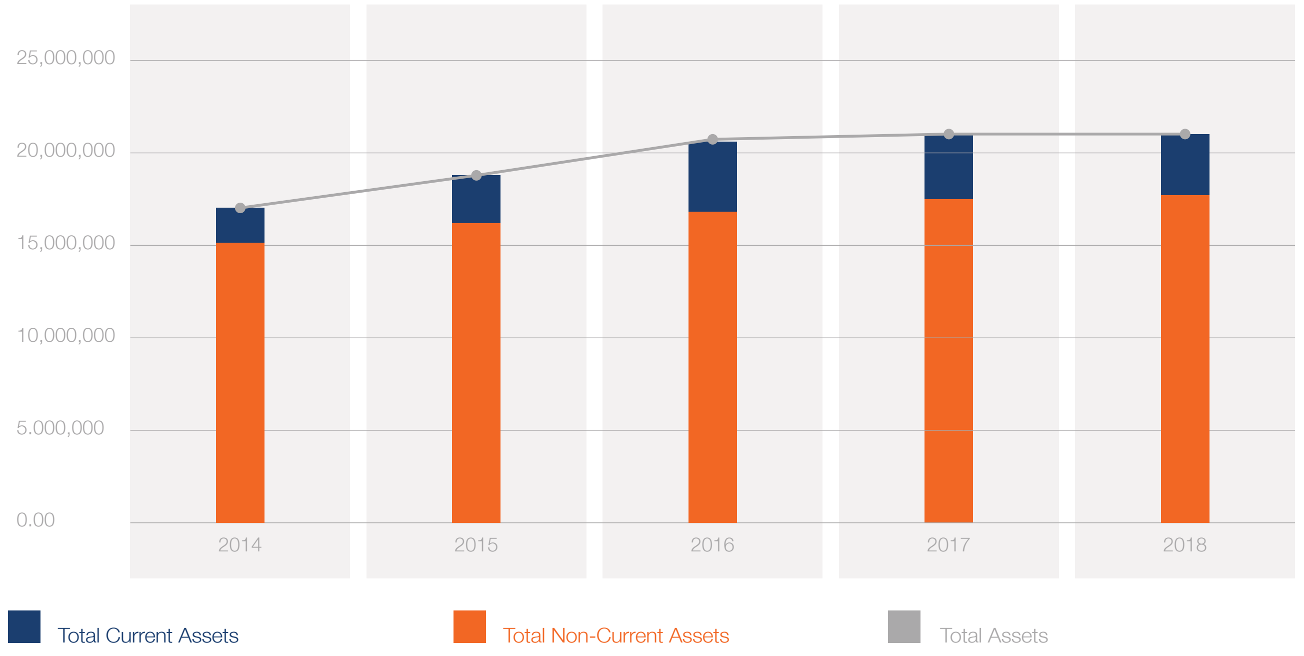
The below graph shows stability in revenue and operating income due to the continued decline in global transportation rates in 2018 driven by a struggling global economy in addition to the declining volume of crude oil imports and exports, further compounded by a surplus in shipping capacity. Operating income, furthermore, was negatively affected by increased fuel costs. An increase in Bahri's fleet's size and its growth in the logistics sector, however, mitigated the effects of declining transportation and shipping rates on the Company's performance and financial results.



2014 – 2018 Consolidated Income Statement					
(SAR "000")	2018	2017	2016	2015	2014
Operating Revenues	6,129,910	6,045,835	6,788,484	7,502,120	3,626,412
Operating profit	1,088,185	1,133,553	1,779,761	1,980,030	575,351
Net income for the year attributable to: Equity holders of the parent company	481,238	800,313	1,717,871	1,817,583	533,840

Total Assets 2014-2018

The graph below shows that Bahri has achieved stability in total assets in 2018 due to its increase and expansion of investments and fleet.



2014 – 2018 Total Assets					
(SAR "000")	2018	2017	2016	2015	2014
Total Current Assets	3,320,796	3,561,802	3,812,768	2,840,531	1,838,528
Total Non-Current Assets	17,876,848	17,620,781	17,024,487	16,256,120	15,305,883
Total Assets	21,197,644	21,182,583	20,837,255	19,096,651	17,144,411

Bahri Five Year Financial Results 2014-2018

Item	2018	2017	2016	2015	2014
Revenue	6,129,910	6,045,835	6,788,484	7,502,120	3,626,412
Operating costs	(5,183,278)	(4,911,018)	(5,030,411)	(5,485,511)	(3,170,122)
Gross profit before bunker subsidy	946,632	1,134,817	1,758,073	2,016,609	456,290
Bunker subsidy	293,602	185,864	134,258	179,910	217,936
Gross profit	1,240,234	1,320,681	1,892,331	2,196,519	674,226
General and Administrative expenses	(162,767)	(171,274)	(111,062)	(216,489)	(98,875)
Other income (expenses), net	(496,924)	(242,136)	(75,070)	63,130	24,429
Zakat and taxes, net	(92,186)	(100,760)	43,527	(181,354)	(37,436)
Net income for the year attributable to: Equity holders of the parent company	481,238	800,313	1,717,871	1,817,583	533,840
Non-Controlling Interest Equity	7,119	6,198	31,855	44,223	28,504
Earnings Per Share (EPS)	1.22	2.03	4.36	4.62	1.58

Operating business units for the year ended 31st December, 2018

A reporting business unit is a component of Bahri Group that engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Bahri's other components. All business units' operating results are reviewed regularly by Bahri's key decision makers to asses their performance and allocated resources, and for which discrete financial information is available.

Bahri is organized into business units based on their operations and has the following reportable segments:

- Bahri Oil
- Bahri Chemicals
- Bahri Logistics
- Bahri Dry Bulk
- Head office and Others

Bahri's management reviews the above business units for quantitative thresholds as well as criteria for presenting the revenues and expenses for the business unit at the end of every reporting year.

Intersegments revenues are recorded either at values that approximate third-parties selling prices or at prices mutually agreed by the management of the business units.

operating segments for the year ended 31st December, 2018	Oil Transportation	Chemical Transportation	Logistics	Dry Bulk Transportation	Head Office and Others	Total
Revenue	3,692,550	872,174	1,158,022	387,389	19,775	6,129,910
Operating cost	(3,146,670)	(752,004)	(926,594)	(349,568)	(8,442)	(5,183,278)
Bunker subsidy	267,738	15,011	10,853			293,602
Gross profit	813,618	135,181	242,281	37,821	11,333	1,240,234
General and administrative expenses	(2,086)	(3,674)	(22,009)	(14,767)	(120,231)	(162,767)
Other income (expenses), net	(238,703)	(70,932)	(19,156)	(10,129)	(158,004)	(496,924)
Income before zakat & taxes	572,829	60,575	201,116	12,925	(266,902)	580,543
Ration to Total	99%	10%	35%	2%	-46%	100%

5.0 Chapter Five
Financial Statements

Independent Auditor's Report

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License No. 46/11/323 issued 11/3/1992

Independent Auditors' Report

To the Shareholders of The National Shipping Company of Saudi Arabia

Opinion

We have audited the consolidated financial statements of The National Shipping Company of Saudi Arabia ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Independent Auditors' Report

To the Shareholders of The National Shipping Company of Saudi Arabia (Continued)

Impairment assessment of Property and Equipment

See Note 4 to the consolidated financial statements for the accounting policy relating to impairment of non-financial assets.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, total property and equipment of the Group amounted to SAR 15.6 billion (2017: SAR 14.7 billion). In accordance with the requirements of relevant accounting standards, the Group is required to assess indicators of impairment on its property and equipment at each reporting date. In case such indicators are identified, recoverable amounts of such properties are required to be determined. As part of the Group process to review any indication of impairment of its vessels, management considers internal and external indicators of impairment including but not limited to: - observable indications that the vessel's value have significantly declined; - significant changes with an adverse effect on the Group, in the technological, market, economic or legal environment in which the Group operates; - evidence of obsolescence or physical damage of the vessels; - significant changes with an adverse effect to the vessels, which includes the vessels becoming idle, plans to discontinue its operation and/or plans to dispose of vessels; - reassessment of the useful lives of the vessels; and - operating losses incurred by the vessels. Hence, the evaluation of impairment indicators and the recoverable amount assessment, where required, involves the exercise of significant judgment and has therefore been determined to be a key audit matter.	We performed the following procedures in relation to the impairment assessment of Property and Equipment: - Assessed the process followed by the Group for the assessment of impairment indicators and recoverable amount determination during the year ended 31 December 2018. - Assessed the design and implementation, and tested the operating effectiveness of the controls implemented by the Group as part of the impairment review process; - Assessed impairment of the Group's fleet of vessels by inspecting class certificates; - Assessed the physical condition of the vessels by inspecting, on a sample basis, the vessels' inspection reports that are prepared by the Group's Technical Department; - Confirmed future plans for the vessels by inspecting internal reports (including Board of Directors minutes of meetings); and - Inspected the operating profit and loss statement for the year for each vessel.

KPMG

Independent Auditors' Report

To the Shareholders of The National Shipping Company of Saudi Arabia (Continued)

Assessment of estimated useful lives of the Group's vessel

See Note 4 to the consolidated financial statements for the accounting policy relating to estimated useful lives of the Group's vessel.

