VISION 2030 رؤيـــة
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

Bahri
البحري

A logistics gateway between three continents

Annual Report
2017

IN NAME OF ALLAH,
THE MOST GRACIOUS,
THE MOST MERCIFUL

IN NAME OF ALLAH,
THE MOST GRACIOUS,
THE MOST MERCIFUL

Towards New Horizons

Bahri is continuing its 40-years journey to develop into one of the world's premier transportation and logistics services companies occupying a prime position in the global maritime industry.

With the support of the government and the trust of its customers in the quality of the services it offers, Bahri is now an inspiring benchmark for other businesses to follow and a source of national pride. We are also the perfect example of what can be achieved in the Kingdom's prosperous economy, given our roots as a small shipping firm operating multipurpose vessels.

Yes.. we can say.. after 40 years of success:

Bahri.. Towards New. Horizons

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Our journey continues...

Foreword by the Chairman

Dear respected shareholders of Bahri,

Bahri has maintained its reputation as one of the world's leading companies in logistics and transportation.

It has contributed significantly to the development of the international transportation industry by focusing on innovation and sustained commitment to providing pioneering maritime, land and air-based services that utilizes state-of-the-art technology.

Despite the substantial challenges we encountered in 2017 resulting from a volatile global market, Bahri has nevertheless followed through on its strategy of continuous expansion in line with our global competitors. Today, Bahri is the largest owner and operator of Very Large Crude Carriers (VLCCs) in the world, and is also the largest owner and operator of chemical tankers in the Middle East. The company currently owns 88 vessels, including 41 VLCCs, 36 chemical/product tankers, six multipurpose vessels and five dry bulk carriers. This is in addition to five VLCCs under construction that will be delivered through our partnership with Hyundai Heavy Industries Company (HHI).

The total capacity of Bahri's VLCCs is 1.6 million Dead Weight Tonnage (DWT), while Bahri's chemical tankers can transport 1.3 million DWT.

Our business aims to fulfill the aims and objectives of the Saudi Vision 2030, which emphasizes on the role of the private sector, investment in non-oil resources and provision of job opportunities to national talents by focusing on their skills and qualifications and encouraging them to take up high-profile executive roles in different sectors.

Bahri has worked throughout the year on harnessing the power of technology and utilizing it to support our industry leadership and boost competition.The utilization of Big Data capabilities has contributed to Ongoing improvements to our Big Data capabilities,have in turn contributed to streamlined management of our fleet and more precise scheduling for our vessels.

Through the expertise of our human resources and proactive nature of our information technology infrastructure, we have achieved optimal management of Bahri's fleet compared to our competitors. Bahri is also distinguished by its ability to optimize its carriers and ships' route and destination planning; as a result, we managed to achieve our highest ever revenues per ship.

Bahri's success is not only reliant on leveraging the technology provided by predictive analytics applications. The company has also

depended on an integrated and advanced management platform that supports safety, quality and optimal structuring of cost. This is overseen by a qualified workforce equipped with the highest levels of technical knowledge, skill and management capabilities, who drive Bahri's efforts to increase profitability and maximize return on equity.

Furthermore, Bahri has implemented an integrated customer-centric plan focused on building long-term and flexible partnerships through which it can provide distinguished logistical solutions.

We can say that Bahri's success is a product of the collective efforts of our entire workforce and the support of our wise Saudi government, which wants to establish us as a national benchmark. We must also point to our stringent quality control system, which has become an international benchmark for the maritime transportation industry.

This is because we consider quality a critical component of our corporate structure, which is supported by a team of experts. This integrated team has managed to develop Bahri's services to new heights, culminating in an outstanding 2017 performance. In turn, this has formed the basis for radical among the biggest players in the maritime transportation sector in the medium and long term.

Bahri is working towards becoming an integrated supplier of logistical services by utilizing its capabilities and developing innovative solutions that improve value for both customers and shareholders as well.

We take pride in completing more than 38 consecutive years of continuous operations, and we are advancing towards further development and success by building a robust network of customers inside the Kingdom and abroad and achieving a positive and global reputation built on quality, reliability and safety.

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, partners and employees for their endeavors in helping the Company meet the aspirations and expectations of its shareholders and customers.

We look forward to another year of success, new future prospects and further achievements.

Abdulrahman Mohammed Al-Mofadhi

Chairman

The CEO's message

Bahri has just completed a year characterized by prosperous leadership and success. We are a major Company that has grown to become a national symbol of pride and one of the world's largest businesses in our sector.

We are proud of the fact that we have hoisted the Saudi flag on 36 vessels that have been relaunched in line with Bahri's objective of raising Saudi Arabia's standing in the international maritime sector and increasing the volume and reputation of the Saudi shipping fleet and raising Saudi Arabia's standing in the international maritime sector. We have added seven new vessels to our fleet including five VLCCs and two chemical tankers. The number of ships managed by Bahri has reached 88.

In addition, we have operated 387 cargo flights and transported 785.5 million barrels of oil all over the world.

To complement our business further, Bahri Logistics has launched six new and advanced multipurpose vessels and five dry bulk carriers.

Bahri has increased its international presence and expanded all over the world by establishing new commercial representative offices in Europe and the USA. We plan to expand our international presence further by opening up similar offices in Asia throughout 2018.

The importance of the maritime shipping industry is demonstrated by indicators and statistics that indicate 90 percent of commercial activity in the Kingdom occurs via the sea, especially as the country enjoys a 1,500-mile coastline. In fact, the Saudi Vision 2030 emphasizes the role of the Kingdom as a key player in the region and highlights the importance of the private sector's role.
The government is keen to reinforce Saudi Arabia's leading position in the maritime shipping sector and issued a royal decree to offer management and operations contracts to the private sector through a public tender process. This significant shift in the way Saudi seaports operate has helped the government alleviate certain substantial costs by transferring operational control to the private sector while still increasing governmental returns to SAR4.5 billion.

Bahri's endeavors, which include forging many partnerships necessary to grow its business, have been recognized in the form of several awards this year.
In 2017, the Company was honored with the Maritime Standard's award for Ship Owner/Operator of the Year and Ship Manager of the Year in addition to receiving The Lloyd's List Ship Operator Award for South Asia, Middle East and Africa 2017.

It also won the Lloyd's List Intelligence Innovation Award for South Asia, Middle East and Africa 2017 as well as being named MEED's 2017 Transport Company of the Year. Bahri's list of 2017 accolades was capped off with the Indian Maritime 2017 Award for Best Shipping Line of the Year in the category of Breakbulk Heavy Lift Operator, and the Company qualified for the finals of the Environment and Safety Compliance Awards.

Key partnerships established during 2017 include a joint venture with Saudi Aramco, Lamprell Plc and HHI to establish and operate an international maritime yard at the King Salman International Complex for Maritime Industries and Services; Bahri will contribute 19.9 percent of capital towards the venture, equivalent to SAR522.38 million.

Bahri also signed an agreement with Bolloré Group to set up the Bahri Bolloré Logistics joint venture. Bahri owns a 60 percent stake while Bolloré owning the remaining 40 percent.
The project aims to facilitate expansion in the logistics management market and tap into the fast-growing supply chain in the GCC.

Additionally, Bahri inked an agreement with the Saudi Railway Company (SAR) under which Bahri Logistics will provide transportation and shipping from around the world to SAR's hubs of operation in the Kingdom, as well as customs clearance services.

The company have entered into a joint venture with the Dutch firm Koninklijke Bunge B.V. (Bunge) to launch BahriBunge Dry Bulk Ltd. with $35 million of startup capital. Bahri will owns a 60 percent stake in the venture, while Bunge owning the remaining 40 percent. Moreover, Bahri has signed an agreement with the Lloyd's Register's human factors team to improve the Company's culture of safety among our employees. This reflects Bahri's commitment to implementing the highest standards of safety measures for workers both on board our ships and in our departments.

Bahri has substantially improved its performance and operations in several areas as outlined below:

- We improved our performance in the Ship Inspection Report (SIRE) Program by 12 percent. The Company concluded the year by recording the industry's best global average of 30 percent at the Oil Companies International Marine Forum (OCIMF).

- The Company became the main operator for key customers such as Saudi Aramco, S-Oil Corporation, UNIPEC, Reliance, Essar and Shell.

- The Company's performance in 2017 improved by13 percent on the Port State Control (PSC) indicator for ship inspections compared to 2016. Bahri also succeeded in committing no violations.

- Bahri's fleet has undergone 28 inspections by the US Coast Guard (USCG) throughout the year with zero negative observations recorded compared to a similar period in 2016, which saw 22 inspections resulting in three violations.

We present to you Bahri's 2017 annual report, which contains further details on all our lines of business as well as detailed statistical tables and infographics. This is to ensure we are meeting the highest transparency and governance standards which are integral components of our corporate activities. We are forging ahead by entering new areas of operations and examining fresh prospects to 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 headed by the Custodian of the Two Holy Mosques and his Crown Prince together with all related organizations and their staff.

Abdullah Aldubaikhi
Chief Executive Officer

Bahri's Board of Directors

Abdulrahman Mohammed Al-Mofadhi

Chairman

Mohammed Abdulaziz Al-Sarhan

Vice Chairman

Bahri is committed to applying corporate governance principles as stipulated in Saudi trade and investment regulations. This includes electing a board consisting of nine members and a chairman. The responsibilities of the board are mainly of a directional and supervisory nature and involve developing the general strategies for the Company, managing risks, ensuring Company effectiveness and approving budgets and fiscal policies.

The board of directors is responsible for representing the Company in the General Assembly of Shareholders in accordance with the appropriate statutes, laws and regulations in addition to monitoring the Company's performance and the work of the executive management. It also formulates policies that gover stakeholder relations and protecting their interests.

Dr. Ghassan Abdulrahman Al-Shibl

Board Member

Saleh Abdullah Al-Debasi

Board Member

Ibrahim Qassim Al-Buainain

Board Member

Ahmed Ali Al-Subaey

Board Member

Dr. Abdulmalik Abdullah Al-Hogail

Board Member

Khalid Mohammed Alaraifi

Board Member

Khalifa Abdullatif Al-Mulhim

Board Member

Executive Summary

2017

Executive Summary

1 Bahri Oil

Bahri Oil

- Bahri Oil succeeded in adding five recently built VLCCs to its fleet this year, increasing the number of ships we own to 41 that all feature advanced marine technology and the capacity to minimize fuel consumption.
- Bahri Oil's fleet growth continued promisingly in 2018, when five new VLCCs that are being currently built by Hyundai Samho Heavy Industries (HSHI) and due for completion within the first half of the year will be added to the fleet, increasing the total number of ships to 46.
- The fleet expansion contributed to the implementation of the Company's diversification strategy, which in turn has enabled the development of the customer base in 2017 and the introduction of new trade routes.
- The Arab Petroleum Investments Corporation (APICORP) Bahri Oil Shipping Fund has achieved considerable progress with regard to discussions it held with local, regional and international banks. The first investment fund is expected to be completed in 2018 and will help in the process of acquiring five VLCCs.
- The new quality standard ISO 9001:2015 has been approved and implemented in our business which constitutes an important transformation and key milestone in quality management.
- The world's maritime transport industry has recognized the achievements of Bahri through two awards from the Maritime Standard and the Lloyd's List for Best Ship Owner/Operator of the Year and Best Marine Transport Company of the Year. Other awards included MEED's 2017 award for Transport Company of the Year.
- In coordination with the Saudi Public Transport Authority, Bahri has hoisted the Saudi flag on 31 of its VLCCs and five product carriers.

5

5 VLCCs from Hyundai Samho Heavy Industries (HSHI)

41

VLCCs owned by Bahri

APICORP Bahri Oil Shipping Fund

The new quality standard ISO 9001:2015 has been approved

Executive Summary

2 Bahri Chemicals

Bahri Chemicals

- Bahri Chemicals achieved massive growth in 2017. The fleet that operates under its commercial department increased from 24 to 35 vessels. The increase in ship numbers, achieved via strong and long-term partnerships, resulted in a large rise increase in business and revenue volume over the year.
- Bahri Chemicals succeeded in delivering outstanding performance compared to its competitors. It focused on improving the volume and optimization of its fleet. Efficiency was improved by securing a firm foothold in certain operations such as transporting clean oil and vegetable oil products. This in turn enabled us to add new trade routes and ensure tankers were loaded on their return to loading terminals.
- Bahri Chemicals worked on increasing its international presence by establishing new commercial representative offices outside the Middle East, mainly in the US; the Company plans to establish a presence in Asia during 2018.
- Daily fuel savings of around five tons per ship were achieved through a wide range of initiatives that have been implemented over the last few years that aimed to reduce overall fuel consumption.
- The Company's IMO2-type fleet has been developed while cargo growth has been boosted. The Company has also focused on diversifying the types of assets used – including stainless steel ships that will fulfill the various logistical needs of customers by being able to ship a wider range of products.

12 → 35

Bahri Chemicals' fleet of ships increased in 2017

Secured a firm foothold in other areas of operations such as transporting clean oil and vegetable oil products

Established more commercial representative offices outside the Middle East; the Company aims to establish a presence in Asia over 2018.