The key audit matter	How the matter was addressed in our audit
The Group owns and operates 92 vessels (2017: 88 vessels) that are used in transportation activities. The carrying value of the vessels, which is shown as part of property and equipment, is SAR 15.6 billion (2017: SAR 14.7 billion) representing around 74% (2017: 69%) of total assets as at 31 December 2018. In accordance with the requirements of relevant accounting standards, management reviews the estimated useful lives of the vessels on an annual basis. This review includes significant judgement by the Group's management to assess and estimate the vessels useful lives. The useful life of an asset is mainly impacted by its future economic benefits. The future economic benefits embodied in an asset are consumed by an entity; principally through it use. However, there are other factors, which often result in a diminution of the economic benefit that might have been obtained from the asset and ultimately impact the determination of the estimated useful life. These factors include: - expected physical wear and tear; - expected usage of the vessels; - potential changes in the market demand; and - expected technical and commercial obsolesce. Hence, the determination of the estimated useful life requires a significant degree of management judgement and has therefore been determined to be a key audit matter.	We performed the following procedures in relation to assessment of estimated useful lives of the Group's vessel: - Assessed the design and implementation, and tested the operating effectiveness of the controls implemented by the Group as part of the assessment of estimated useful lives review process; - Assessed the appropriateness of the procedures performed by the management to estimate the useful lives of the vessels; - Assessed the physical condition of these assets by inspecting, on a sample basis, the vessels' inspection report prepared by the Group's Technical Department; - Assessed the vessels' estimated useful lives by inspecting the benchmarking report prepared by management that covers relevant industry information; - Assessed the vessels' estimated useful lives by inspecting, on a sample basis, dry docking documents that support the maintenance of vessels during the year; and - Assessed the adequacy of the Group's disclosures in respect of estimation of useful lives in the consolidated financial statements.

KPMG

Independent Auditors' Report

To the Shareholders of The National Shipping Company of Saudi Arabia (Continued)

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 4 March 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

KPMG

Independent Auditors' Report

To the Shareholders of The National Shipping Company of Saudi Arabia (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of The National Shipping Company of Saudi Arabia ("the Company") and its subsidiaries ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners
Certified Public Accountants

Fahad Mubarak Aldossari
License No: 469

Riyadh on: 30 Jumada'II 1440H
Corresponding to: 7 March 2019

KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Consolidated Financial Statements

Consolidated statement of financial position As at 31 December 2018 (In Thousands Saudi Riyals)

ASSETS NON-CURRENT ASSETS	Note	2018	2017
Property and equipment	6	15,623,148	14,746,536
Ships under construction	7	138,764	959,390
Intangible assets	8	667,409	719,593
Investment in associates	9	1,265,341	995,161
Receivables from finance lease	10	105,562	121,735
Other investments, including derivatives	11	76,624	78,366
TOT AL NON-CURRENT ASSETS		**17,876,848**	**17,620,781**
CURRENT ASSETS			
Receivables from finance lease - current portion	10	5,547	56,860
Inventories	12	344,045	290,759
Trade and other receivables	13	1,883,716	1,474,988
Prepayments and other current assets	14	494,682	297,379
Investment held for sale	9	-	251,375
Murabaha and short-term deposits	15-1	364,293	692,921
Cash and cash equivalents	15	228,513	497,520
TOT AL CURRENT ASSETS		**3,320,796**	**3,561,802**
TOT AL ASSETS		**21,197,644**	**21,182,583**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	3,937,500	3,937,500
Statutory reserve	17	1,012,852	964,732
Share premium		1,489,103	1,489,103
Other reserves		(13,302)	(5,342)
Retained earnings		2,951,718	3,109,225
Equity attributable to equity holders of the parent company		**9,377,871**	**9,495,218**
Non-controlling interests	31	441,430	422,813
TOTAL EQUITY		**9,819,301**	**9,918,031**
LIABILITIES			
NON-CURRENT LIABILITIES			
Sukuk and long-term loans	18	9,212,847	9,180,585
Employees' end of service benefits	19	69,927	69,467
Deferred tax liability	21	23,511	12,235
TOTAL NON-CURRENT LIABILITIES		**9,306,285**	**9,262,287**
CURRENT LIABILITIES			
Short term loans	18-4	96,000	-
Long term loans - current portion	18	887,816	1,075,289
Trade and other payables	20	873,340	694,947
Provision for zakat and taxes	21	214,902	232,029
TOTAL CURRENT LIABILITIES		**2,072,058**	**2,002,265**
TOT AL LIABILITIES		**11,378,343**	**11,264,552**
TOTAL EQUITY AND LIABILITIES		**21,197,644**	**21,182,583**

Consolidated statement of profit or loss For the year ended 31 December 2018 (In Thousands Saudi Riyals)

	Note	2018	2017
Revenue		6,129,910	6,045,835
Operating costs		(5,183,278)	(4,911,018)
Gross profit before bunker subsidy		946,632	1,134,817
Bunker subsidy		293,602	185,864
Gross profit		1,240,234	1,320,681
General and administrative expenses	22	(162,767)	(171,274)
Other income (expenses), net	23	10,718	(15,854)
Total operating profit		1,088,185	1,133,553
Finance costs	24	(389,113)	(308,435)
Share in results of associates	9	(118,529)	82,153
Income before zakat and tax		580,543	907,271
Zakat and taxes, net	21	(92,186)	(100,760)
Net income for the year		488,357	806,511
Net income for the year attributable to:			
Equity holders of the parent company		481,238	800,313
Non-controlling interests	31	7,119	6,198
		488,357	806,511
Earnings per share (Saudi Riyal):			
Basic earnings per share	25	1.22	2.03
Diluted earnings per share	25	1.22	2.03

Consolidated statement of comprehensive income For the year ended 31 December 2018 (In Thousands Saudi Riyals)

Net income for the period/year		488,357	806,511
Items that will not be reclassified to profit or loss			
Re-measurement gain on defined benefit liability	19	(384)	1,352
Items that are or may be reclassified subsequently to profit or loss:			
Investment in associates share ofOCI		(8,333)	-
Total comprehensive income for the period/year		479,640	807,863
Total comprehensive income attributable to:			
Equity holders of the parent company		473,278	801,665
Non-controlling interests	31	6,362	6,198
Total comprehensive income for the period/year		**479,640**	**807,863**

Consolidated statement of cash flows For the year ended 31 December 2018 (In Thousands Saudi Riyals)

OPERATING ACTIVITIES	Note	2018	2017
Net income for the year		488,357	806,511
Adjustments to reconcile net income for the year to net cash flows resulted from operating activities			
Depreciation	6	872,804	801,567
Amortization	8	52,184	52,471
Provision for doubtful debts	13	21,302	1,638
Provision for other investments		3,377	2,822
Finance costs	24	389,113	308,435
Share in results of an associate	9	118,529	(82,153)
Gain on disposal of property and equipment	23	(11,921)	(5,286)
Zakat and taxes	21	92,186	100,760
Changes in operating assets and liabilities:		2,025,931	1,986,765
Inventories		(53,286)	(50,084)
Trade and other receivables		(430,030)	(404,897)
Prepayments and other current assets		(192,050)	22,364
Receivables from finance lease		67,486	73,135
Trade and other payables		158,251	(153,905)
Employees' end of service benefits	19	12,357	10,468
		(437,272)	(502,919)
Cash generated from operations			
Finance costs paid		(359,352)	(262,581)
Zakat and taxes paid	21	(98,037)	(76,049)
Employees' end of service benefits paid		(12,026)	(5,131)
Net cash flows generated from operating activities		1,119,244	1,140,085
INVESTING ACTIVITIES			
Acquisition ofpropetiy and equipment	7.6	(57,780)	(827,373)
Proceeds from disposal of property and equipment		77,571	7,582
Ships under construction	7	(936,660)	(784,955)
Investment in an associate	9-2	(145,667)	(74,625)
Dividends received from an associate	9-1	-	34,090
Other investments, including derivatives		(19,080)	4,500
Net cash flows used in investing activities		(1,081,616)	(1,640,781)
FINANCING ACTIVITIES			
Proceeds from long term loans		914,825	1,586,640
Proceeds from short term loans	18	586,000	-
Repayment of long-term loans		(1,075,289)	(1,001,146)
Repayment from short term loans	18	(490,000)	-
Dividends paid		(582,799)	(981,796)
Non-controlling interests		12,000	7,446
Net cash flows generated / used in financing activities		(635,263)	(388,856)
Decrease in cash and cash equivalents		(597,635)	(889,552)
Cash and cash equivalents at the beginning of the year	15	1,190,441	2,079,993
Cash and cash equivalents at end of the year	15	592,806	1,190,441
Significant non-cash transactions:			
Ships under construction transferred to property and equipment	7	1,757,286	1,061,130

Consolidated statements of changes in equity For the year ended 31 December 2018 (In Thousands Saudi Riyals)

	Share capital	Statutory reserve	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2017	3,937,500	884,701	1,489,103	(6,694)	3,373,318	9,677,928	409,169	10,087,097
Net income for the year	-	-	-	-	800,313	800,313	6,198	806,511
Other comprehensive income	-	-	-	1,352	-	1,352	-	1,352
Total comprehensive income for the year	-	-	-	1,352	800,313	801,665	6,198	807,863
Transferred to statutory reserve	-	80,031	-	-	(80,031)	-	-	-
Non-controlling interest share	-	-	-	-	-	-	7,446	7,446
Dividends (note 30)	-	-	-	-	(984,375)	(984,375)	-	(984,375)
Balance as at 31 December 2017	3,937,500	964,732	1,489,103	(5,342)	3,109,225	9,495,218	422,813	9,918,031
Balance as at I January 2018	3,937,500	964,732	1,489,103	(5,342)	3,109,225	9,495,218	422,813	9,918,031
Net income for the year	-	-	-	-	481,238	481,238	7,119	488,357
Other comprehensive income	-	-	-	(8,717)	-	(8,717)	-	(8,717)
Total comprehensive income for the year	-	-	-	(8,717)	481,238	472,521	7,119	479,640
Transferred to statutory reserve	-	48,120	-	-	(48,120)	-	-	-
Non-controlling interest share	-	-	-	757	-	757	11,498	12,255
Dividends (note 30)	-	-	-	-	(590,625)	(590,625)	-	(590,625)
Balance as at 31 December 2018	3,937,500	1,012,852	1,489,103	(13,302)	2,951,718	9,377,871	441,430	9,819,301

Notes to the consolidated financial statements For the year ended 31 December 2018

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

The National Shipping Company of Saudi Arabia (the "Company" or "Bahri" or "Parent Company"), a Saudi Joint Stock Company was established under the Royal Decree No. M/5 dated 12 Safar 1398H (corresponding to 21 January 1978), and registered under Commercial Registration No. 1010026026 dated 1 Dhul Hijjah 1399H, (corresponding to 22 October 1979) issued in Riyadh. The Company's head office located in Olaya district, Olaya Towers (Tower B), Floors (12-15), P.O Box 5101, Riyadh, 1142, Kingdom of Saudi Arabia.

The Company and its subsidiaries listed below (the "Group") are primarily engaged in purchasing, sale and operating of vessels for the transportation of cargo and passengers, agencies for maritime shipping companies, cargo clearance and coordination for on vessels' board transport and storage, and all of the marine transport activities. The Group performs its operations through four distinct segments which are crude oil transportation, chemicals transportation, logistics and dry bulk transportation. The Group is also engaged in the ownership of lands, properties inside or outside the Kingdom, ownership of shares in other existing companies or merges with them and participates with others in establishing companies with similar activities or complementary activities. The Group performs its operations through four segments which are crude oil transportation, chemicals transportation, logistics services and dry bulk transportation.

The Company's capital consists of 393,750,000 shares as of 31 December 2018 and 31 December 2017. The par value per share is SAR 10

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

Subsidiary	Date of incorporation	Ownership % 2018	Ownership % 2017	Principal Activity	Location
NSCSA Inc. - USA	1991	100%	100%	Company's ship agent	USA
Mideast Ship Management Limited (JLT)	2010	100%	100%	Ships technical management	UAE
National Chemical Carriers	1990	80%	80%	Petrochemicals transportation	KSA
Limited Co. (NCC)	2010	60%	60%	Dry bulk transportation	KSA
Bahri Dry Bulk LLC (BDB) Bahri Bolloré Logistics (BBL)	2017	60%	60%	Logistic Services	KSA
Bahri Bunge Dry Bulk DMCC*	2017	36%	36%	Dry bulk transportation	UAE

*Group holds controlling equity ownership interest in Bahri Bunge Dry Bulk DMCC through indirect shareholding of Bahri Dry Bulk LLC (BDB).

The associate companies that are not consolidated into these consolidated financial statements are as follows:

Associate	Date of incorporation	Ownership % 2018	Ownership % 2017	Principal Activity	Location
Petredec Limited *	1980	30.3%	30.3%	Liquefied petroleum gas transportation	Bermuda
International Maritime Industries Company	2017	19.9%	19.9%	Maritime industries	KSA

* The Company's share in Petredec Limited results for the financial year is recorded as per latest financial statements prepared by Petredec. The difference between the latest financial statements prepared by Petredec and the Group's consolidated financial statements is two months. The fiscal year of Petredec starts on 1 September and ends on 31 August of each Gregorian year.

Group's Fleet

As at 31 December 2018, the Group owns 92 vessels (31 December 2017: 88 vessels) operating in various sectors as the following:

Crude oil transportation sector:
Consists of 50 vessels (31 December 2017:46 vessels), out of which 44 very large crude carriers (VLCCs) are operating in the spot market, while one tanker is chartered to ARAMCO Trading Company. The Group also owns 5 product tankers all of which are also chartered to ARAMCO Trading Company. .

Chemicals transportation sector:
This sector is fully operated by NCC, and it owns 31 (31 December 2017: 31 vessels) specialized tankers distributed as follows:

- 3 tankers are leased in the form of iron under finance lease signed on 30 January 2009, with Odfjell SE (a trading partner).
- 16 tankers that operate in the spot market.
- 6 tankers are chartered to the International Shipping and Transportation Co. Ltd., a subsidiary of Saudi Basic Industries Corporation ("SABIC"), and 5 tankers are chartered to ARAMCO.
- One tanker operates in a pool with Odfjell SE (note 27)

Notes to the consolidated financial statements – continued For the year ended 31 December 2018

Logistics sector:
This sector consists of 6 RoCon vessels (31 December 2017: 6 vessels) operate on commercial lines between North America and Europe, and the Middle East and the Indian Subcontinent.

Dry bulk transportation sector:
This sector is fully operated by BDB, and it owns 5 vessels (31 December 2017: 5 vessels) specialized in transporting dry bulk cargo, all of which are chartered to the Arabian Agricultural Services Company (ARASCO).

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA").

2.2. Preparation of financial statements

(i) Historical cost convention:
The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities below:

- Derivative financial instruments are measured at fair value.
- The defined benefit plans are recognized at the present value of future obligations using the Projected Unit Credit Method.

(ii) Functional and presentation currency:
These consolidated financial statements are presented in Saudi Riyal ("SAR"), which is the Group's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. BASIS OF CONSOLIDATION

The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee;
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, unrealised income and expenses and cash flows relating to transactions are eliminated in full on consolidation.

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition with fair value.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- De-recognizes the assets (including goodwill) and liabilities of the subsidiary;
- De-recognizes the carrying amount of any non-controlling interest;
- De-recognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the consolidated statement of profit or loss;

Reclassifies the Group's share of components previously recognized in consolidated statement of other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Company and its subsidiaries have the same reporting period except Petredec limited (an associate) as explained in note 1.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Changes in significant accounting policies

The Group has adopted IFRS 15 Revenue from Contracts with Customers (see A below) and IFRS 9 Financial Instruments (see B below) from 1 January 2018. Other new standards are effective from 1 January 2018, but they do not have a material effect on the Group's consolidated financial statements.
Except as described below, the accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2017.
The effect of applying these standards is illustrated in point (A) and (B) below.

A. IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, and related interpretations.
The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various services are set out below.
Under IFRS 15, revenue is recognised when a customer obtains control of the services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. IFRS 15 did not have a significant impact on the consolidated financial statements.

Type of service	Nature, timing of satisfaction of performance obligations, significant payment terms	Previous accounting policy
Charter arrangement	In case of time charter arrangement, the Group measures its progress towards complete satisfaction of the performance obligation using a time-based measure. Further, because the Group bills a fixed amount for each day of service provided, the Group has a right to invoice the customer in the amount that corresponds directly with the value of the Group's performance completed to date in accordance with paragraph B16 of IFRS 15.	Revenue from chartering and other attributable activities are recorded when services are rendered over the duration of the related contractual services.
Voyage charter	In case of voyage charter arrangement, the Group measures the progress based on number of days elapsed as compared to total number of days expected in a voyage for each contract. Further, the duration of contract executed for each voyage is generally less than year. The Group applies the practical expedient in paragraph 121 (a) of IFRS 15 and does not disclose the information about remaining performance obligations that have original expected durations of one year or less.	Revenue is recognized using the percent-age-of-completion method as per IAS 18. This percentage of completion / transport progress is determined based on length of estimated voyage. Under the above method, voyages are calculated on a discharge-to-discharge basis. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due and associated costs. Revenues are recognized when earned over the agreed-upon year of the contract, voyage and services.
Logistics revenue	Logistics revenue excluding liner primarily comprises order fulfilment and transportation services. Under IFRS 15, logistics revenue should be recognised at the point in time when the services are rendered to the customer.	The Group recognised the logistics revenue at the fair value of consideration received or receivable for goods and services and was recognised upon completion of the services.

Notes to the consolidated financial statements – continued For the year ended 31 December 2018

Change in Significant accounting judgments, estimates and assumptions
Principles of IFRS 15 are applied by identifying each specified distinct goods or services promised to the customer in the contract and evaluating whether the entity under the consideration obtains control of the specified good or service before it is transferred to the customer. This assessment requires significant judgement based on specific facts and circumstances. Further, based on management's judgement, the Group applies output method (i.e. based on number of days elapsed as compared to total number of days in each voyage for a contract) to measure the progress of revenue.

In certain revenue arrangements, the Group is entitled to certain kind of variable benefits or obliged to pay for certain obligations (variable or conditional in nature). While determining the transaction price, the management applies judgement in estimating the variable consideration and in constraining the same.