Focused on improving the volume and utilization of its fleet

3 Bahri Logistics

Bahri Logistics

- The Company entered into a joint venture agreement with Bolloré Group under the name of BahriBolloré Logistics, with Bahri owning a 60 percent stake in the joint venture and Bolloré owning the remaining 40 percent. The project aims to facilitate expansion in the logistics management market and tap into the fast-growing supply chain in Saudi Arabia and the GCC.
- The Company also inked an agreement with the Saudi Railway Company (SAR) under which Bahri Logistics provides transportation and shipping along with customs clearance services from around the world to SAR's hubs of operation in the Kingdom.
- Alexandria Port has been added to the Company's portfolio of ports in Egypt and will act as a new direct port call. This will allow Bahri to offer breakbulk and roll-on/roll-off transportation services on its North American schedule.
- The company has been restructured with new departments introduced that contribute to delivering high-quality logistical services in addition to the acquisition of the ISO 2015 certificate that will complement the ISO 2009 certificate.
- The Company acts as the exclusive carrier for the Saudi Ministry of Defense and the Ministry of Interior.
- The Company signed cooperative agreements with partner carriers including Höegh Autoliners, Liberty Global Logistics and Rickmers-Linie.

Signed a joint venture agreement with Bolloré Group under the name of "BahriBolloré Logistics"

SAR

Concluded an agreement with the "Saudi Railway Company (SAR)"

Added Alexandria Port to the Company's portfolio of seaports in Egypt

60%

Bahri's stake in the "BahriBolloré Logistics project"

4 Bahri Dry Bulk

Bahri Dry Bulk

- Bahri Dry Bulk worked towards improving its fleet capabilities by adding four new vessels designed according to the latest international technical specifications. These will be delivered by 2020 according to an agreement signed with Hyundai Mipo Dockyard (HMD)
- The Company completed an initiative launched in 2016 that aimed to acquire a greater market share in the region by attracting new customers and increasing the volume of bulk needed to be transported to 5 million tons – a 25 percent increase compared to last year.
- A joint-venture agreement was concluded with the Dutch firm Koninklijke Bunge B.V. (Bunge), with Bahri owning a 60 percent stake and Bunge owning the remaining 40 percent. As a result, BahriBunge Dry Bulk Ltd. is launched with $35 million in capital investment.
- BahriBunge Dry Bulk Ltd. is launched to serve all customers in the region.

2020

The contract with HHI will provide new vessels designed according to the latest international specifications for Bahri Dry Bulk's fleet

5 Million Tons

The Company acquired a new target market share and increased transported cargo volume to 5 million tons

BahriBunge

Bahri – Bunge

The Companyv has facilitated commercial management of dry bulk carriers and helped customers in transporting cargo around the world to and from the region.

5 Bahri Ship Management

Bahri Ship Management

- Seven ships have been added to Bahri Ship Management's fleet including five VLCCs and two chemical tankers. The number of ships under Bahri's technical management has increased to 85.
- Periodic maintenance of dockyards hosting nine VLCCs and six chemical tankers was carried out throughout the year; the Company carefully planned the docking and maintenance of ships to be completed within the shortest time possible without affecting quality or customer service.
- The Company relaunched 36 ships and hoisted the Saudi flag on them. This reflects our commitment to boosting the Kingdom's position in the world's maritime sector and increasing the capacity and international reputation of the Saudi fleet.
- 11 employees from the Saudi Public Transport Authority were trained at our offices in Dubai as well as 15 trainees from the Maritime Consulting Center in Dammam (affiliated to the Saudi Ports Authority) as part of the Company's initiative for supporting the maritime industry in the Kingdom.
- The Company won the Maritime Standard's award for Ship Manager of the Year in addition to the Lloyd's List's Ship Operator Award. It also qualified for the finals of the Environmental and Safety Compliance Awards.
- Performance in the Ship Inspection Report (SIRE) program increased by 12 percent. The Company concluded the year with a 30 percent rating that was better than the industry's global average at the Oil Companies International Marine Forum (OCIMF).
- The Company recorded a performance increase of 13 percent on the Port State Control (PSC) indicator for ship inspections Compared to the 2016 average, with no violations recorded. Our fleet has also undergone 28 inspections by the US Coast Guard (USCG) throughout the year with no negative observations.
- The company has passed DNV-GLISM checks and achieved an ISO merit in the new audit system.

7

7 vessels were added to "Bahri Ship Management's fleet"

36

36 vessels were relaunched and flew the Saudi flag

6+9

Periodic maintenance of nine VLCCs and six chemical tankers were carried out during the year

30%

Performance on the ship inspection report (SIRE) program improved and a rating of 30 percent was achieved.

11

11 employees from the Saudi Public Transport Authority were trained at the Company's Dubai offices

The Company passed the DNV-GLISM checks and achieved an ISO merit in the new audit system.

15

15 employees from the Maritime Consulting Center in Dammam were trained as part of an initiative to support the maritime sector.

13%

on the Port State Control (PSC) indicator for ship inspections compared to the 2016 average

6 Bahri Data

Bahri Data

- Work was completed on integrating system operations for Bahri Data's BRISO (Bahri Resource Integrated Sea Operations) platform, which integrates various streams of information related to business shipping.
- In 2017, the Company worked with Bahri ship management and other stakeholders to conduct audits based on data about operations and reducing operational costs. This data analysis led to a decrease in costs in four key areas – warehouse management, cruise control, maintenance, and crew.
- The Company developed a new marine application named "Safe Seas" in cooperation with DNV GL, a global quality assurance and risk management Company. The application improves marine safety, security, quality and compliance with the industry's global regulations. It was exhibited at Bahri's Big Data Forum held in November 2017.

BRISO

The Company developed integrated system operations for its "BRISO" platform

Audits based on data about operations and reducing operational costs were conducted

Safe Seas Application

A new marine application named "Safe Seas" was developed in cooperation with DNV GL, a global quality assurance and risk management Company.

Chapter One

1

Bahri

ENDLESS HORIZONS

Company Overview

Bahri, the National Shipping Company of Saudi Arabia,was established by Royal Decree no. M/5 as a public shareholding Company listed on the Saudi Stock Exchange (Tadawul) on January 22, 1978 The Saudi Public Investment Fund (PIF) holds a 22 percent ownership stake and Saudi Aramco Development Company (SADCO) holds 20 percent.

Since its inception four decades ago, Bahri has grown from a small shipping firm operating multipurpose vessels to becoming one of the largest transportation providers in the world and today occupies a leading position in the global maritime industry today. This year we take pride in completing more than 38 consecutive years of continuous operations and aim to facilitate further development and success as well as building a robust network of customers inside and outside the Kingdom. Our target is to achieve a far-reaching and unrivaled reputation for quality, reliability and safety that supports our status as one of the world's largest owners and operators of VLCCs.

Through its commitment to innovation and applying best practices across all areas of its 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 transportation and logistics leader.

Vision

Connecting economies, share prosperity and drive 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

- Driven
- Relentless
- Transparent
- Considerate

Main Sectors

Bahri is one of the world's foremost logistics and transportation 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 special focus on innovation and commitment to delivering technology-driven and value-added onshore, offshore and aviation-based services.

As one of the largest providers of maritime services globally,Bahri structures its operations around six key business units – Bahri Oil, Bahri Chemicals, Bahri Logistics, Bahri Dry Bulk, Bahri Ship Management, and Bahri Data.

1. Oil
2. Chemicals
3. Logistics
4. Dry Bulk
5. Ship Management
6. Data

Economic Services and Activities

Bahri provides a number of services that support local and global industries and investments including the transportation of crude oil, oil products, chemicals, dry-bulk, general and breakbulk cargo, and ship management.

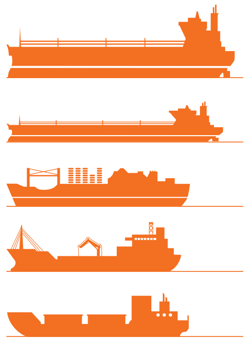
In 2015, Bahri established the Bahri Data subsidiary as part of its efforts to diversify its business, further strengthening its position as a leading Company that makes informed decisions in the maritime sector based on accurate and reliable data.

The Company tailors its services according to the needs of its customers, starting from generating the highest value for third party companies to building specially designed ships that provide integrated transportation services locally and globally.

By focusing on its core values along with responsible business strategies, Bahri is committed to boosting the reputation of the Kingdom of Saudi Arabia as a gateway to three continents in the field of logistics. Bahri contributes effectively to the realization of the Saudi Vision 2030 by constantly delivering high-value services and expanding its presence around the world.

Bahri's Fleet and Carriers Around the World

Bahri is the largest owner and operator of VLCCs in the world and the largest owner of chemical tankers in the Middle East. The Company's fleet currently comprises 88 vessels in different sectors – 41 VLCCs, 36 chemical and oil tankers, six multipurpose vessels and five dry bulk carriers. This is in addition to five VLCCs and four dry bulk carriers under construction and awaiting delivery.



88

vessels in different sectors

41 VLCCs

36 Chemical and product tankers

6 Multipurpose vessels

5 Dry bulk carriers

5 VLCCs under construction and awaiting delivery

4 Dry bulk carriers under construction

Destinations and Network of Agents

With its extensive network of agents, Bahri provides services across continents, reaching from the Middle East, Africa and Asia to Europe and the US. Bahri is the world's largest owner and operator of VLCCs with a total capacity of 11.6 million DWT, and is the largest owner and operator of chemical tankers in the Middle East with a fleet capacity of 1.3 million DWT.

11.6

Million DWT

Bahri's VLCC fleet capacity

1.3

Million DWT

Bahri's chemical tankers fleet capacity

26

Thousand DWT

Bahri Logistics' fleet capacity

0.40

Million DWT

Bahri Dry Bulk's fleet capacity

AWARDS

Bahri's Awards and Honors

– Bahri, the global leader in transportation and logistics services, has received four prestigious awards in recognition of its exemplary business activities and perseverance in developing the maritime transportation sector over 2017.

- The Lloyd's List Ship Operator Award for South Asia, Middle East and Africa 2017.
- The Lloyd's List Intelligence Innovation Award for South Asia, Middle East and Africa 2017.
- MEED's 2017 Transport Company of the Year award.
- The Maritime Standard award for Ship Owner / Operator of the Year.

These awards reflect the Company's success in fostering a positive workplace culture, its success in implementing innovative practices and achieving the highest standards of customer service. This is in accordance with the ambitious national visions and strategies developed by Bahri. These awards emphasizes the Company's determination to be a leader in determining the future of the maritime sector with an informed vision and effective innovation. Moreover, Moreover, they justify Bahri's dedication to attracting and continue developing and delivering exemplary services.

The Lloyd's List Intelligence Innovation Award

For 2017

AWARDS

Bahri's Awards and Honors

The Maritime Standard **TMS** award **for Ship Owner / Operator of the Year**

For 2017

AWARDS

Bahri's Awards and Honors

The Maritime Standard **TMS** Award **for Ship Manager of the Year**

For 2017

AWARDS

Bahri’s Awards and Honors

MEED’s Transport
Company of the Year

For 2017

Chapter Two

2

Strategic Partnerships

Sustained Growth
Continuous Development

Strategy

The National Shipping Company of Saudi Arabia, Bahri, works in accordance with a five-point strategy that shapes its investment and growth vision for the logistics and transportation services sectors, both in the local and global markets. This strategy can be outlined as follows:

- Growing and developing businesses to increase revenues.
- Developing the Company into a global provider of logistics services.
- Achieving a leadership position in providing logistics services in the Kingdom.
- Diversifying Bahri's revenue base through expansion in logistics operations.
- Creating added value for the Kingdom, shareholders and staff.

VISION رؤيـــة 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

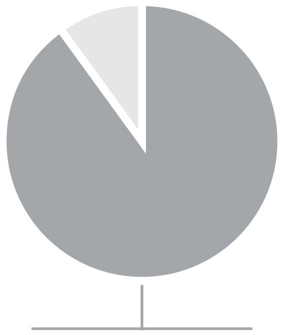
The Saudi Vision 2030 was announced by HRH Crown Prince Mohammed bin Salman, Minister of Defense, Chairman of the Council of Economic Affairs and Development, and Chairman of the Public Investment Fund (PIF); and approved by Custodian of the Two Holy Mosques King Salman bin Abdulaziz. It has laid the operational basis for the maritime industry while highlighting the Kingdom's role as a key player in the region, especially with its coastline of more than 1,500 miles.
Great importance has been placed on this sector, resulting in the development of many national strategies and plans.

As the loads of commercial ships increase and global transportation traffic expanded, the Kingdom has started to increase its businesses in this vital sector by building modern ports supplied with the latest equipment and capacities to provide the best services to customers.

The government had previously entirely financed the operations of Saudi ports. However, a royal decree was issued to procure the ports' jetties, equipment, and operations and offer these assets to the private sector on a lease basis through a public tender process.
This major transformation in the way Saudi ports operate led to a transfer of such costs from the government to the private sector and increased government's returns on seaport operations to more than SAR4.5 billion.