B. IFRS 9 Financial Instruments
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

i- Classification and measurement of financial assets and financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.
The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.
Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.
Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1. Changes in significant accounting policies (continued)

B. IFRS 9 Financial Instruments (continued)

i- Classification and measurement of financial assets and financial liabilities (continued)

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9
Interest rate swaps	a. FVTPL	FVTPL
Investments in Sukuk	b. Held to maturity	Amortised cost
Equity securities	c. Available-for-sale	FVOCI – equity instrument
Trade and other receivables	d. Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

a. Under IAS 39, interest rate swaps were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

b. Investments in Sukuk that were previously classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

c. These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

d. Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. No difference in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

Notes to the consolidated financial statements – continued For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1. Changes in significant accounting policies (continued)

B. IFRS 9 Financial Instruments (continued)

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.
'The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.
Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

'The Group measures loss allowances at an amount equal to lifetime ECLs.
'When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.
This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets and finance lease receivable, are presented in the statement of profit or loss and OCI.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2. New standards, amendments and standards issued and not yet effective

Following are the new standards and amendments to standards, applicable to the Group, effective for annual years beginning on or after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

a. IFRS 16 Leases

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019.

As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

IFRS 16 introduces a single, on-statement of financial position lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual years beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group has performed a detailed analysis, subject to changes arising from additional information available to the Group during the year 2018. The actual impact of applying IFRS 16 on the consolidated financial statements in the year of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

4.3. Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Therefore, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments, which are significant to the financial statements:

- Determining the estimated residual values impairment and useful lives of property and equipment
- Lease classification
- Leases: whether an arrangement contains a lease
- Measurement of defined benefit obligations, Key actuarial assumptions
- Investments in associate: whether Group has significant influence over investees
- Consolidation whether the Group has defacto control over investees
- Measurement of ECL allowance for trade receivables key assumption in determining the weighted average loss rate

Determining the estimated residual values and estimated useful lives of property and equipment

The estimated residual values and estimated useful life of the property and equipment are reviewed by management at each annual reporting period. Based on the review, prospective adjustments are made to the estimated residual value and estimated useful life of property and equipment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3. Significant accounting judgments, estimates and assumptions (continued)

Employees' benefits

Provision for employees' end of service benefits is made in accordance with the projected unit credit method as per IAS 19 taking into consideration the labor law of the respective country in which the subsidiary operates. The provision is recognized based on the present value of the defined benefit obligations. The present value of the defined benefit obligations is calculated using assumptions on the average annual rate of increase in salaries, average period of employment and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate. The discount rates are set in line with the best available estimate of market yields currently available at the reporting date with reference Saudi Arabia interest rate swap curve or other basis, if applicable.

Impairments of estimated value of receivables from finance lease

The Group is conducting a study to determine whether there is a decrease in the value of the financial lease receivables based on the nature and duration of the contract and the related terms.

4.4. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, short-term deposits, and murabaha with original maturity of three months or less, which are subject to an insignificant risk of changes in value. Restricted cash and cash equivalents that are not available for use are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. Restricted cash and cash equivalents are related to amounts restricted for repayments of the current portion of loans that are due within 180 days from the date of the consolidated statement of financial position

4.5. Inventories

Inventories consisting of fuel and lubricants on board of vessels are shown as inventories at the consolidated statement of financial position date. Inventories are measured at the lower of cost or net realizable value. Cost of the used inventories are measured by using the First-in-First-out method including bunker inventory. Vessels spare parts and other consumables are charged to operating expenses upon purchase.

Cost includes the net purchase price (after trade discounts) and any shipping, transportation, insurance, custom duties and other direct expenses related to the acquisition of the inventory.

4.6. Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects (qualified assets) if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Property and equipments	Useful lives (in years)
Buildings and improvements	3 - 20
Fleet and equipment	6 - 25
Containers and trailers	5 - 12
Furniture and fixtures	10
Tools and office equipment	4
Motor Vehicles	4 - 5
Computers equipment	4 - 6
Containers yard equipment	4 - 10

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6. Property and equipment (continued)

If an item of property and equipment comprises individual components for which different depreciation methods or rates are appropriate, then each component is depreciated separately. A separate component may either be a physical component or a non-physical component that represents a major inspection or overhaul (such as dry docking of vessels).
For the purpose of recognition of the Group's vessels, estimate of first dry docking costs are considered as a major component of a vessel which are recorded as a separate asset and depreciated separately. Subsequent dry-docking costs are capitalized as a separate asset and depreciated over the year until the next scheduled dry docking. Dry docking assets that are left undepreciated during another dry-docking operation are charged to the consolidated statement of profit or loss during the year in which such operation is commenced.
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.
The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
Spare parts and capitalized machines, meeting the definition of property, plant and equipment, are accounted as per the principles of IAS 16 with respect to property plant and equipment

4.7. Ships Under construction

Ships under constructions at period end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

4.8. Intangible assets

Intangible assets are measured at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the estimated useful lives. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably. Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization year and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization year or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite life is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

4.9. Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.
The results of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.
An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in consolidated Statement of profit or loss in the year in which the investment is acquired.
When a Group entity transacts with an associate of the Group, profits or losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4.10. Receivable from finance lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Group as a lessee
Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of profit or loss.
A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the year in which they are earned.
Gross investment in finance lease include the total of the future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the gross in the finance leases. Any unguaranteed residual value of the assets is reviewed periodically and any decrease in residual value is recorded immediately.
Initial direct cost incurred by the lessors in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income

4.11. Classification of assets and liabilities to "current" and "non-current"

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

4.12. Foreign currency transaction

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the consolidated financial statements reporting date for the group. All differences arising on settlement or translation of monetary items are taken to the statement of income with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognized in OCI until the disposal of the net investment, at which time they are reclassified to consolidated statement of income. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in OCI.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or consolidated statement of income, respectively).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13. Foreign currency translation

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyal at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to consolidated statement of profit or loss.
Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

4.14. Zakat and Taxes

The Company and its subsidiaries in the Kingdom of Saudi Arabia are subject to regulations issued by the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakat profit or based on Zakat base. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and yearically evaluates positions taken in the Zakat returns with respect to any Zakat differences. Zakat is charged to the consolidated statement of profit or loss. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.
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 consolidated statement of profit or loss. Provision is made for withholding tax on payments to non-resident parties and is charged to the consolidated statement of profit or loss. Moreover, certain shareholders in the Group are subject to income tax, which is recognized as an expense in the consolidated statement of profit or loss.
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.
Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4.15. Borrowing costs

Borrowing costs are directly attributed to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial year of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

4.16. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16. Impairment of non-financial assets (continued)

profit and loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.
For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.
Such reversal is recognized in the consolidated statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.
The following criteria are also applied in assessing impairment of specific assets:

- Goodwill is tested for impairment in the reporting period and when circumstances indicate that the carrying value may be impaired.
- Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.
- Intangible assets with indefinite useful lives are tested for impairment in the reporting period at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

4.17. Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and zakat expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn.
Management is committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.
Property and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

4.18. Cash dividends to shareholders

The Group recognizes a liability to make cash distributions to the shareholders when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the companies regulations of Saudi Arabia, a distribution is authorized when it is approved by the shareholders or when dividends are approved by the Board of Directors. A corresponding amount is recognized directly in equity.

4.19. Employees' end of service benefits

Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

1. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

3. Defined benefit plans

Provision is made for amounts payable to employees under the Saudi Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee on a going concern basis. The cost of providing benefits is determined using the projected unit credit method as amended by IAS 19. Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the defined benefit liability (excluding amounts included in interest on the defined benefit liability) are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the year in which they occur. Remeasurements are not reclassified to profit or loss in subsequent years.
Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Interest is calculated by applying the discount rate to the defined benefit liability. The Company recognises the following changes in the defined benefit obligation under 'cost of sales', and 'general and administration expenses' in the income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- interest expense or income

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19. Employees' end of service benefits (continued)

3. Other long-term employee benefits

The Company's obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value if the impact is material. Remeasurements are recognised in profit or loss in the year in which they arise.

4. Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

4.20. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

4.21. Contingent assets and liabilities

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable. An assessment is made at each reporting date to recognize contingent liabilities which are probable obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Group.

4.22. Earnings per share - EPS

The Group determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year; a reasonable approximation of the weighted average is adequate in many circumstances.
Diluted EPS amounts are calculated by dividing the profit attributable to equity shareholders of the Parent by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

4.23. Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Group must transfer 10% of the net income in each year to the statutory reserve until it has built a reserve equal to 30% of the share capital. This reserve is not available for distribution to the shareholders of the Company.

4.24. Bunker subsidy

Bunker subsidy is recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to expenses item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The Group recognizes unconditional government grant related to bunker purchase in consolidated statement of income as bunker subsidy income.

4.25. Segment reporting

A reporting segment is a component of the Group that engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operation segments' operating results are reviewed regularly by the Group's chief operating decision makers about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.
The Group is organized into business units based on their operations and has the following reportable segments:

- Transportation of oil
- Transportation of chemicals
- Logistics
- Transportation of dry bulk
- Head office and Others

The Group's management reviews the above segments for quantitative thresholds as well as criteria for presenting the revenues and expenses for the segments at the end of every reporting year.

Notes to the consolidated financial statements – continued For the year ended 31 December 2018

5. OPERATING SEGMENTS

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different services and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return and level of capital investment – and have different marketing strategies.

a) The following schedule illustrates the Group's activities according to the operating segments for the year ended 31 December:

31 December 2018	Oil transportation	Chemical	Logistic	Dry bulk transportation	Head office and Others	Total
Revenue	3,692,550	872,174	1,158,022	387,389	19,775	6,129,910
Operating cost	(3,146,670)	(752,004)	(926,594)	(349,568)	(8,442)	(5,183,278)
Bunker subsidy	267,738	15,011	10,853	-	-	293,602
Gross profit	813,618	135,181	242,281	37,821	11,333	1,240,234
General and administrative expenses	(2,086)	(3,674)	(22,009)	(14,767)	(120,231)	(162,767)
Other income (expenses), net	9,884	(8,904)	6,405	1,165	2,168	10,718
Finance cost	(248,587)	(62,028)	(25,561)	(11,294)	(41,643)	(389,113)
Share in a result of an associate	-	-	-	-	(118,529)	(118,529)
Income before zakat & taxes	572,829	60,575	201,116	12,925	(266,902)	580,543

The Group's vessels are deployed throughout the world and are not concentrated in certain geographical areas. The Group's management does not consider the geographical distribution of the group's operations to be relevant for their internal management analysis and therefore no geographical segment information has been disclosed.

Operating revenues include an amount of SAR 2.3 billion for the year ended 31 December 2018 (31 December 2017: SAR 2.5 billion). representing the Group's total revenues from one customer (ARAMCO and its affiliates - shareholder) which represents more than 10 % of the Group's operating revenues.

31 December 2017	Oil transportation	Chemical	Logistic	Dry bulk transportation	Head office and Others	Total
Revenue	3,726,244	805,270	1,137,955	362,297	14,069	6,045,835
Operating cost	(3,110,785)	(677,289)	(803,670)	(315,299)	(3,975)	(4,911,018)
Bunker subsidy	164,986	9,842	11,036	-	-	185,864
Gross profit	780,445	137,823	345,321	46,998	10,094	1,320,681
General and administrative expenses	(5,706)	(15,830)	(2,311)	(15,088)	(132,339)	(171,274)
Other income (expenses), net	-	(26,783)	7,058	1,366	2,505	(15,854)
Finance cost	(160,804)	(58,657)	(23,854)	(20,485)	(44,635)	(308,435)
Share in a result of an associate	-	-	-	-	82,153	82,153
Income before zakat & taxes	613,935	36,553	326,214	12,791	(82,222)	907,271

5. OPERATING SEGMENTS (continued)

b) The following schedule illustrates the distribution of the Group's assets and liabilities according to the operating segments:

31 December 2018	Oil transportation	Chemical	Logistic	Dry bulk transportation	Head office and Others	Total
Property and equipment	10,967,095	2,785,300	1,315,512	511,856	43,385	15,623,148
Total assets	13,333,248	3,341,013	2,153,360	773,724	1,596,299	21,197,644
Total liabilities	7,049,196	1,864,888	921,868	448,231	1,094,160	11,378,343
31 December 2017	Oil transportation	Chemical	Logistic	Dry bulk transportation	Head office and Others	Total
Property and equipment	9,847,834	2,975,050	1,343,650	533,440	46,562	14,746,536
Total assets	12,423,200	3,548,304	2,327,355	688,573	2,195,151	21,182,583
Total liabilities	6,849,952	2,116,263	947,529	359,611	991,197	11,264,552

6. PROPERTY AND EQUIPMENT

2018	Building and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Containers yard equipment	Total
Cost									
At 1 January 2018	55,308	21,280,467	20,239	12,373	4,158	1,132	69,583	14,435	21,457,695
Additions/transfers	6,324	1,799,465	-	2,176	58	-	7,043	-	1,815,066
Disposals	-	(381,200)	(7,864)	(2,337)	-	-	(2,117)	-	(393,518)
At 31 December 2018	61,632	22,698,732	12,375	12,212	4,216	1,132	74,509	14,435	22,879,243
Accumulated depreciation									
At 1 January 2018	20,223	6,592,030	14,925	8,265	3,829	792	58,563	12,532	6,711,159
Charge for the year	15,809	851,180	469	778	182	215	3,646	525	872,804
Disposals	-	(315,822)	(7,863)	(2,066)	-	-	(2,117)	-	(327,868)
At 31 December 2018	36,032	7,127,388	7,531	6,977	4,011	1,007	60,092	13,057	7,256,095
Net book value:									
As at 31 December 201	25,600	15,571,344	4,844	5,235	205	125	14,417	1,378	15,623,148

*Certain vessels and tankers of the Group under fleet and equipment with a carrying value of SAR 10.3 billion at 31 December 2018, are pledged against the long-term loans.

6. PROPERTY AND EQUIPMENT (continued)

2017	Building and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Containers yard equipment	Total
Cost									
At 1 January 2017	54,512	19,404,770	29,471	11,968	4,176	4,454	63,699	14,435	19,587,485
Additions/transfers	796	1,875,697	5,364	413	238	-	5,995	-	1,888,503
Disposals	-	-	(14,596)	(8)	(256)	(3,322)	(111)	-	(18,293)
At 31 December 2017	55,308	21,280,467	20,239	12,373	4,158	1,132	69,583	14,435	21,457,695
Accumulated depreciation									
At 1 January 2017	15,481	5,800,240	29,219	7,743	3,691	1,722	56,638	10,855	5,925,589
Charge for the year	4,742	791,790	302	522	394	104	2,036	1,677	801,567
Disposals	-	-	(14,596)	-	(256)	(1,034)	(111)	-	(15,997)
At 31 December 2017	20,223	6,592,030	14,925	8,265	3,829	792	58,563	12,532	6,711,159
Net book value:									
As at 31 December 2017	35,085	14,688,437	5,314	4,108	329	340	11,020	1,903	14,746,536

*Certain vessels and tankers of the Group under fleet and equipment with a carrying value of SAR 9.3 billion at 31 December 2017, are pledged against the long-term loans.

7. SHIPS UNDER CONSTRUCTION

The movement in ships under construction is as follows:

	2018	2017
Beginning balance	959,390	1,235,565
Additions	936,660	784,955
Transferred to property and equipment	(1,757,286)	(1,061,130)
Ending balance	138,764	959,390

Ships under construction for the year ended 31 December 2018 amounted to SAR 139 million for 4 vessels (31 December 2017: SAR 959 million for 9 vessels).
BDB signed contracts on 25 August 2017 with Hyundai Samho Heavy Industries to build four bulk cargo carriers for a total amount of SAR 450 million (USD 120 million). These carriers are expected to be received during the year 2020.

8. INTANGIBLE ASSETS

Intangible assets represent the long term substantial evaluation of transportation contracts, which resulted from purchasing the operations and assets of Vela Company (a subsidiary of ARAMCO) in 2014. The value of those intangible assets are amortized over the estimated total average remaining useful life of the purchased vessels.

	2018	2017
Cost		
Opening balance	892,125	892,125
Disposals	-	-
Ending balance	892,125	892,125
Accumulated amortization		
Opening balance	(172,532)	(120,061)
Charge for the year	(52,184)	(52,471)
Disposals	-	-
Ending balance	(224,716)	(172,532)
Net book value	667,409	719,593

9. INVESTMENT IN ASSOCIATES

The balance of investment in associates as at 31 December contains investments in the following companies:

	Note	2018	2017
Petredec Limited	9-1	1,096,342	1,171,911
International Maritime Industries Company	9-2	168,999	74,625
		1,265,341	1,246,536

9.1. Petredec Limited

The movement of investment in Petredec Limited as at 31 December is as follows:

	2018	2017
Beginning Balance	1,171,911	1,123,848
Share in results of an associated company	(67,236)	82,153
Investment in an associate share of OCI	(8,333)	-
Dividends received during the year	-	(34,090)
Ending balance	1,096,342	1,171,911

The fiscal year of Petredec Limited begins as at 1 September and ends as at 31 August of each Gregorian year. The Company's share in Petredec Limited results for the financial year is recorded as per latest financial statements prepared. The difference between the latest financial statements prepared by the associate company and the Group's consolidated financial statements is two months.

9. INVESTMENT IN ASSOCIATES (continued)

The table reconciles the summarized financial information to the carrying amount of the Group's interest in Petredec as at 31 October:

	31 أكتوبر 2018	31 أكتوبر 2017
Current assets	4,514,325	4,588,856
Non-current assets	6,529,333	6,276,377
Current liabilities	(3,843,644)	(3,480,982)
Non-current liabilities	(3,806,830)	(3,733,051)
Net assets before non-controlling interest	3,393,184	3,651,200
Non-controlling interest	(36,228)	(44,866)
Net assets	3,356,956	3,606,334
Group's share in net assets (30.30%)	1,017,259	1,092,828
Goodwill	79,083	79,083
Carrying amount of investment in an associate	1,096,342	1,171,911
Revenue	29,255,265	16,359,977
Net income before non-controlling interest	(249,040)	272,507
Non-controlling interest	(337)	(1,402)
Total net income for the year	(249,377)	271,105
Group's share of total comprehensive income (30.30 %)	(75,569)	82,153

The associate has SAR 800 million contingent liabilities and capital commitments as at 31 October 2018 (31 October 2017: SAR 1300 million).

During 2017, the Group commenced with the process to sell part of its 30.3% in Petredec Limited. As part of the deal, Haydock Holdings Limited, the other partner in Petredec Ltd., will also sell part of its 69.7% stake in Petredec Limited, bringing the total ownership of the new investor to 13% of Petredec Ltd share capital. In October 2018, the group decided to stop the process of selling part of its stake in Petredec Limited due to dispute between all the related parties on the final agreement terms.

9.2. International Maritime Industries Company

In 2017, International Maritime Industries Company has been established in KSA with capital of SAR 1,107 million between the Company, (ARAMCO), Hyundai Heavy Industries (South Korean Company) and Lamprell Power Company Limited (a UAE-based Company). The Group share in the established company represents 19.9% and amounting to SAR 169 million. The new company has not started its operations as at 31 December 2018.