A result of this restructuring is the establishment of the Red Sea Gateway Terminal, which acts as Saudi Arabia's latest state-of-the-art container terminal. It was developed through a prosperous Saudi-Malaysian venture as well as local and global capital investments. It is the first private sector venture in transportation and is in line with the Saudi Vision 2030's aim to engage the private sector in driving the Kingdom's economy.

As the Kingdom started adopting a new approach towards managing its economic affairs and facilitating sustainable development in accordance with the Saudi Vision 2030 and the National Transformation Program (NTP), attention again turned to Saudi seaports due to the important role they are expected to play in the country's ongoing economic diversification. The Vision 2030 is based on certain key pillars, among which is Saudi Arabia's strategic geographical location as a key global gateway and hub that connects three continents while being surrounded by the most important marine channels.
Therefore, Saudi seaports will have many responsibilities and challenges ahead. They are succeeding especially as Saudi Arabia's ranking in the Logistics Performance Index (LPI) increased from 49 to 25 globally and first regionally.



90%

of the Kingdom's imports and exports are delivered through maritime routes

Bahri's Strategy and Saudi Vision 2030

Bahri developed its five-point strategy in 2017, in line with the Kingdom's objectives. This strategy also aims to realize the Saudi Vision 2030 through participation in national efforts to develop the logistical services sector via effective partnerships with global logistics leaders. The Company also plans to partner with a group of investors in a project to develop the free industrial zone overlooking the Red Sea, in turn boosting the capability to drive further macroeconomic benefits for the Kingdom and enable optimal utilization of its geographic location. In turn, this will allow the country to secure a large share of the maritime transportation market. The Red Sea project is a strategic center for shipping and a promising industrial zone that can be a pillar for the marine transportation and shipbuilding industries, especially with the construction of the first shipyard in the Kingdom that will support the shipbuilding and heavy metals industry.

Bahri's Strategic Partnership at Ras Al-Khair Industrial City

In May 2017 Bahri concluded a joint venture with Saudi Aramco, Lamprell Plc and HHI for the establishment and operation of an international maritime yard in the King Salman International Complex for Maritime Industries and Services at Ras Al-Khair Industrial City, which is situated by the coastline of the Arabian Gulf in the northeast of Saudi Arabia.

This cooperation is in line with Bahri's commitment to realizing Saudi Vision 2030. It will contribute to economic diversification and increase the country's gross domestic product over the long-term. It will also develop local industry and the services sector while supporting the transportation and logistical services sectors. Furthermore, it will create thousands of new and sustainable job opportunities and nationalize expertise related to the maritime industries.

This strategic agreement aims to leverage increasing demand for services and maritime industry services in the region, by providing competitive and high-quality solutions designed in line with international standards.

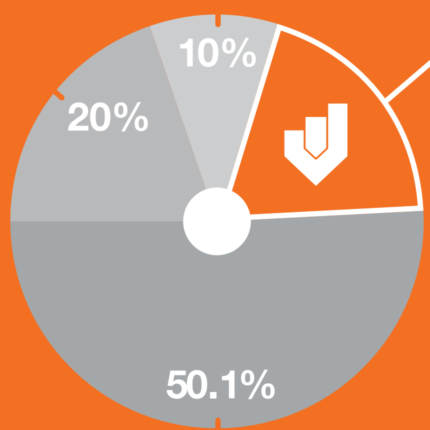
Saudi Aramco has also signed other key partnerships including a preliminary agreement to build the first Saudi-built offshore drilling platform designed in line with world-class standards by 2019, as well as the first domestically-produced VLCC sailing around the world by 2021.

Initial production of the complex is expected to start in November 2018. This will be followed by operation of the drilling equipment in February 2019, shipyard in 2020 and maintenance and renovation area in 2021. Total production capacity will be completed by 2022.

Partners' Stakes

Bahri, has invested around SAR3 billion in the King Salman International Complex for Maritime Industries and Services and holds a stake of 19.9 percent worth SAR522.38 million.

Its partners' shares in the project are worth SAR2.625 billion, with Saudi Aramco holding 50.1 percent, Lamprell Plc 20 percent and HHI 10 percent.



Bahri's stake

19.9%

SAR-522.38 Million

Bahri's partners' financial contribution is **SAR-2.625**

The total cost of the project is **SAR-3 billion**

King Salman International Complex for Maritime Industries and Services - Ras Al-Khair

2 | Strategic Partnerships

Project Goals

The King Salman International Complex for Maritime Industries and Services at Ras Al-Khair aims to:

- Facilitate and benefit from rapidly growing maritime production in the Kingdom.
- Diversify economic income sources.
- Build local manufacturing and designing capabilities.
- Develop global competitiveness and provide cutting edge products and services in the region.

Profile & Industrial Strategy

The King Salman International Complex for Maritime Industries and Services covers five square kilometers and runs for four kilometers along the eastern coastline of Ras Al-Khair. It is composed of four operational zones comprising seven dry docks and 17 berths.

The First Zone

Responsible for repairing and maintaining ships and drills. It consists of three dry docks, 12 anchorages and fully equipped workshops for all maintenance and renovation works, with a capacity of over 15 drills and 130 ships a year, including VLCCs.

The Second Zone

Responsible for repairing and developing marine support vessels. It has a production capacity of 25 vessels and can repair 115 marine support vessels a year. This zone will comprise nine anchorages in addition to fully equipped workshops for repairing ships.

The Third Zone

The Complex's largest zone handles commercial shipbuilding. It has the capacity to build all kinds of ships using the latest production methods, and comprises three dry docks and six fully equipped anchorages. The annual production capacity is three VLCCs and 15 commercial ships.

The Fourth Zone

This zone is dedicated to marine works, and has an annual production capacity of 11 fixed offshore platforms and 4 more drilling platforms. The zone comprises a dry dock for building drilling equipment with a lifting capacity of up to 10,000 tons.

Chapter Three

3

Results and Achievements of Strategic Business Units

This year has been characterized by many achievements, partnerships and new opportunities in regional and global maritime industries. Bahri's six divisions worked on developing their respective businesses in line with Company's strategy of expansion into new operational areas and delivering unparalleled services to its customers.

The following pages offer insights on some of the key achievements of Bahri and its subsidiaries :

3 | Strategic Business Units

1 | Bahri Oil

3 | Strategic Business Units

1 Bahri Oil

Fleet expansion enhances efficiency, customer focus

Bahri Oil is the world's largest crude oil transporter with an owned fleet of 41 vessels and annual dead weight tonnage (DWT) capacity of nearly 13 million tonnes as of December 31, 2017 and is still growing.

The quality of our vessels and our services, along with our competitive pricing, make us the natural partner of choice for our customers, the top oil producers in the world. Though 2017 was a challenging year because of fluctuations and uncertainties in the crude oil market, Bahri Oil continued to maintain its leadership position in the global VLCC market in terms of volume. The challenges of the year were primarily triggered by the cuts in oil production and the continued expansion of the global trading fleet.

We added five newly built VLCCs to our fleet in 2017, taking the number of our owned vessels to 41. The new vessels boast state-of-the-art quality in terms of advanced marine technology and significant reduction in fuel consumption. Hyundai Samho Heavy Industries (HSHI) built the ships at the company's ship building base in South Korea.

The introduction of additional new ships helped us to improve our fleet's operations efficiency, delivering a lower average bunker consumption rate and offering a greater degree of optimization opportunities. An expanded fleet also enabled us to reduce our dependence on spot market tonnage, resulting in improved margins.

More growth in 2018

Our fleet growth will continue well into 2018. HSHI will deliver five more newly built VLCCs during the first half of 2018, bringing the total number of our owned vessels to 46, strengthening Bahri's position as the largest independent VLCC owner and operator in the world. These vessels will further improve Bahri's fleet efficiency and financial performance by optimizing bunker consumption.

The fleet expansion also serves our diversification strategy, enabling us to grow our customer base from 2017 and add new geographic routes to our portfolio. We won two new and reputable customers in the Atlantic market during the year. Our existing customers also benefited from the availability of Bahri vessels in the US Gulf to take advantage of the US crude oil export program. Our vessels lifted 10 backhaul cargoes from the US Gulf during the year.

Bahri performed a total of 387 voyages during the year, transporting 785.5 million barrels of oil around the world. Cargoes originating from the Arabian Gulf comprised 63 percent of the total voyages while the balance originated from the Red Sea, Mediterranean, West Africa, Brazil, US Gulf and Caribbean regions.
We also continued our strategic efforts to increase our voyages to the East. Bahri undertook 39 voyages for Charter Ownership Agreement Customers (COA) during the year.

Bahir Oil's fleet

387 voyages undertaken during the year

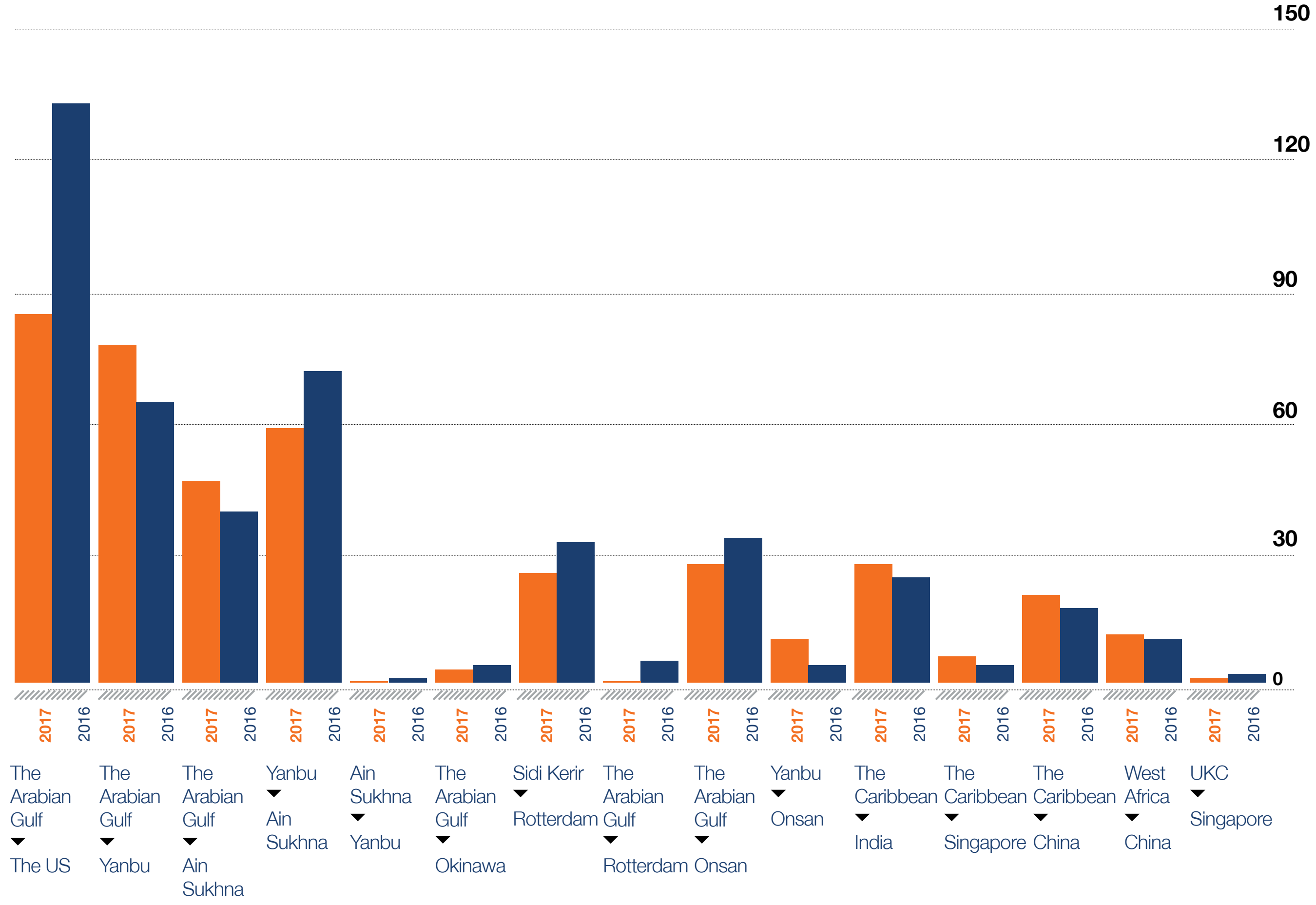
785.5 million oil barrels transported around the world

63% of voyages were oil shipments from Ras Tanura

37% of voyages were from the following regions:
The Red Sea
The Mediterranean Sea
West Africa
Brazil
The American Gulf Coast
The Caribbean

39% voyages were made from the Arabian Gulf and the Red Sea to the Far East

VLCC voyages based on itineraries for 2016 – 2017



Comparison of the number and percentage of VLCC's voyages in 2016 - 2017

Operation Type	2016	2017
	No. of VLCCs	No. of VLCCs
Ras Tanura to the USA	132	84
Ras Tanura to Yanbu	64	77
Ras Tanura to Ain Sukhna	39	46
Yanbu to Ain Sukhna	71	58
Ain Sukhna to Yanbu	1	-
Ras Tanura to Okinawa, Japan	4	3
Sidi Kerir to Rotterdam	32	25
Ras Tanura to Rotterdam	5	-
Ras Tanura to Onsan, South Korea	33	27
Yanbu to Onsan, South Korea	4	10
The Caribbean to India	24	27
The Caribbean to Singapore	4	6
The Caribbean to China	17	20
West Africa to China	10	11
The North Sea (Rotterdam) to Singapore	2	1
Total Voyages	442	395

3 | Strategic Business Units

1 Bahri Oil

Backhaul voyages

The number of backhaul voyages carried out by Bahri vessels rose from 55 in 2016 to 60 in 2017. This was due to the increased utilization of Bahri vessels on the AG West route which meant greater availability of owned vessels in the backhaul market. In particular, the number of voyages serving Indian customers increased significantly, from 19 in 2016 to 26 in 2017.