The movement of investment in IMI as at 31 December is as follows:

	2018	2017
Beginning Balance	74,625	-
Additional paid in capital	145,667	74,625
Share in results of an associated company	(51,293)	-
Ending balance	168,999	74,625

9.2. International Maritime Industries Company (continued)

The table reconciles the summarized financial information to the carrying amount of the Group's interest in IMI as at 31 December:

	2018	2017
Current assets	861,758	375,000
Non-current assets	125,513	-
Current liabilities	(136,748)	-
Non-current liabilities	(1,283)	-
Net assets	849,240	375,000
Group's share in net assets (19.9%)	168,999	74,625
Carrying amount of investment in an associate	168,999	74,625
Revenue	-	-
Total net income for the year	(257,756)	-
Group's share of total comprehensive income (19.9%)	(51,293)	-

10. RECEIVABLES FROM FINANCE LEASE

On 30 January 2009, NCC signed an agreement with Odfjell (hereafter: lessee) to charter three vessels under a bareboat arrangement for a period of 10 years with a purchase option after three years. These ships were delivered to the lessee on 1 February 2009. The arrangement is considered as a finance lease as it transfers to lessee substantially all the benefits and risks and gives the lessee a purchase option under the arrangement.

The net lease receivable balance is summarized as follows:

	2018	2017
Accounts receivable from finance leases	6,626	84,296
Unguaranteed residual value at the end of the contract*	105,562	116,231
Gross finance lease	112,188	200,527
Unearned lease finance income	(1,079)	(21,932)
Net of receivables from finance lease	111,109	178,595
Current portion	5,547	56,860
Non-current portion	105,562	121,735
	111,109	178,595

*The Group has reviewed the unguaranteed residual value at the end of the lease agreement as at 31 December 2018, and found a reduction amounted to SR 10.6 million. An impairment of SR 10.6 million has been recognized and charged to the consolidated statement of profit or loss.

The maturity of gross finance lease (i.e. minimum lease payment (MLPs) and net finance lease (i.e. present value of MLPs) is as follows:

	MLPs 2018	PV of MLPs 2018	MLPs 2017	PV of MLPs 2017
Less than one year	6,626	5,547	77,670	56,860
More than one year but less than five years	105,562	105,562	122,857	121,735
Net investment receivable in finance leases	112,188	111,109	200,527	178,595

11. OTHER INVESTMENTS, INCLUDING DERIVATIVES

The balance of other investments includes the following:

	2018	2017
Derivatives	69,207	67,572
Investments available for sale	7,334	10,711
Investment in government bonds	83	83
	76,624	78,366

12. INVENTORIES

The balance of inventory, located on the vessels, is as follow:

	2018	2017
Fuel	283,496	232,874
Lubricant	53,616	51,171
Others	6,933	6,714
	344,045	290,759

Fuel expenses amounted to SAR 1,552 million for the year ended 31 December 2018 (2017: SAR 1,084 million).

13. TRADE AND OTHER RECEIVABLES

Trade receivable includes the following items:

	2018	2017
Trade receivables	681,868	774,957
Receivable from related parties (Note 26)	761,269	277,481
	1,443,137	1,052,438
Less: Provision for doubtful debts	(54,068)	(32,766)
	1,389,069	1,019,672
Contract assets (unbilled revenue)	494,647	455,316
Trade receivables and other receivable,	1,883,716	1,474,988

The movement of provision for doubtful debts is as follows:

	2018	2017
Opening balance	32,766	31,128
Movement during the year (Note 22)	21,302	1,638
Ending balance	54,068	32,766

13. TRADE AND OTHER RECEIVABLES (continued)

The aging of trade receivables is as follows:

	2018	2017
Less than 6 months	1,622,209	1,032,313
From 6 months to 12 months	134,449	242,249
More than 12 months	181,126	233,192
Total trade and other receivables Less:	1,937,784	1,507,754
Provision for doubtful debts	(54,068)	(32,766)
Trade and other receivables, net	1,883,716	1,474,988

Included in trade receivables amounts due from Government entities amounting to SAR 413 million as at 31 December 2018 (2017: SAR 782 million). These amounts represent 22% of the net trade receivables as at 31 December 2018 (31 December 2017: 53%). 81% of the amounts due for more than one year are amounts due from Government entities.

14. PREPAYMENTS AND OTHER CURRENT ASSETS

The balance of prepayments and other current assets includes the following:

	2018	2017
Prepaid expenses	262,657	189,305
Recoverable bunker cost	153,774	66,746
Insurance claims	33,863	7,443
Employees advances	17,274	13,644
Others	27,114	20,241
	494,682	297,379

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent bank balances, cash, investments in Murabaha and short-term deposits. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise of the following:

	2018	2017
Bank balances and cash	228,513	497,520
Murabaha and short term deposits (Note 15.1)	364,293	692,921
Cash and cash equivalents in statement of cash flows	592,806	1,190,441
Amounts restricted by banks		
Bank balances and cash	(17,681)	(17,993)
Murabaha and short term deposits	(105,091)	(87,715)
Total amounts restricted by banks	(122,772)	(105,708)

15.1 Murabaha and Short-Term Deposits

Murabaha and short-term deposit comprise of the following:

	2018	2017
Murabaha and short - term deposits in USD	310,582	379,452
Murabaha and short - term deposits in Saudi Riyals	53,711	313,469
	364,293	692,921

Murabaha and short term deposit yield finance income at prevailing market rates.

16. SHARE CAPITAL

The Company's share capital is comprised of 393,750 thousand shares with a par value of SAR 10 per share. Total authorized, issued, and outstanding shares are SAR 3,937,500,000 as at 31 December 2018 and 31 December 2017. Fully paid and issued shares of SAR 10 each.

17. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia, the Company is required to transfer 10% of net income for the year to a statutory reserve until such reserve amounts to 30% of its share capital. This reserve is not available for distribution to shareholders.

Statutory reserve movement:

	2018	2017
Opening statutory reserve	964,732	884,701
Transfers to statutory reserve	48,120	80,031
Ending statutory reserve	1,012,852	964,732

18. SUKUK, LONG TERM AND SHORT-TERM LOANS

	Note	2018	2017
Sukuk	18-1	3,900,000	3,900,000
Murabaha loans	18-2	6,144,523	6,268,676
Commercial loans	18-3	127,094	163,406
Total sukuk and long-term loans		10,171,617	10,332,082
Less: Total current portion		(887,816)	(1,075,289)
Non-current sukuk and long-term loans		9,283,801	9,256,793
Less: prepaid financing		(70,954)	(76,208)
Net non-current sukuk and long-term loans		9,212,847	9,180,585
Short-term loans	18-4	96,000	-
Current portion of long-term loans		887,816	1,075,289
Loans - Current Liabilities		983,816	1,075,289
Loans - Non-Current Liabilities		9,212,847	9,180,585
		10,196,663	10,255,874

18.1 Sukuk

On 14 Shawwal 1436H (corresponding to 30 July 2015), the Company completed the issuance and offering of local Sukuk denominated in Saudi Riyal for public offering with nominal value amounted to SAR 3,900 million, and a nominal value of SAR 1 million for each Suk. The Sukuk issuance bears a variable rate of return at (SIBOR) plus a predetermined margin, payable semi-annually. The Sukuk is due to mature at par value on its expiry date of 1 Muharram 1444 (corresponding to 30 July 2022).

18. SUKUK, LONG TERM AND SHORT-TERM LOANS (continued)

18.2 Murabaha loans

The Group obtained long term loan during year ended 31 December 2018 for a total of SAR 915 million (31 December 2017: SAR 1,587 million). Loans are secured by promissory notes and mortgages against vessels (note 6). These loans are repayable over 10 years on quarterly or semi-annual basis. The loans carry commission at normal commercial rates. Balance of loans against which profit to be paid is based on LIBOR as at 31 December 2018 equivalent to SAR 3,104 million (31 December 2017: SAR 3,235 million) and balance of loans against which profit to be paid based on SIBOR at the end of 31 December 2018 totaled to SAR 3,040 million (31 December 2017: SAR 3,033 million). Balance in prepaid financing account related to Murabaha loans at the end of 31 December 2018 is SAR 70.95 million (31 December 2017: SAR 76.2 million).

18.3 Commercial loans

The Group did not obtain any long-term loan during year ended 31 December 2018 (31 December 2017: Nil). The existing loans are secured by mortgages against vessels (note 6). This loan is repayable over 10 years on semi-annual basis carrying special commission at LIBOR plus normal commercial margin. Balance of the loan against which profit to be paid based on LIBOR as at 31 December 2018 are SAR 127 million (31 December 2017: SAR 163 million).

18.4. Short Term Loans

The Group obtained short term loans during the year ended 31 December 2018 amounting to SAR 586 million (31 December 2017: Nil). The total repayment against short term loans during the year ended 31 December 2018 is SAR 490 million (31 December 2017: Nil). The existing loans were utilized to meet working capital requirements during the year.

18.5. Commitments

Loans agreements include commitments mainly related to maintaining certain ratios of leverage, debt to equity ratio and other commitments. Under the terms of these agreements, banks are entitled to demand immediate repayment of loans if none of these undertakings are met.