This improvement in backhaul voyages had another positive impact on our overall fleet utilization because of the shorter return ballast voyage from India in comparison with Singapore or China.

Bahri's spot vessel requirement fell from 144 in 2016 to 84 in 2017, as our newly acquired VLCCs reduced spot market needs. The reduction in global oil volumes also contributed to the fall in spot demand. Bahri negotiated three Charterg in Agreements with reputable VLCC owners and operators at agreed discounted rates.

ABOSF

The APICORP Bahri Oil Shipping Fund (ABOSF) made considerable progress in 2017 in discussions with a number of local, regional and international banks to raise finances to invest in new VLCCs. The first investment fund under the agreement will be finalized in 2018, enabling us to acquire up to five VLCCs, which will be owned by the ABOSF and managed and operated by Bahri. Bahri and the Arab Petroleum Investments Corporation (APICORP) signed the agreement to establish ABOSF in 2016.

ابيكورب
APICORP

NPS performance

We adopted the new ISO 9001:2015 quality standard in 2017. This transition is a significant quality management milestone for us as the new standard has a stronger focus on the customer – as was evident from our outstanding 2017 Net Promoter Score (NPS) results. Bahri Oil's NPS survey for the year was split into two sections, with different sets of questions addressed to customer executives and operations staff. The higher scores (see table below) show that Bahri's success in providing high quality and cost-effective services to its customers are being acknowledged and rewarded.

	2016	2017
Executives	9.0	9.8
Operations	8.6	9.3

Other achievements

At the annual Bahri Oil Transportation Forum held in Dubai during the Bahri Oil week in November 2017, we brought together industry leaders for a dicussion on "tanker market opportunities and challenges". The event was a great success with a majority of the large tanker owners, operators and brokers getting together to exchange thoughts and views on our industry.
Once again, the global industry recognized Bahri's achievements in 2017 by bestowing the most prestigious Maritime Standards and Lloyds List awards. These included the Ship Owner/Operator of the Year, the Shipping Company of the Year and the Transport Company of the Year award from MEED.
In coordination with the Public Transport Authority (PTA) of Saudi Arabia, Bahri raised the Saudi flag on 31 of its VLCCs and five product tankers. Bahri is committed to supporting Saudi Arabia's drive to strengthen its maritime fleet in partnership with the private sector, reinforcing the Kingdom's established position in the oil industry in particular and the maritime transportation industry in general.
This will contribute to the transformation of the Kingdom as the most important and largest logistics hub in the region, as envisioned in Saudi Vision 2030. The increase of the national flagged fleet will contribute to increasing the volume of bilateral maritime trade between the Kingdom and other global economies, in addition to creating a positive impact on the continued growth of the maritime transport sector in the Kingdom and the region.

2 | Bahri Chemicals

2 Bahri Chemicals

Fleet growth and optimization deliver stronger performance

With 36 commercially managed IMO2 MR vessels, Bahri Chemicals is now the largest global operator in this segment. Bahri Chemicals provides maritime transport of liquid bulk chemicals from the Middle East to the West and to the East; our operations also include the shipping of Clean Petroleum Products (CPP) and vegetable oils.

Bahri Chemicals achieved dramatic growth in 2017, with the number of vessels in the fleet under commercial management growing from 24 to 36.

The increase in the number of ships, achieved through our robust and long-standing partnerships, led to a substantial increase in volume and revenue during the year.

Our performance, relative to our peers, continued to improve in 2017 due to a strong focus on efficient execution of our long-term trading strategy. A significant increase in bunker prices, however, led to an increasingly challenging environment during the year. This increase in bunker prices, combined with a steady stream of new vessels entering the market and affecting the supply-demand dynamics, represented the main challenges during the year.

These challenges were particularly felt in the CPP and vegetable oil segments, which have historically been more volatile. These segments, however, continue to offer significant potential for us to grow our revenue stream when the market turnaround happens after absorption of the recent fleet growth.

Bahir Chemicals Fleet

13
13 IMO II MR coated chemical tankers
Capacity: 46 k DWT
Operating under commercial management

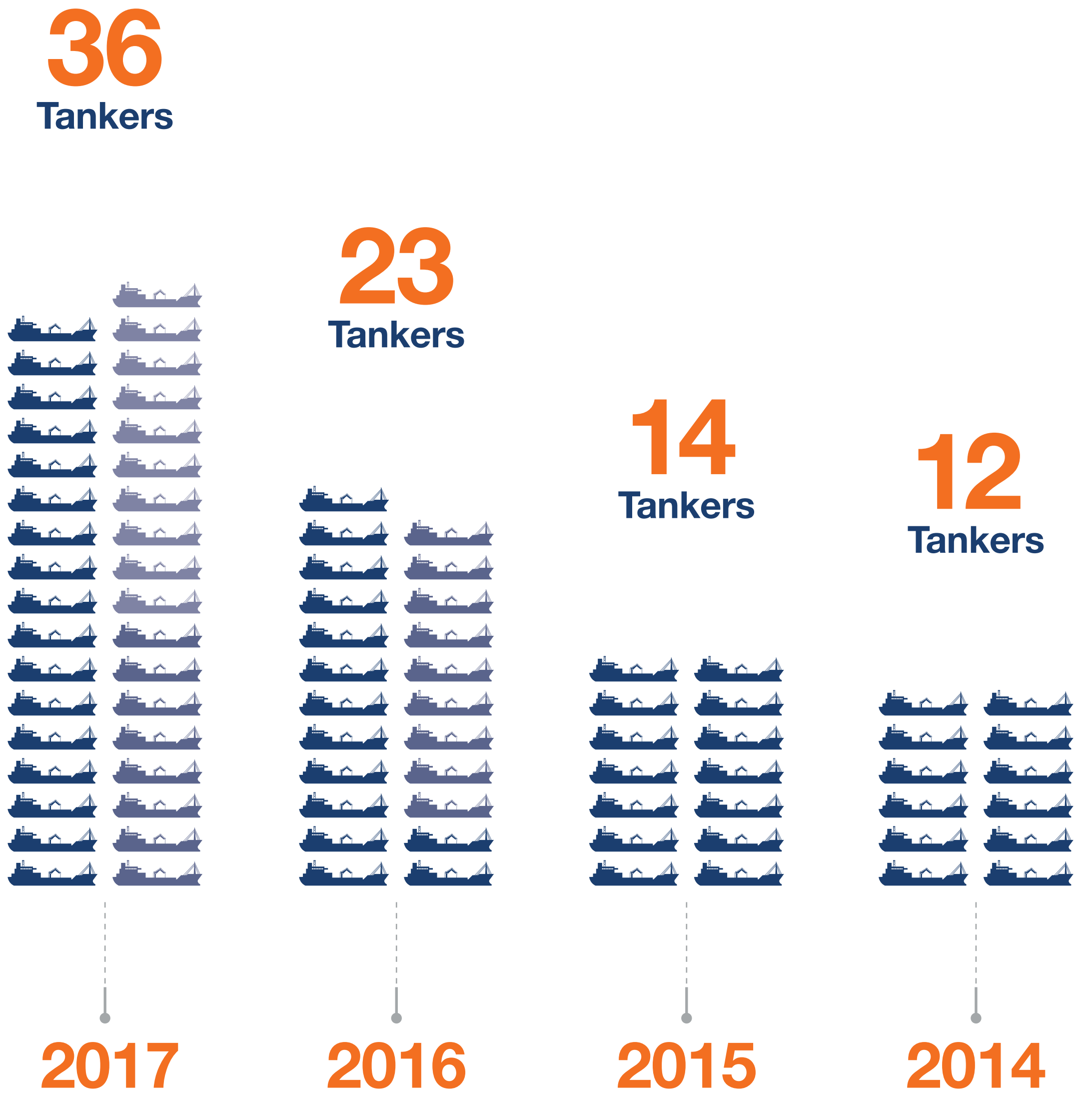
16
IMO II MR coated chemical tankers
Capacity: 46 k DWT
Operating in the Instant Fleet

6
IMO II MR coated chemical tankers
Capacity: 46 k DWT
Chartered for SABIC

5
MR product tankers
Capacity: 50 k DWT
Chartered for Saudi Aramco

3
Stainless steel high-specification tankers

1
IMO LR chemical waste tanker belonging to the International Maritime Organization
Capacity: 83 k DWT
Chartered for SABIC



2017 Bahri Chemicals Fleet

36 commercially managed tankers

31 tankers owned by Bahri

2 Bahri Chemicals

Fleet strategy

Our vessels continue to maintain their reputation for safety. They are among the safest high-quality chemical tankers in the world today. Our owned fleet of 31 vessels includes:

- three high-specifications stainless steel vessels (on bareboat charter);
- six IMO2 MR coated chemical tankers, about 46k DWT each, commercially operated by Bahri Chemicals and are on-time charter to our largest client and partner the Saudi Basic Industries Corporation (SABIC);
- 16 IMO2 MR coated chemical tankers, about 46k DWT each (operated in the spot fleet);
- five MR product tankers, about 50k DWT each (on-time charter to Saudi Aramco Trading); and
- one IMO LR chemical tanker, about 83k DWT (on-time charter to SABIC, operationally managed by Bahri Chemicals).

We are targeting continued growth of our IMO2 MR fleet in tandem with growing our cargo base. Additionally, we are also diversifying into different asset classes – including stainless steel ships – which will support our clients' logistics needs across a broader product range with different transportation requirements. Stainless steel vessels are ideally suited for the transportation of specialty and corrosive chemicals as well as a wide range of other products.

The need for continued growth is related to the increasing logistics needs of our close partners SABIC, Saudi Aramco and other leading regional producers together with what we see as healthy demand dynamics across our growing global client base.

Scale and optimization

Our strong performance compared with industry peers has been achieved by focusing on improving scale and asset utilization. We improved asset utilization by securing a strong foothold in other segments such as CPP and vegetable oils, enabling us to return the vessels to the region in a laden condition.

Bahri Chemicals is also increasing its global presence by opening more commercial representation outside of the Middle East. We have already established our representative office in the Americas and plan to set up our presence in Asia in 2018.

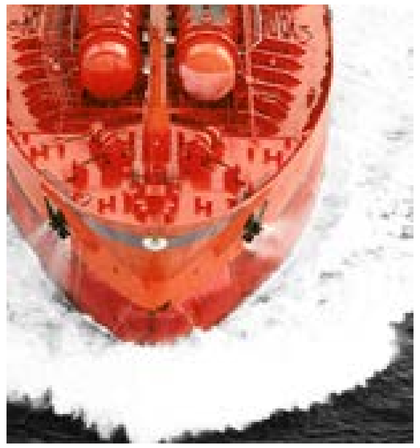
Challenges

One of our major challenges in 2017 was the increase in bunker prices, which added significantly to our costs. Overall, the bunker price differential between 2017 and 2016 represented an average increase of around US$91 per metric tonne (US$340 per metric tonne average in 2017 compared with US$249 per metric tonne average in 2016). The steady supply of new tonnage entering the market has also put pressure on freight rates during the year.

Fuel saving initiatives

Fuel savings represented an average reduction in daily bunker consumption of about five metric tonnes per ship. We achieved this through consistent efforts over the past several years to lower fuel consumption through a wide range of initiatives including:

- Close follow-up from operations ensuring optimal speed at all times;
- Weather routing software helping vessels get shore assistance on most efficient routing;
- New hull coating helping to
- New tank coatings helping to decrease time spent on cleaning between voyages, resulting in time and bunker savings; and
- Investment in various fuel saving equipment on the ships.



Looking forward

We will continue to explore strategic partnerships with a view to grow and diversify our fleet. Expanding our global presence and broadening our product offering remain strategic priorities and we will continue to invest in assets, initiatives and programs to ensure cost-efficient and top-quality cost efficient services for our clients.

The market's recovery in the short to medium term will depend on its ability to absorb the supply side growth we have witnessed over the last few years. With the demand side remaining healthy and new ship orders significantly reduced, there is reason for optimism in 2018-2019 and beyond.

3 | Strategic Business Units

3 | Bahri Logistics

3 Strategic Business Units

3 Bahri Logistics

Bahri Logistics, established in 1979, was the first strategic unit to be established within the Bahri Group. Bahri Logistics adopts a unique approach by concentrating on providing an optimal mix of shipping services. It regularly operates six new state-of-the-art multipurpose vessels connecting the Kingdom of Saudi Arabia with key seaports in the Arabian Gulf, Indian subcontinent, Mediterranean region, North America and Europe.

In 2011, Bahri Logistics upgraded its services by signing contracts with large corporations such as Saudi Aramco, the Saudi Railway Company (SAR), Saudi Electricity Company (SEC) and Riyadh Metro project.

Bahri Logistics is distinguished by the fact that it is a national Company with a Saudi nationalization percentage of more than 90 percent. It has branches in Dammam, Jeddah, Jubail, Ras Al-Khair, Jazan and Yanbu.

Bahri Logistics' objectives are in line with the Saudi Vision 2030, which aims to make the Kingdom of Saudi Arabia a logistics hub in the region and to make Bahri the first national company representing the government in this industry locally, regionally and globally.

About Bahri Logistics

- One of the six divisions of the Bahri Group
- Listed among the world's top 10 breakbulk shipping operators.
- A leading operator of transportation services that provides shipping from the east of the United States, the US Gulf and Canada to Jeddah, Dubai, Dammam and Mumbai every 20 days and from Europe to the Red Sea and the Arabian Gulf every 30 days.
- Bahri Logistics' ships dock in Mediterranean and European seaports as part of their itinerary.
- Operates ships through seaports situated in the Red Sea and Arabian Gulf through two monthly voyages.
- Provides long-term contracted services to international companies and Saudi governmental entities.
- Provides integrated door-to-door service solutions for breakbulk transportation.
- Manages a private container yard facility at Jeddah Islamic Port.
- Invests in information technology systems that integrate and streamline information from ports, agents and offices.
- Operates an integrated network of offices and agents around the world.

Bahri Logistics Fleet

Bahri Logistics operates six new state-of-the-art multipurpose vessels as follows:

4
Ships connecting the United States to ports in the Kingdom, Gulf, Indian subcontinent and the Mediterranean.

2
Ships connecting Europe to ports in the Kingdom, Gulf and Mediterranean

4 years
The average age of our multipurpose vessels is four years or less.

26,000 tons
26,000 DWT is the capacity of each vessel when they are operating regularly

RO-RO
Bahri Logistics manages roll-on/roll-off ships that are dedicated to transport breakbulk, project bulk and other types of cargo.

Key Achievements in 2017

- The Company signed a joint venture agreement with Bolloré Group to establish BahriBolloré Logistics, with Bahri owning a 60 percent stake and Bolloré owning the remaining 40 percent. The project aims to expand into the market of door-to-door logistics management and tap into the fast-growing supply chain in Saudi Arabia and Gulf countries.
- Additionally, Bahri Logistics signed an agreement with the Saudi Railway Company (SAR) under which it will provide transportation and shipping services across the world to the latter's hubs of operation in the Kingdom along with customs clearance services.
- The division signed a logistics services agreement with Saudi Aramco.
- Alexandria Seaport was added as a new direct port call to the company's portfolio of ports in Egypt, enabling Bahri to offer breakbulk and roll-on/roll-off transportation services on its North American itinerary.
- Bahri Logistics was restructured with new departments introduced to further develop its services. In addition, the ISO 2015 certificate was acquired to complement the Company's ISO 2009 certification.
- The Company acts as the exclusive carrier for the Saudi Ministry of Defense and Ministry of Interior.
- Cooperative agreements were signed with partner carriers such as Höegh Autoliners, Liberty Global Logistics and Rickmers-Linie.

4 | Bahri Dry Bulk Sector

4 Bahri Dry Bulk Sector

Bahri Dry Bulk was established in 2010 under a joint venture agreement between Bahri and the Arabian Agricultural Services Company (ARASCO) with the mandate to acquire, own, charter and operate a fleet of dry bulk carriers.

This joint venture paved the way for Bahri to diversify its dry bulk transportation services, which account for 23 percent of cargo imported to Saudi Arabia.

With its offices spread across the Kingdom and abroad in Dubai and Egypt, Bahri Dry Bulk is the only national operator of dry bulk transportation in the Kingdom. It is focused on establishing high standards of customer service, acquiring state-of-the-art ships designed in line with international standards and providing a team with high levels of expertise.

The dry bulk sector in 2017 has experienced a state of balance in terms of supply and demand in addition to an improved daily rate for ship chartering. The market embarked on a restructuring that will be completed by 2020 and will ensure higher stability and revenue potential.

Bahri Dry Bulk owns a high-specification and state-of-the-art fleet that was able to reduce operational costs and accrue higher revenues in 2017 compared to 2016 due to its increased market share. The opportunity to acquire an even larger market share by concluding agreements with government entities and international companies is currently being studied.

As part of its business strategy, Bahri Dry Bulk targets all international markets that have dry bulk related businesses, starting with the local market in the Kingdom to Gulf nations, African countries such as Egypt and Morocco and Asian countries including China, India and Indonesia.

Key Achievements in 2017

- Bahri Dry Bulk worked towards furthering its fleet capabilities by adding four new vessels designed according to the latest international technical specifications. They will be delivered by 2020 under an agreement signed with HHI.
- Launched an initiative in 2016 that aimed to secure a fresh market share in the region by attracting new customers and increasing the volume of bulk transported to 5 million tons – a 25 percent volume increase compared to last year.
- Concluded a joint-venture agreement with Dutch firm Koninklijke Bunge B.V. (Bunge), with Bahri owning a 60 percent stake and the remaining 40 percent owned by Bunge. The agreement will lead to the launch of the unprecedented joint venture BahriBunge Dry Bulk Ltd. with US$35 million of capital investment.
- Built an integrated team of experts drawn from the business and operational fields.
- Signed an agreement with Bahri Big Data to identify future opportunities through market forecasting and improving operations.
- Implemented an updated technical system to improve the quality of the Company's services.
- Implemented stringent regulatory procedures and new processes.
- Established representative offices around the world.
- Developed a customer base that includes 34 of the largest companies around the world and is still growing.

2020

Addition of four new vessels designed in line with the latest international specifications to Bahri Dry Bulk's fleet.

5 Million Tons

A new market share target led to an increased transported cargo volume of 5 million tons

BahriBunge

Bahri – Bunge

Handles commercial management of dry bulk carriers and serves dry bulk customers in transporting cargo around the world to and from the region.

Establishment of Bahri Dry Bulk

The dry bulk industry has witnessed a state of balance between supply and demand in 2017, in addition to an improved daily rate for ship chartering.

2010

Bahri Dry Bulk has been established under a joint agreement between Bahri and the Arabian Agricultural Services Company (ARASCO).

1

Bahri Dry Bulk is the only national company for dry bulk transportation in the Kingdom.

34

of the largest companies around the world are included in our customer base.

Updated technical systems

We improved the quality of the Company's services by working according to regulatory procedures and new operations.

5 | Bahri Ship Management

5 Bahri Ship Management

Sustained quality focus leads to global recognition

Bahri Ship Management operates and manages the vessels owned by our Group, ensuring the safety of our people, and the environment, while serving the needs of our business and customers.

It has been a year of all-round achievements for Bahri Ship Management. The growth of our fleet, our continued focus on safety and sustainability initiatives and consistent improvement in efficiency and performance led the list of Bahri Ship Management achievements.

We added seven new vessels to the Bahri Ship Management fleet in 2017: five VLCCs and two chemical tankers. These additions brought the number of vessels under our technical management to 85. In order to maintain the vessels to Bahri standards and comply with Class and Statutory requirements, we dry-docked nine VLCCs and six chemical ships during the year. We planned the dockings carefully to minimize vessel turnaround time without compromising customer needs and quality.

We reflagged 36 of our vessels with the Saudi flag during the year, underlining our commitment to strengthening Saudi Arabia's position in the international maritime sector and increasing the size and reputation of the Kingdom's global fleet. Bahri now accounts for 84 percent of vessels carrying the Saudi flag, with nearly 5.2 million combined total gross tonnage. Bahri trained 11 employees of the Saudi Public Transport Authority at its offices in Dubai, and 15 employees from the Dammam Pilotage Department as part of the reflagging initiative.

Our core strength is our people. We now employ over 3,000 highly skilled multinational seafarers within the managed fleet. As well as employing foreign nationals, Bahri contributes to the development of the maritime industry in Saudi Arabia. As Saudi Arabia's shipping sector grows, it is essential that the sector develops a qualified and trained national workforce for maritime jobs. Vocational training is a vital part of Bahri's sustainability plans, and in 2017, we invested in a program of on-board safety training for seafarers. We trained 57 cadets from King Abdulaziz University and 41 from Saudi Aramco during the year, offering instructions on the most recent updates on safety and quality regulations. This training program to develop potential officers of the future will continue in 2018.

CERTIFIED ISO 9001 CERTIFIED

Awarded the ISO 9001 and 14001 certifications in recognition of its performance and quality services

LLOYD'S

The "Lloyd's" List Ship Operator Award

The Maritime Standard Awards 2017

The "Maritime Standard's" award for Ship Manager of the Year

The "QUALSHIP 21" certificate by the United States Coast Guard valid for three years due to its rigid quality and safety standards.

85

Ships managed by Bahri Ship Management

84%

Of Bahri's ships fly the Saudi flag

5.2

Total capacity of 5.2 million tons.

11

Trained 11 employees from the Saudi Public Transport Authority's staff at Bahri's offices in Dubai

15

Trainees from the Maritime Consulting Center in Dammam (affiliated to the Saudi Ports Authority) were also trained as part of an initiative to support the maritime industry in the Kingdom.

Major achievements

We rely on teamwork, innovation and technology to achieve all-round excellence. We set ourselves challenging Key Performance Indicators (KPIs) that exceed existing industry standards or set new benchmarks. Rigorous and continuous compliance audits, preparatory drills and certification reviews are all part of our efforts to sustain excellence.

This commitment brought us excellent results:

- Bahri was named the Ship Manager of the Year at the 2017 Maritime Standards Awards, Ship Operator of the Year at the 2017 Lloyds List Awards, and we were finalists for Safety and Environmental Compliance awards from both organizations.
- Bahri improved its Ship Inspection Report Program (SIRE) performance by 12 percent, finishing the year 30 percent better than the global industry average of the Oil Companies International Marine Forum (OCIMF). With our safety and quality achievements consistently outperforming industry benchmarks, Bahri continues to be recognized as a top quality operator for major customers such as Saudi Aramco, BP, Shell, ExxonMobil and Total.
- In Port State Control (PSC) performance, Bahri's performance in 2017 was 13 percent better than the 2016 average and again zero detentions were recorded. Our fleet underwent 28 inspections by the US Coast Guard during the year with no negative observations.
- Bahri Ship Management completed the DNV-GL ISM and ISO audits during the year, pioneering the new "Fit-For-Purpose" audit scheme. These audits confirmed the strength of Bahri's quality management system with zero non-conformity or observation.

3 | Strategic Business Units

5 Bahri Ship Management

Safety is top priority

The safety of both seafaring and office-based staff is top priority for us. As part of our continuing efforts to improve safety across the organization, Bahri entered into a partnership in 2017 with Lloyd's Register's Human Element team. This joint enterprise helped our people make improvements in our already strong safety culture. This partnership will continue into 2018.

Our internal safety programs focused on strengthening staff awareness through surveys and continued training. One of the most important and popular achievements was our success in simplifying the safety regulations, making complex issues more accessible to be read and understood by our multinational and multicultural staff.

Efficiency watch

Our ship management team monitors ships' speed, fuel consumption and hull fouling, using intelligent monitoring systems and high-performance cargo tank and hull coatings, leading to consistent improvement in operational efficiencies. In 2017, Bahri Ship Management was one of the first shipping companies to comply with the European Union's requirement to submit MRV (Monitoring, Reporting, Verification) plans for the full fleet, well ahead of the deadline.

Our new vessels are equipped with modern fuel-efficient engines that comply the most stringent emission regulations in force. Hull structures and propellers are matched and tested extensively during the building of new ships to ensure optimum propelling efficiency and minimum emissions. Yet, several initiatives were taken to further broaden our green footprint by using modern technologies to significantly reduce the impact of greenhouse gases nitrogen oxide (NOx) and sulfur oxide (SOx) emissions from docked vessels. Propelling efficiency was optimized whilst significantly reducing fuel consumption by using better Hull Paint systems, installing Mewis ducts and Propeller Boss Cap Fins.

Bahri's strengths of safety, quality and teamwork delivered increased efficiency and decreased running costs in 2017. Ship running costs and crew costs were further optimized through proactive maintenance and through strategic procurement. This focus on operational efficiency saved us SAR27 million during 2017 – SAR6 million in savings from the dry-docking of vessels and SAR21 million in ship running costs.

Cost reductions in fleet operations and maintenance in 2017 compared to 2016

Ship type	Cost savings (percentage)	Cost savings (SAR)
VLCCs	-4.4%	18,804,941
Product carriers	-4.3%	1,895,719
Dry bulk carriers	-1.1%	335,344
Breakbulk carriers	-1.2%	484,538
Chemical tankers	-1.0%	1,817,790
NCC products	6%	(2,258,438)
Total Savings		21,079,894

6 | Bahri Data

6 Bahri Data

Delivering value through innovative solutions

Bahri Data's focus is on leveraging science, technology, data and cross-functional collaboration to deliver value—to Bahri and the maritime industry.
Data has become significant in modern business for a reason: through data analysis, we gain great business insights and foresights Advanced analytics enables Bahri businesses to monitor and improve their performance consistently.
We use big data, the Internet of Things (IoT), Artificial Intelligence (AI) and Machine Learning (ML) to conceive and develop new software and platforms aimed at enhancing efficiency and performance.