18.6 Long term, short term loans related to subsidiary

18.6.1 National Chemical Carriers Limited Co.

Long term loan balance for National Chemical Carriers Limited Co. consists of the following:

	2018	2017
Murabaha loans	1,545,082	1,754,317
Commercial loans	127,094	163,406
Total long-term loans	1,672,176	1,917,723
Less: Total current portion	(245,547)	(245,547)
Non-current long-term loans	1,426,629	1,672,176
Less: prepaid financing	(5,044)	(5,734)
Net non-current long-term loans	1,421,585	1,666,442

18. SUKUK, LONG TERM AND SHORT-TERM LOANS (continued)

18.6 Long term, short term loans related to subsidiary (continued)

18.6.2 Bahri Dry Bulk LLC

Long term loan balance for Bahri Dry Bulk LLC consists of the following:

	2018	2017
Murabaha loans	403,050	324,450
Total long-term loans	403,050	324,450
Less: Total current portion	(29,400)	(29,400)
Non-current long-term loans	373,650	295,050
Less: prepaid financing	(4,907)	(1,829)
Net non-current long-term loans	368,743	293,221
Short-Term Loans	6,000	-
Current Portion of Long-Term Loans	29,400	29,400
Loans - Current Liabilities	35,400	29,400
Loans - Non-Current Liabilities	368,743	293,221
	404,143	322,621

19. EMPLOYEES' BENEFITS

	2018	2017
Opening balance	69,467	65,482
Current service cost	9,591	7,860
Interest cost	2,511	2,608
Benefits paid	(12,026)	(5,131)
Re-measurement gain (loss) on defined benefit plans	384	(1,352)
Ending balance	69,927	69,467

The significant assumptions used in determining end of service benefit plans for the Group's plans are shown below:

	2018	2017
Discount rate	4.15%	4,00%
Withdrawal rate – for the first two years of service	30.00%	30,00%
Withdrawal rate – third year of service and above	9.00%	3,00%
Future salaries increase - for the first three years	6.37%	3,00%
Future salaries increase - fourth year and after	6.37%	5,50%

19. EMPLOYEES' BENEFITS (continued)

A quantitative sensitivity analysis for significant assumptions on the defined benefit plans are shown below:

	2018	2017
Discount rate		
0.5 % increase	(2,259)	(3,582)
0.5% decrease	2,406	3,887
Withdrawal rate		
10% increase	(778)	600
10% decrease	845	(675)
Future salary increases		
1% increase	5,163	8,319
1% decrease	(4,645)	(7,193)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit plans as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The sensitivity analyses may not be representative of an actual change in the defined benefit plans as it is unlikely that changes in assumptions would occur in isolation from one another.

20. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables	457,582	382,988
Accrued expenses	272,501	211,431
Unclaimed dividend	47,875	40,051
Value of sold shares (related to previous shareholders)	20,014	21,482
Others	75,368	38,995
	873,340	694,947

21. ZAKAT AND TAXES

The Group's zakat is based on financial statements of the Company and its wholly owned subsidiaries, in accordance with the General Authority of Zakat and Tax ("GAZT') regulations.

The Company and its wholly owned subsidiaries filed their zakat and tax returns separately.
The movement in the provision for zakat and taxes is as follows:

	2018	2017
Opening balance	232,029	219,553
Provided for the year	80,910	88,525
Payments during the year	(98,037)	(76,049)
Ending balance	214,902	232,029

21. ZAKAT AND TAXES (continued)

The movement in the provision for deferred tax is as follows:

	2018	2017
Opening balance	12,235	-
Provided for the year	11,276	12,235
Ending balance	23,511	12,235

The Company has filed its zakat returns up to 2017. All the assessment related to the years up to 2012 have been closed with GAZT. GAZT did not close or issue any assessment related to following years 2013-2017. The Company believes that adequate provisions have been made against any potential zakat and taxes liabilities.

Zakat and Taxes status for National Chemical Carriers Company

The Company has submitted its zakat returns for all fiscal years up to 2017 to the General Authority of Zakat and Tax (the "GAZT"), zakat assessments have been agreed with the General Authority of Zakat and Tax ("GAZT") for all the years up to 2004. The Company has received from the GAZT zakat assessments for the years 2005 to 2008 and for the years from 2009 to 2012 claiming additional payments of SAR 10 million and SAR 42 million respectively. The Company has filed an appeal against the Preliminary Appeal Committee resolution related to the assessment for the years from 2005 to 2008 to the higher appeal committee and still not resolved as of the date of these financial statement.
The Company also filed an appeal against the assessment for the years from 2009 to 2012, and the appeal is still under review with the GAZT. The Company's management believes that the provision for zakat and withholding tax is sufficient as at 31 December 2017.
The Company did not receive from GAZT the zakat assessments for the years from 2013 to 2017. The subsidiary company believes that adequate provisions have been made against any potential zakat and taxes liabilities.

Zakat and Tax status for Bahri Dry Bulk

The Company submitted its zakat returns for the years up to 2017. The GAZT has not issue any zakat assessments on the subsidiary company since 2010 (date of incorporation). The subsidiary company believes that adequate provisions have been made against any potential zakat and taxes liabilities.

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Employees salaries and benefits	100,190	91,833
Professional, legal and consultation fees	12,239	22,682
Amortization of prepaid expenses	12,348	15,075
Rent	10,080	10,146
Depreciation	5,824	4,898
Provision for doubtful debts (note 13)	21,302	1,638
Others	784	25,002
	162,767	171,274

23. OTHER INCOME / (EXPENSES), NET

	2018	2017
Impairment of assets	(13,987)	(31,725)
Finance Income	7,544	8,051
Gains (loss) from disposal of property and equipment	11,921	5,286
Others	5,240	2,534
	10,718	(15,854)

24. FINANCE COSTS

	2018	2017
Murabaha financing	239,802	148,461
Saudi Riyal sukuk	127,599	118,339
Drivatives re-valuation	17,447	38,133
Commercial loans	4,265	3,502
	389,113	308,435

25. EARNINGS PER SHARE

	2018	2017
Net income for the year attributable to equity holders of the parent Company	481,238	800,313
Weighted average number of ordinary shares outstanding during the year	393,750,000	393,750,000
Earnings per share – basic	1.22	2.03
Earnings per share – diluted	1.22	2.03

26. RELATED PARTIES

The Group transacts with related parties in the ordinary course of its activities, as many of the Group's transactions and arrangements are based on signed agreements between the Group and those companies. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Operating revenues that generated from related parties as follows:

	2018	2017
ARAMCO and its subsidiaries - shareholder	2,288,360	2,480,029
International Shipping and Transportation Co. Ltd. - affiliate Arabian	460,466	43,530
Agricultural Services Company (ARASCO) - affiliate	112,059	112,367

Related party balances included in trade receivable (note 13) is as follows:

	2018	2017
ARAMCO and its subsidiaries - shareholder	651,454	266,075
International Shipping and Transportation Co. Ltd. - affiliate Arabian	109,354	11,406
Agricultural Services Company (ARASCO) - affiliate	461	-
	761,269	277,481

Compensation of key management personnel:

	2018	2017
Salaries and compensations	8,425	10,147
Termination benefits	2,643	2,328
Total Compensation	11,068	12,475

27. JOINT OPERATIONS

NCC, a subsidiary, acts as a 'Manager' for the Odfjell vessel, for the pool arrangement with Odfjell. As a manager, NCC has the responsibilities of conducting operations of Odfjell vessel, voyage planning, charter bunkering, invoicing and receiving revenue from customers, negotiating employment of the vessel. Odfjell bears the costs of technical managing, repairing, insuring, supply provisioning Odfjell vessel, perform any other obligations under financing/mortgage of Odfjell vessel.

This arrangement accounted for as Joint arrangement since both the parties have control over some of the activities. NCC as a joint operator recognize its share of assets, liabilities, revenue and expenses in pool arrangement.

28. FINANCIAL INSTRUMENTS

28.1. Financial Assets

	Note	2018	2017
Derivatives not designated as hedging instruments:			
CAP commission options	28-3	69,207	67,572
AFS financial assets at fair value through OCI			
Unquoted equity shares	11	7,334	10,711
Total instruments at fair value financial		76,541	78,283
Financial assets at amortized cost			
Trade receivables, net	13	1,883,716	1,474,988
Other investments	11	83	83
Murabaha and short-term deposits	15-1	364,293	692,921
Total financial assets at amortized cost		2,248,092	2,167,992
Total financial assets		2,324,633	2,246,275

28.2 Financial Liabilities

	Note	2018	2017
Financial liabilities at amortized cost			
Sukuk and Short/ long Term loans	18	10,196,663	10,255,874
Trade and other payables and other liabilities	20	873,340	694,947
Total financial liabilities at amortized cost		11,070,003	10,950,821
Total financial liabilities		11,070,003	10,950,821

28.3 Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in an arm's length transaction. Financial instruments comprised of financial assets and financial liabilities.
The Group has derivative financial instruments consisting of commission rate options agreements to hedge against fluctuations in commission rates. The loss from revaluation of these agreements is recognized in the consolidated statement of income (note 24).

28. FINANCIAL INSTRUMENTS (continued)

28.3 Fair values of financial instruments (continued)

The fair value hierarchy is as follows:

2018	Quoted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
FVOCI – equity instrument:				
Unquoted equity shares *	-	-	7,334	7,334
Derivatives measured at fair value through statement of income				
CAP commission option	-	69,207	-	69,207

2017	Quoted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
FVOCI – equity instrument:				
Unquoted equity shares *	-	-	10,711	10,711
Derivatives measured at fair value through statement of income				
CAP commission option	-	67,572	-	67,572

*Based on provisions of IFRS 9, carrying value has been used as an approximation to the fair value
Management believes that the fair value of other assets and liabilities approximate to their carrying values.