Our business model allows us to serve three distinct sets of stakeholders:

- Bahri businesses
- Bahri customers
- Maritime industry

Established in 2015, Bahri Data has proven to be a major success in offering innovative business enhancement tools, and is also beginning to create new revenue streams for the Company.

Achievements

One of the major achievements of Bahri Data is the development of Bahri Realtime Integrated Systems Operations (BRISO). BRISO is a platform that integrates diverse information related to shipping business, ranging from weather prediction to rate prediction, to enable better and more efficient, evidence-based decision-making.
BRISO will help Bahri to grow revenues, optimize costs, make the operations smarter and improve customer service by influencing diverse areas of the business, such as:

- data-driven chartering,
- voyage management,
- smarter fleet operations,
- connected ships,
- predictive maintenance,
- cargo predictions, and
- prediction of customer needs.

In 2017, we worked closely with Bahri Ship management and other internal stakeholders to conduct data-based reviews of operations and reduce operating costs.
Data analysis contributed to reducing costs in four significant areas: bunker management, speed volatility management, maintenance and crewing.
During the year, we transformed the BRISO platform into a revenue-centric model by adding features such as:

- commodity tracker, which allows us to monitor commodity movements globally to understand the changes in shipping demand and recognize emerging new trade routes;
- third party vessel TCE prediction, providing charterers information about any ship's time charter equivalent;
- vessel trade patterns, enabling executives and charterers to gain market insights and emergence of new trade routes; and
- freight rate predictions based on trade routes, providing charterers with actionable insights on vessels.

Innovative solutions

At Bahri Data, we are also creating bespoke big data applications for the maritime industry. In 2017, Bahri Data and DNV-GL, the global quality assurance and risk management company, co-developed a new maritime application called Safe Seas which is an innovative solution that will promote maritime safety, security, quality as well as compliance with global industry regulations.
We showcased the prototype of Safe Seas at the Bahri Data Forum in November 2017. Our partnership with DNV-GL is part of our strategy of collaborating and partnering with industry leaders to deliver additional value where possible to Bahri and maritime industry in general. Safe Seas will use DNV-GL's Veracity platform to provide a simple solution for all stakeholders – fleet owners, operators, charterers, port authorities and regulators – to keep track of safety, quality and compliance.
We believe that data and analytics are great tools for the global maritime industry to tackle major challenges such as overcapacity, weak demand and tight margins. Data and analytics also have an important role to play in addressing the other industry issues such as our environmental footprint.

Recognition

The maritime industry has recognized Bahri Data's capabilities and contributions. Over the past two years, we have received four major industry awards:

1) Lloyd's List Awards 2016 (Innovation)
2) Lloyd's List Awards 2016 (Big Data)
3) SeaTrade Awards 2017 (Newcomer of the Year)
4) Lloyd's List Awards 2017 (Innovation)

BRISO

A platform that provides various information which makes operations more intelligent and customer service more effective

- Ship fuel management
- Ship chartering based on data
- Managing business voyages of ships
- Fleet developed operations
- Ships that are connected to each other
- Preventive maintenance
- Cargo-related predictions
- Customer-needs predictions

Chapter Four

4

Supporting Departments

Bahri's supporting departments play a critical role in driving the growth and supporting our main strategic business units. They provide the capabilities and infrastructure that propel Bahri's business and help the Company achieve its objectives. These departments consist of Human Resources, Informatiom Technology, Quality, and Marketing and Communications.

1 Human Resources

At Bahri, we believe human talents drive our reputation as a leading service provider and as a benchmark in excellence globally. Our Human Resources team is dedicated to attracting the best talents and investing in them through programs that contribute to their professional development in line with the Company's aims and objectives.

A particular work culture is also embedded in the Company that aims to stimulate production and encourage innovation in a way that does not compromise our employees' work-life balance.

Saudi Nationalization

65%

We have a nationalization rate of more than 65 percent among our Saudi-based staff.

Platinum

Bahri has achieved platinum classification, the highest possible level that companies can achieve for their efforts in meeting nationalization targets.

Training and Development

Bahri is committed to investing in its human resources. The Company engages its staff in leadership, administrative and technical courses. Training programs have been organized for Bahri's staff in:

- The Kingdom of Saudi Arabia
- The United Arab Emirates
- The United States of America
- India

388

Number of courses

264

Employees enrolled to training courses

1 Human Resources

Automation

Bahri has invested in automating all human resources services, specifically for employees as part of ongoing efforts to improve day-to-day business efficiency. Global systems implemented at the organization include Oracle and SAP.

Graduate Training and Ongoing Development

Bahri offers training and development programs for new Saudi recruits as follows:

1 MAHER

- MAHER is a training program that aims to develop fresh Saudi graduates through an intense 12-month course delivered on-the-job. Trainees are placed with one of our strategic business units within the Kingdom or abroad. The program provides trainees with the necessary knowledge and skills to take up senior positions following successful completion of their training.
- For Saudis only.

15

Graduates from MAHER Program

2 Bahri Cooperative Training Program

Helps Saudi university students transition smoothly from the classroom to the workplace.

3 Continuing Education University Program

Bahri offers 100% financial support for employees wishing to complete a degree.

100%

Full financial support for Bahri employees who are interested to complete their degree.

2 Information Technology

Our IT Department plays a key role in extending the Company's leadership and competitive role in the maritime transportation industry. It helps raise quality and safety standards, supports and develops the performance of Bahri's staff and serves customers and shareholders in line with ongoing and rapidly changing technology and global systems.

Key Achievements in 2017

The IT Department has had a successful 2017 characterized by the following achievements:

- Development of the 2020 Strategic Transformation Plan that includes 55 IT initiatives to be executed within three years.
- Application of a workforce management system for human resources that incorporates functions for employee performance, training, career development, bonuses and promotions.
- Development of an internal e-portal for self-services in addition to providing easy-to-use smartphone applications.
- Development of a special application for tracking cargo that is compatible with Android and Apple devices and includes many electronic services for logistics customers.
- Adoption of a new trading system for the dry bulk sector and linking it to global stock exchanges.
- Application of a new sales and customer services system for the logistics sector.
- Development of intelligent reports that provide data analysis for all sectors and departments across the Company.
- Conducted reviews of financial systems and improved them so they comply with International Financial Reporting Standards (IFRS) and Value Added Tax (VAT) regulations.
- Linked payment systems outside the Kingdom with banks in addition to applying new financial, operational and commercial systems and linking them all with internal systems.
- Improved information and risk assessment infrastructure and implementing necessary procedures.
- Restructured the department in line with the growth and needs of business units.
- Adopted a stringent Service Level Agreement (SLA) in line with the implementation of new technical systems.

Key Projects for 2018

- Development and application of a self-service portal for all customers of the Company.
- Integration of Bahri's systems with those of the Company's main customers, ports, banks and strategic partners.
- Application of an advanced employment e-system for employment that aims to develop new employees before and after they join Bahri.
- Implementation of an innovative management system that aims to develop all of the Company's operations incorporating creative and pioneering ideas.
- Introduction of an electronic procurement system and e-portal for approved suppliers.
- Replacement of the current ship management system with a new system that manages all sea-based employees' work, maintenance and operation of ships, spare parts procurement, safety and security and environmental management.
- Review and implement upgrades to current systems controlling operational and commercial work for the Oil, Chemicals and Dry Bulk units.
- Establishment of an IT project management system that manages the execution of all IT initiatives.
- Evaluation of all systems from a security perspective,and improving them to match international standards.
- Adoption of systems for internal auditing and risk management as well as strategy execution.
- A review of updates to all systems, regulations and information technology procedures.

4 | Supporting Departments

3 Quality Department

The Quality Department oversees the development and implementation of quality assurance systems, in addition to optimally executing policies and procedures through important initiatives that aim to foster a culture of innovation in line with Bahri's strategic plans.

Key Achievements in 2017

- Automation of all procedures based on methodologies that promote and control quality using SIPOC software and shifting to automated and digital applications.
- Incorporation of outstanding new programs including Salesforce, Sales Cloud and Quality World that will improve quality and risk management. Bahri Logistics have applied these programs to its operations to enhance efficiency and improve quality further.
- Implementation of strategic leadership and technical expertise standards in quality management across the Company in addition to utilizing the best performance systems.
- Raising the standard of quality management operations in line with quality compliance and strategic awareness requirements.
- Implementation of Quality World software to develop an internal website targeted to Bahri's staff and presenting the company's vision about quality.
- Implementation of Sales Cloud software that helps improve customer service performance in addition to the Sales Force software that enhances the performance of the Company's sales teams.
- Reviewed and raised the standard of navigational route operations in accordance with strategic objectives.
- Utilized intelligence metrics based on Company operations and standardized them in Bahri's maritime offices across the world including regional offices and agents. Other measures implemented include best practices on how to deal with cargo and storage, task execution scheduling, customer satisfaction indicators, control of operations and cargo not compliant with quality policies and standards, increased internal auditing and reviews of operations in order to increase application of quality standards and increase objective achievement rates.
- Developed new standards and operations that provide better service to customers in addition to the implementation of ISO 2015 to complement the ISO 9001 certification obtained in 2008.
- Organized workshops and awareness sessions on quality systems across the Kingdom and at our US offices.
- Applied the Six Sigma Approach, which is a set of techniques and tools necessary for enhancing the quality management process and used statistical tools and techniques that contribute to generating accurate reports and ensuring operational management efficiency.

4 Marketing and Communications

The Marketing and Communications Department is Bahri's media arm responsible for generating public awareness about the Company and highlighting its economic and social roles. It also has the secondary role of connecting all business units and departments with senior managers through networking and communication programs that contribute to further development and achievements.

In 2016 the Bahri management team established the Marketing and Communications Department in line with its efforts to advance the Company's brand and facilitate further communication with stakeholders, customers, trade partners, financial institutions and markets inside the Kingdom and all over the world.

Objectives

- Developing Bahri into a leading global Company that provides integrated logistics and transportation solutions.
- Raising awareness among companies and showcasing Bahri's diverse portfolio within the transportation industry.
- Creating a relationship with Bahri's employees so that they can positively represent Bahri's brand.
- To be ambassadors for Bahri across the world.

Key Achievements in 2017

The Marketing and Communications Department succeeded in implementing its 2017 plan and recorded the following achievements:

Events and Participation

- Bahri's Data Forum
- The Maritime Innovation and Digitalization Day
- Oil Reception Week Forum
- Crew Conferences (Manila, Mumbai, Russia)
- Ship Technology Conference
- Standard Maritime Conference for Marine Carriers
- Launched Bahri's offices in Mumbai and Houston
- VIP customers event in Germany
- Global logistics agencies meeting
- First International Symposium on Land and Maritime Border Security and Safety

Brand Creation

- Created the Bahri Bunge Dry Bulk Ltd. brand identity
- Created the Bahri Bolloré Logistics brand identity

Development of Marketing Content

- Development of Bahri's data bulletin that has been used at many events.
- Launched the Safe Seas application and developed its design and content.

4 Marketing and Communications

Key Achievements in 2017

Social Media

Increased social media presence

Twitter

2016	2017	
10,200 Followers	94,411 Followers	924% Variation

Facebook

2016	2017	
8,147 Followers	71,160 Followers	873% Variation

Instagram

2016	2017	
7,806 Followers	30,674 Followers	392% Variation

YouTube

2016	2017	
120 Subscribers	755 Subscribers	629% Variation

LinkedIn

2016	2017	
9,688 Followers	13,359 Followers	38% Variation

Snapchat

2016	2017	
2,000 Followers	3,000 Followers	50% Variation

Media Campaigns and Communications

Creation of more than 300 job opportunities

Print & Broadcast Media

Video	Media Campaigns	Press Ads	Total
25+	7	18	50+

Electronic

Internet Ads	Internal staff messages	Total
9	170+	179+

Events

Branding campaigns	Internal and external events	Total
30	58+	88+

Other

Awards	Road Ads	Magazine
8	10+	5000

4 Marketing and Communications

Key Achievements in 2017

Bahri signed an agreement with King Abdulaziz University in line with the Company's commitment to achieving the objectives of the Saudi Vision 2030 and supporting continuous efforts to train young Saudis, sharpen their skills and develop their experience in the maritime sector. The agreement provides the following:

- Provision of training opportunities for graduates from the Faculty of Marine Sciences on board Bahri vessels.
- Provision of intensive practical training for students enrolled in the maritime navigation and engineering program at the university.

Chapter Five

5

Disclosure & Transparency

Bahri adopts a policy of disclosure and transparency as stipulated in its corporate governance regulations and the requirements that pertain to the presentation and disclosure of information while preparing this report, thereby ensuring that accurate information is delivered to its intended audience; such as shareholders, financiers, regulators and other stakeholders. Bahri's disclosure and transparency policy also includes sharing information related to accounting, compliance with corporate governance standards, details about the Board of Directors and its committees, as well as information about the executive management and their relevant tasks. All the information provided by Bahri is limited to public information that has already been disclosed through official communication channels and is consistent with the CMA directives as well as the Ministry of Commerce & Investment. Through the Company's website (www.bahri.sa), the Company provides a forum for its shareholders and all other users to communicate with the Company on an ongoing basis. This website can be used to search for any information required, and any updated information related to the Company, which includes annual, quarterly, and operational reports, as well as the Company's publications, announcements, and information about current and former shareholders.

Bahri also provides all news about its performance and activities through the official channels, such as "Tadawul" website, in accordance with CMA directives and the disclosure policy adopted by the Company as part of its corporate governance regulations.

Bahri transparently discloses all necessary information, especially as it pertains to its commercial, operational and financial activities, without violating confidentiality, its trade secrets and unique commercial know-how.

Departure from the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA):

There is no departure from the accounting standards released by SOCPA

Description of any interest in a class of voting shares held by persons (other than the Company's Board of Directors, senior executives, and their relatives) that have informed the Company of their holdings pursuant to Article (45) of the Listing Rules of the Capital Markets Authority, together with any change to such interest during the last fiscal year:

The Company has not received any notification regarding any interest in a class of voting shares.

Description of the categories and numbers of any transferrable debt instruments any contractual securities or offering memoranda on subscription rights offers or similar rights issued or granted by the Company during the fiscal year with explanations for any compensation acquired by the Company for that:

The Company does not have any categories of transferrable debt instruments, nor any contractual securities, offering memoranda on subscription rights, or any similar rights issued or granted by the Company during the fiscal year.

Description of any transfer or subscription rights under transferrable debt instruments or any contractual securities or any subscription rights or similar rights issued or granted by the Company:

The Company does not have any transfer or subscription rights under transferrable debt instruments or any offering rights memos or similar rights issued or granted by the Company.

Description of any redemption, purchase, or cancellation by the Company of any redeemable debt instruments and the value of the remaining securities, with a distinction between the listed securities purchased by the Company and those purchased by the subsidiaries:

The Company and its subsidiaries do not have any such recovery, purchase, or cancellation of any recoverable debt instruments.

Description of any transaction between the Company and any related party:

There is no transaction between the Company and any related party.

Information on any business or contracts where the Company is a party thereof and there is an interest for a Board member, CEO, CFO, or any person related to them:	The Company acknowledges that there is no contract where the Company is a party thereof and where there is an interest for a Board member, CEO, CFO, or any person related to them.
Description of any arrangements or agreement under which a Board member or senior executive has waived any rights to salary or compensation:	None of the Board members or senior executives has waived any rights to salary or compensation.
Description of any arrangements or agreement under which a shareholder of the Company has waived any rights to dividends:	There is no arrangement or agreement where a shareholder of the Company has waived any rights to dividends.
Description of the value of any investments or reserves created for the Company's employees:	There are no specific investments or reserves set aside for the Company's employees, except those for the severance payment provisions as provided for in the Saudi Labor Law and similar laws in the countries where there are companies wholly owned by Bahri such as the USA and UAE.
The Board of Directors hereby acknowledges the following:	• The 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.
The external auditor's reservation over the financial statements:	The external auditor has no reservations over the Company's financial statements.
The Board of Directors recommendation to replace the external auditor prior to the end of the agreed term:	The Board of Directors did not recommend replacing the external auditor prior to the end of the agreed term.

Corporate Governance

Bahri complies with the relevant corporate governance standards, conducts regular review of its policies and procedures, and has established policies and procedures that promote transparency and disclosure. The Company also implements all obligatory provisions stated in the corporate governance regulation issued by the Capital Markets Authority (CMA) and its Articles of Association, as well as all its policies .

Chapter Six

6

Bahri Finance Division

Bahri Financials

The company's financial statements, which includes its assets and liabilities, revenue and overall business results are presented. In addition, a summary of Bahri's subsidiaries' financial results for 2017, are also be presented along with the official government payments as well as Bahri's dividends distribution policy.

Capital Structure & Financing

Bahri's healthy cash flow position is the result of consistently strong financial 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 operational activities and expected to be maintained in 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 and local and international commercial banks. These loans were in either Saudi Riyals or US Dollars and meant we were able to acquire the required funding at competitive prices and reduce the risks associated with interest rate increases and other funding costs.

Murabaha Financing and Long-Term Loans in 2017

Murabaha financing & long-term loans during 2017 – (SAR "000")				
Start of Year Loan Balance	Loan Average Duration (Years)	Additions Throughout the Year	Paid During the Year	End of Year Loan Balance
9,746,588	10	1,586,640	1,001,146	10,332,082

Zakat & Withholding Tax

A provision for Zakat and taxes will be made for Bahri and its affiliates in the Kingdom of Saudi Arabia in line with the regulations of the General Authority of Zakat and Tax (GAZT). This provision will be reported in the consolidated income statement. Additionally, a provision for the withholding tax on sea freight payments should be made for non-resident parties and reported in the consolidated income statement. Provisions for income tax payable by foreign affiliates will be calculated based on the relevant laws prevalent in the country/countries of establishment of those affiliates and will be expressed in the consolidated income statement. The company and its partly-owned affiliates will provide their Zakat declarations separately.

The company has filed its Zakat declarations as well as those of its affiliates for every year until 2016. The company believes it has made sufficient provisions for Zakat and withholding tax as of December 31, 2017.

Statement of regulatory payments as of December 31, 2017 – (SAR "000")			
Item	Bahri	National Chemical Carriers Ltd. Co. (Bahri Chemicals)	Bahri Dry Bulk (BDB)
Zakat	66,506	21,569	3.689
Withholding tax	5,767	554	968

Dividend Distribution Policy

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

Earnings per share is calculated based on the number of shares outstanding during the year ending December 31, 2017 and December 31, 2016 amounting to 393.75 million shares.

The Board of Directors decided in its meeting held on December 13, 2017 to recommend to the General Assembly of the Company the distribution of cash dividends of SAR590.63 million to the shareholders for the financial year ending December 31, 2017, which amounts to SAR 1.5 per share, and represents 15% of the share value.

Proposed dividends will be distributed at a date set by the Board of Directors, pending approval at a meeting of the Ordinary General Assembly.

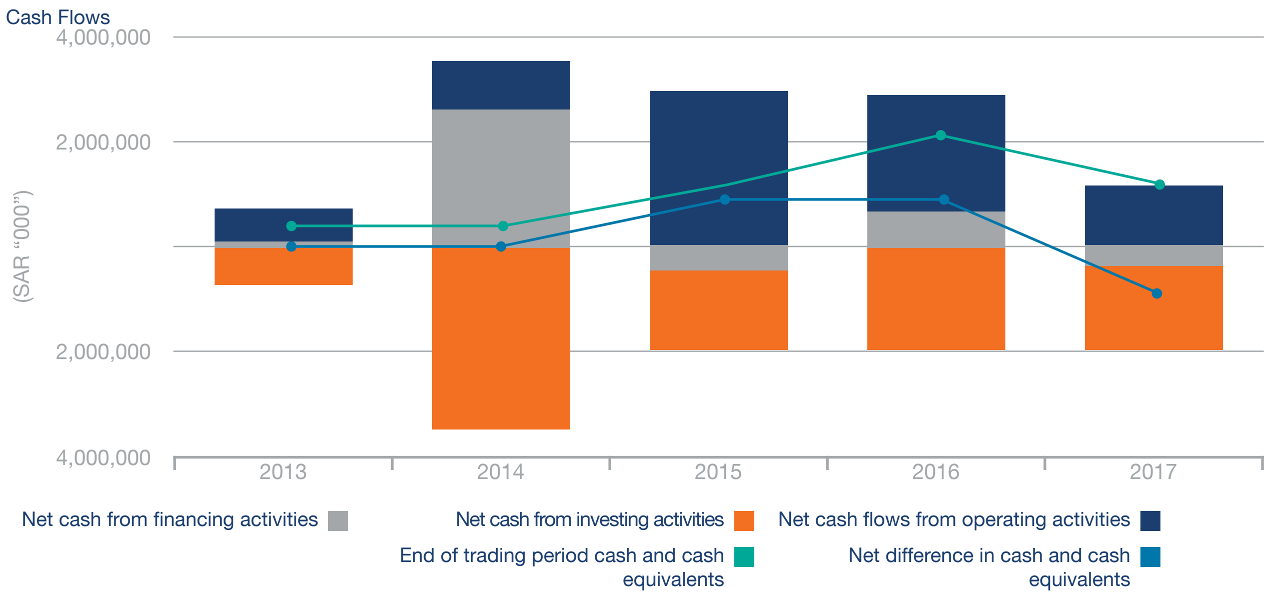
In its meeting held on 16 January 2017, the General Assembly approved the distribution of cash dividends of SAR984.38 million to shareholders at SAR2.5 per share for the year ending on December 31, 2016. Dividends were distributed on January 31, 2017.

The General Assembly has approved in its meeting held on April 6, 2016 the distribution of cash dividends of SAR 984.38 to the shareholders, amounting to SAR 2.5 per share for the year ended December 31, 2015.The dividends were distributed on April 21, 2016.

Bahri's 2017 Financial Performance & Comparison with 2016

Revenues and net income decreased in 2017 compared to 2016 due to decreases in global shipping rates that were affected by global economic performance, decreases in the level of trade exchange and a global decline in imports and exports, especially crude oil and its derivatives. Shipping rates were furthermore affected by supply and demand of crude oil and its derivatives, number of available carriers and volume of shipping capacity added to maritime transport sector versus exclusion of shipping capacity.
2017 was characterized by a surplus in maritime shipping capacity due to the introduction of a large number of ships with decreases in the number of excluded vessels. This in turn led to reductions in maritime transport rates. The increased cost of ship fuel placed even more pressure on operational income and profitability.
Increases in the Company's fleet and growth in the logistics sector, however, mitigated the effects of the decline in maritime transportation prices, boosting Bahri's performance. Furthermore, financial results nevertheless exceeded expectations compared to other global transport and shipping companies.
The Company currently owns 88 ships including 41 VLCCs, making Bahri the largest global operator of VLCCs.
Furthering the leadership role of the company and in line with its strategic plans for business and income diversification, Bahri has entered into a partnership with the International Marine Industries Company that will lead to 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. This company will build and maintain various kinds of ships including VLCCs.
Bahri established BahriBolloré Logistics company in 2017 that will provide logistical services and also set up BahriBunge Dry Bulk Ltd.

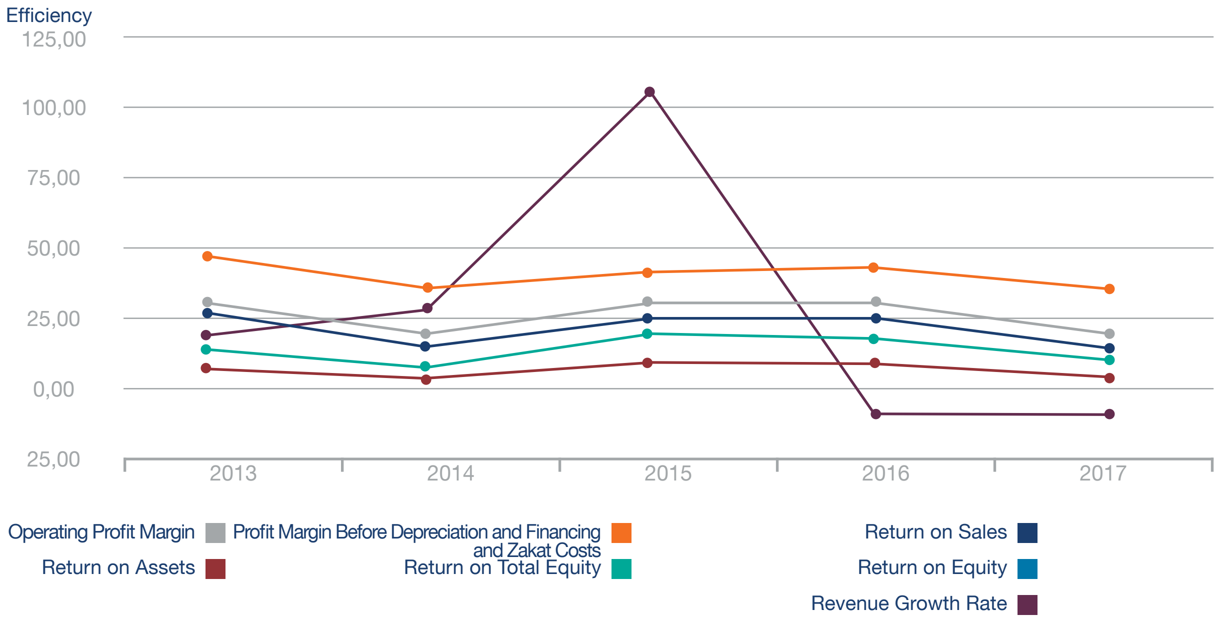
Graph 1 – Consolidated Cashflow



	Cash Flows 2013 - 2017				
(SAR "000")	**2017**	**2016**	**2015**	**2014**	**2013**
Net cash flows from operating activities	1,123,419	2,187,733	2,923,047	940,856	644,771
Net cash from investing activities	- 1,616,669	- 2,008,035	- 1,629,098	- 3,474,732	- 769,881
Net cash from financing activities	- 396,302	660,433	464,426	2,577,618	74,210
Net difference in cash and cash equivalents	- 889,552	840,131	829,523	43,742	- 50,900
Cash and cash equivalents at the end of the year	1,190,441	2,079,993	1,142,831	313,308	269,566