28.4 Financial Risk Management

The Group's activities expose it to a variety of financial risks, including market risk (comprised of currency risk, fair value risk, cash flows for commission rate, credit risk and liquidity risk). The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.
The financial instruments in the consolidated statement of financial position are comprised primarily of cash and cash equivalent, investments, trade receivables, financing, trade payables, other accrued expenses, derivative financial instruments and loans and sukuk.
Financial assets and liabilities are netted together and shown as a net amount, if the Group has the legal right to do so and the intention is to either settle on the net or recognize the assets and liabilities simultaneously. Higher management monitors the financial risk management department. The most important types of risk are summarized below:

28.4.1. Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to manage its credit risk by dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow-ups. The group uses an allowance matrix to measure the ECLs of trade receivables from governments and commercial. Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics- governments and commercial.

28. FINANCIAL INSTRUMENTS (continued)

28.4 Financial Risk Management (continued)

28.4.1. Credit risk (continued)

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis. Limits are designed to minimize risk concentration and decrease financial loss through the inability of the counterparty to make the payments. The maximum exposure to credit risk for the components of the consolidated statement of financial position is the carrying amounts shown in note 28 except for financial guarantees and derivative financial instruments.

28.4.2. Liquidity risk

Liquidity risk represents the Group's difficulties in providing funds to meet commitments associated with financial instruments. The Group's liquidity risk management policy is to ensure that sufficient liquidity and financing are available to meet its liabilities when due. The amounts in the table below represent contractual undiscounted cash flows:

2018						
	Within 3 months	3 to 12 months	1 to 5 years	More than 5years	No fixed maturity	Total
Short term loans	96,000	-	-	-	-	96,000
Long term loans	332,819	554,997	3,185,265	2,198,536	-	6,271,617
Sukuk	-	-	3,900,000	-	-	3,900,000
Trade payable and other current liabilities	455,391	352,787	17,326	-	47,836	873,340
	884,210	907,784	7,102,591	2,198,536	47,836	11,140,957

2017						
	Within 3 months	3 to 12 months	1 to 5 years	More than 5years	No fixed maturity	Total
Long term loans	281,296	793,993	3,181,590	2,175,203	-	6,432,082
Sukuk	-	-	-	3,900,000	-	3,900,000
Trade payable and other current liabilities	520,038	107,906	26,992	-	40,011	694,947
	801,334	901,899	3,208,582	6,075,203	40,011	11,027,029

The Company has unutilized credit facilities of SAR 1,234 million as at 31 December 2018 (31 December 2017: SAR 2,154 million) to meet liquidity requirements.

28.4.3 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal transactions are carried in Saudi Riyal, United States Dollar, and United Arab Emirates Dirham. The Group's management believes that currency risk is not significant since the exchange rate of Saudi Riyal is pegged against those currencies.

Commission rate risk

Commission rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market commission rates. The Group is subject to commission rate risk on its commission rate bearing assets and liabilities, including bank deposits and loans. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates. The Group had executed CAP commission options to hedge the fluctuation in the commission rates.

28. FINANCIAL INSTRUMENTS (continued)

28.4 Financial Risk Management (continued)

28.4.3 Market risk (continued)

Sensitivity analysis for variable rate financial instruments

The following table demonstrates the sensitivity of income to reasonably possible changes in commission rate on Sukuk and long term loans, with all variables held constant.

	2018	2017
Profit rate		
Increase by 100 base points	102,518	99,602
Decrease by 100 base points	(102,518)	(99,602)

Other price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, whether those changes are due to factors related to the instrument or its source, or which affect all instruments traded in the market. The Group diversifies its investment portfolio to manage price risk arising from its equity investments.

28.4.4 Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a debt ratios, which is net debt divided by total capital plus net debt. The Group includes within net debt, Sukuk and long-term loans, trade and other payables, less cash and short-term deposits.

	2018	2017
Sukuk and long-term loan (note 18)	10,171,617	10,332,082
Trade and other payables (note 20)	873,340	694,947
Less: Cash and cash equivalent (note 15)	(470,034)	(1,084,733)
Net Debt	10,574,923	9,942,296
Total equity	9,819,301	9,918,031
Total capital	9,819,301	9,918,031
Capital and net debt	20,394,224	19,860,327
Gearing ratio	51.85%	50.06%

29. CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group's capital commitment related to the ships under construction and the purchase of property and equipment SAR 135 million as of 31 December 2018 (31 December 2017: SAR 927 million)
The Group signed an agreement on 30 May 2017 with Saudi Arabian Oil Company (ARAMCO), Hyundai Heavy Industries Ltd. (South Korea) and Lamprell Power Company Limited (UAE) to enter into a partnership for the establishment, development, and operation of maritime yard in Ras Al Khair City named International Maritime Industries Company (IMI). The partners injections will total to SAR 2.625 billion (USD 700 million) of the project cost. As of 31 December 2018, the injected capital from partners totaled to SAR 1.107 billion (USD 295.2 million). The ownership in IMI is as follows; ARAMCO (50.1%), The National Shipping Company of Saudi Arabia (19.9%), Lamprell Power Company Limited (20%), and Hyundai Heavy Industries (10%). The Group has signed an offtake agreement for at least 75% of its commercial vessel needs over a period of 10 years from the start date of the project, equivalent to 52 vessels, including oil tankers "VLCC" - subject to commercial terms and conditions.

Contingencies

The Group has outstanding bank letters of guarantee for SAR 269 million as at 31 December 2018 (31 December 2017: SAR 314 million) issued for the Group's normal course of business. Also, Bahri issued Corporate Guarantees to subsidiaries for SAR 429 million as of 31 December 2018 (31 December 2017: 433 million) & to assocciates for SAR 746.25 million as of 31 December 2018 (31 December 2017: SAR Nil)

The Group is involved in legal litigation claims in the ordinary course of business, other than what has been disclosed in, which are being defended, there are also some claims under the process of final settlement. The Group's management does not expect that these claims will have a material adverse effect on the Group's consolidated financial statements.

Operating lease commitments – Group as a lessor

The Group was committed to lease certain of its vessels to a related party based on time charter agreement. The future amounts receivable under this lease agreement are as follow:

	2018	2017
Within one year	392,509	536,336
After one year but not more than five years	1,268,573	1,372,579
More than five years	113,851	703,042
	1,774,933	2,611,957

Income from time charter agreements under operating lease amounted SAR 436 million for the year ended 31 December 2018 (31 December 2017: SAR 584 million).

30. DIVIDENDS

The Board of Directors decided in its meeting held on 10 December 2018 to recommend to the General Assembly of the Company the distribution of cash dividends of SAR 591 million to the shareholders for the financial year ended 31 December 2018 amounted to SAR 1.5 per share.

The General Assembly of the shareholders of the Company approved in its meeting held on 17 April 2018 the distribution of cash dividends of SAR 591 million to the shareholders for the financial year ended 31 December 2017, amounted to SAR 1.5 per share. These dividends have been paid on 3rd of May 2018.

The General Assembly of the shareholders of the Company approved in its meeting held on 16 January 2017 the distribution of cash dividends of SAR 984 million to the shareholders for the financial year ended 31 December 2016, which amounted to SAR 2.5 per share. These dividends were paid on 31 January 2017.

31. NON-CONTROLLING INTERESTS IN SUBSIDIARIES

Set out below is summarized financial information for each subsidiary that has non-controlling interests, shown in note 1:

2018	National Chemical Carrier Company Limited	Bahri Dry Bulk LLC & Bahri Bunge Dry Bulk	Bahri Bolloré Logistics	Total
Non-controlling interest Percentage	20%	40%	40%	
Non-current assets	2,893,727	663,410	-	3,557,137
Current assets	447,294	123,185	100,057	670,536
Non-current liabilities	(1,424,453)	(368,438)	(5,913)	(1,798,804)
Current liabilities	(440,434)	(78,182)	(64,582)	(583,198)
Net assets	1,476,134	339,975	29,562	1,845,671
Non-controlling interests relating to the subsidiary	-	(1,612)	-	(1,612)
Net assets attributable to non-controlling interests	295,227	134,378	11,825	441,430
Revenue	872,174	387,390	116,789	1,376,353
Net income	43,831	18,311	1,034	63,176
Non-controlling interests relating to the subsidiary	-	(9,385)	-	(9,385)
Net income attributable to non-controlling interests	8,766	(2,061)	414	7,119

2017	National Chemical Carrier Company Limited	Bahri Dry Bulk LLC & Bahri Bunge Dry Bulk	Total
Non-controlling interest Percentage	20%	40%	
Non-current assets	3,096,785	591,586	3,688,371
Current assets	456,312	87,586	543,898
Non-current liabilities	(1,669,399)	(301,762)	(1,971,161)
Current liabilities	(451,948)	(55,909)	(507,857)
Net assets	1,431,750	321,501	1,753,251
Non-controlling interests relating to the subsidiary	-	7,862	7,862
Net assets attributable to non-controlling interests	286,350	136,463	422,813
Revenue	805,270	362,297	1,167,567
Net income	14,429	8,033	22,462
Non-controlling interests relating to the subsidiary	-	99	99
Net income attributable to non-controlling interests	2,886	3,312	6,198

32. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2018 that would have material impact on the consolidated statement of financial position of the Group as part of these consolidated financial statements.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors has approved the consolidated financial statements for the year ended 31 December 2018 on their meeting held on 26 Jumad Thani 1440H (corresponding to 3 March 2019)

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