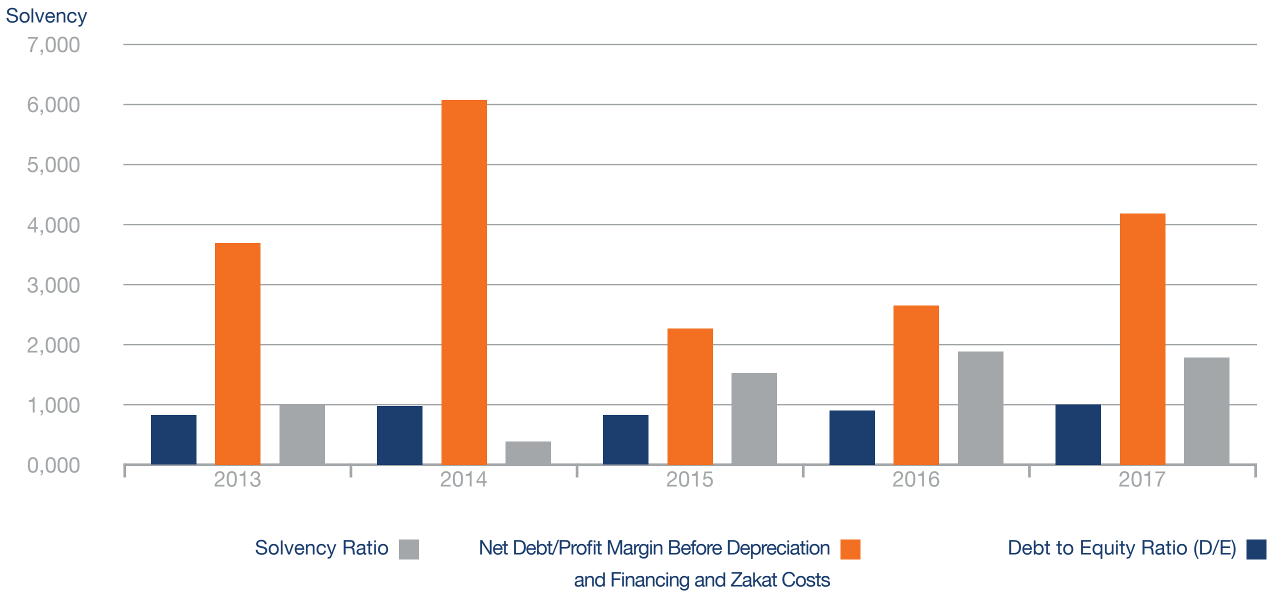
Graph 2 – Efficiency

Despite decreases in global transportation rates, the Company was able to achieve good financial results and continue delivering excellent net income and financial indicators in 2017 compared to other transport and shipping companies and with consideration to the difficulties and challenges faced by the maritime transportation sector over the year.
The Company'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				
		2017	**2016**	**2015**	**2014**	**2013**
Return on sales	%	13.34	25.77	24.35	14.72	26.43
Profit margin before depreciation and financing and Zakat costs	%	35.71	42.18	39.34	35.31	46.79
Operating Profit Margin	%	20.00	28.19	28.41	18.69	30.30
Return on Shareholders Equity	%	8.49	18.08	19.58	6.83	12.87
Return on Total Equity	%	8.13	17.35	18.74	6.52	12.16
Return on Assets	%	3.81	8.40	9.52	3.12	6.26
Revenue Growth Rate	%	-10.94	-9.05	105.83	27.39	15.50

Graph 3 – Solvency

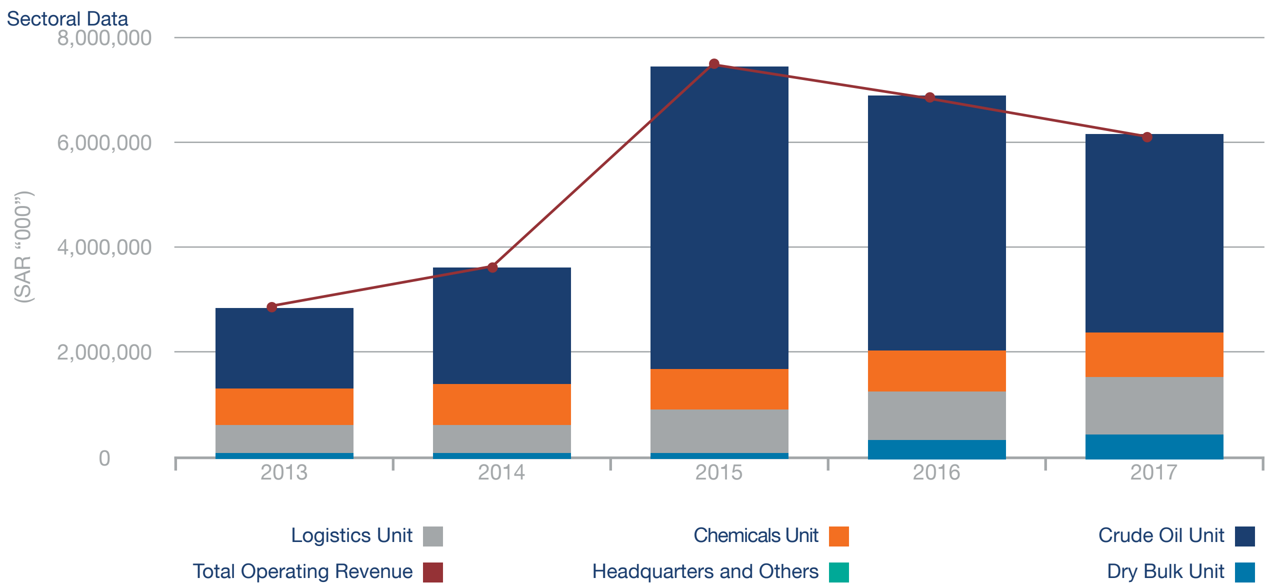


		Solvency				
		2017	2016	2015	2014	2013
Debt to Equity Ratio (D/E)	X	1.03	0.96	0.83	1.00	0.85
Net Debt/Profit Margin before depreciation and financing and Zakat costs	X	4.20	2.65	2.31	6.08	3.70
Solvency Ratio	X	1.80	1.89	1.55	0.39	1.05

The above financial indicators reflect the strong and robust financial position of the Company 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.

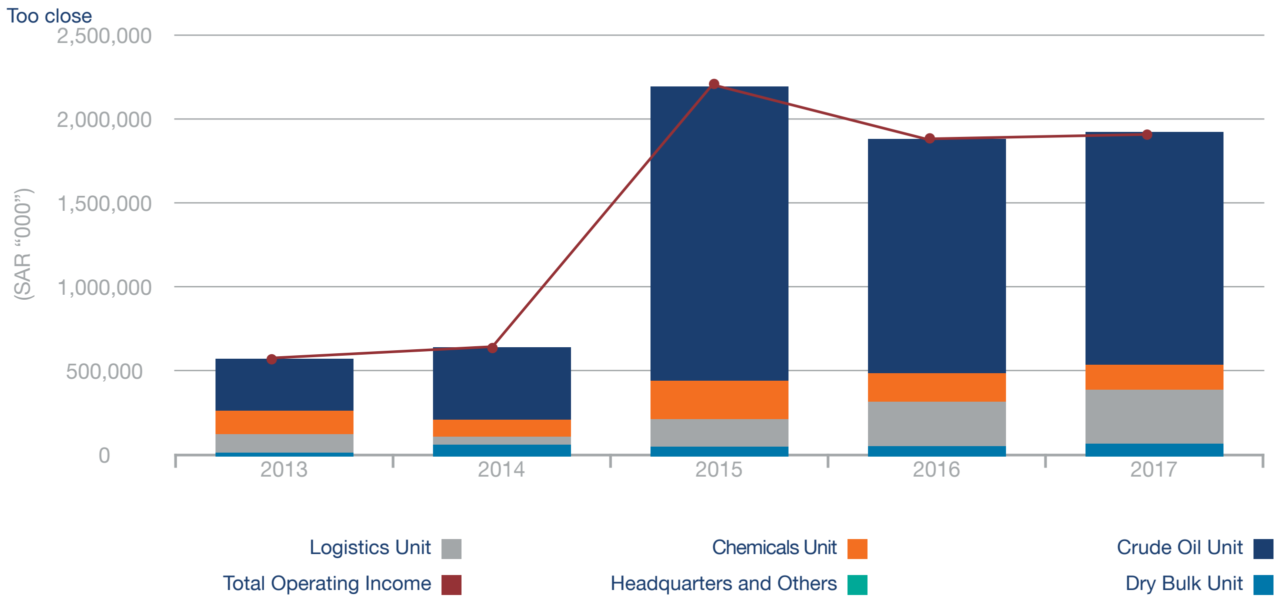
The positive financial ratios also emphasize the high liquidity and solvency enjoyed by the Company, enabling it to meet its short and long-term financial obligations and attract necessary financing to execute its strategic and expansion strategies.

Graph 4 – Operating Revenue



	Operating Revenue				
(SAR "000")	2017	2016	2015	2014	2013
Oil Transportation	3,726,244	4,797,713	5,764,525	2,152,259	1,506,756
Chemicals Unit	805,270	774,148	774,610	802,922	663,874
Logistics Unit	1,136,967	931,772	848,426	550,392	562,162
Dry bulk Transportation	362,297	271,156	114,558	120,839	113,906
Headquarters and Others	107,018	98,748	N/A	N/A	N/A
Total Operating Revenue	6,045,835	6,788,484	7,502,120	3,626,412	2,846,698

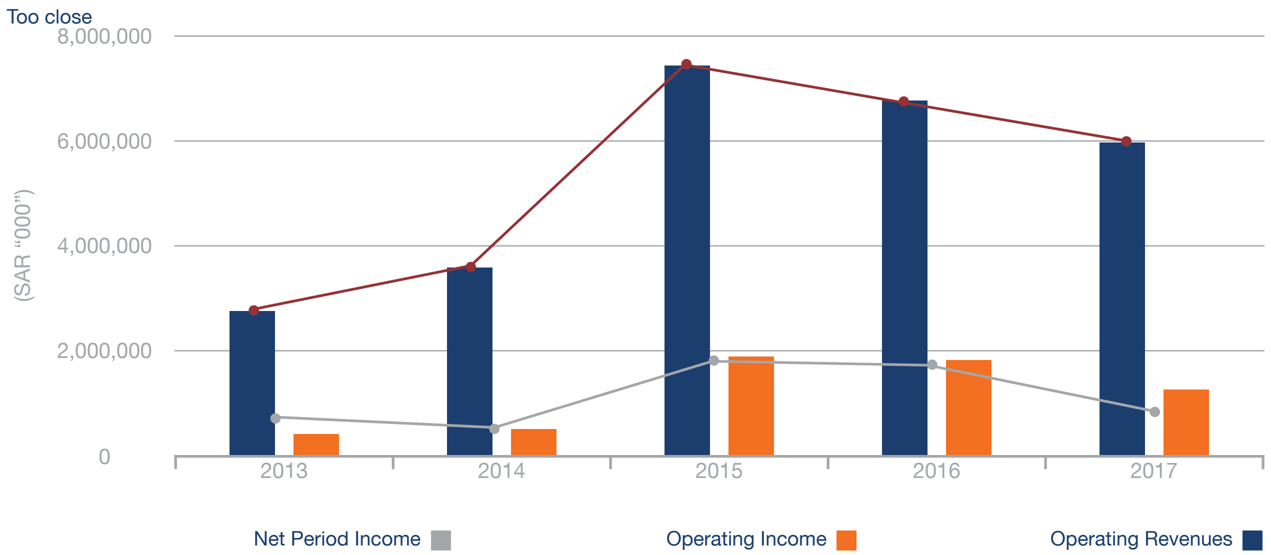
Graph 5 – Gross Operating Revenue



	Total Operating Income 2013 – 2017				
(SAR "000")	2017	2016	2015	2014	2013
Oil Transportation	776,792	1,387,926	1,746,737	448,540	307,734
Chemicals Unit	137,823	167,347	212,980	148,962	147,949
Logistics Unit	344,011	277,573	185,032	22,968	83,360
Dry Bulk Transportation	46,998	45,790	51,770	53,756	40,519
Headquarters and Others	15,057	13,695	N/A	N/A	N/A
Total Operating Income	1,320,681	1,892,331	2,196,519	674,226	579,562

Graph 6 – Consolidated Income Statement

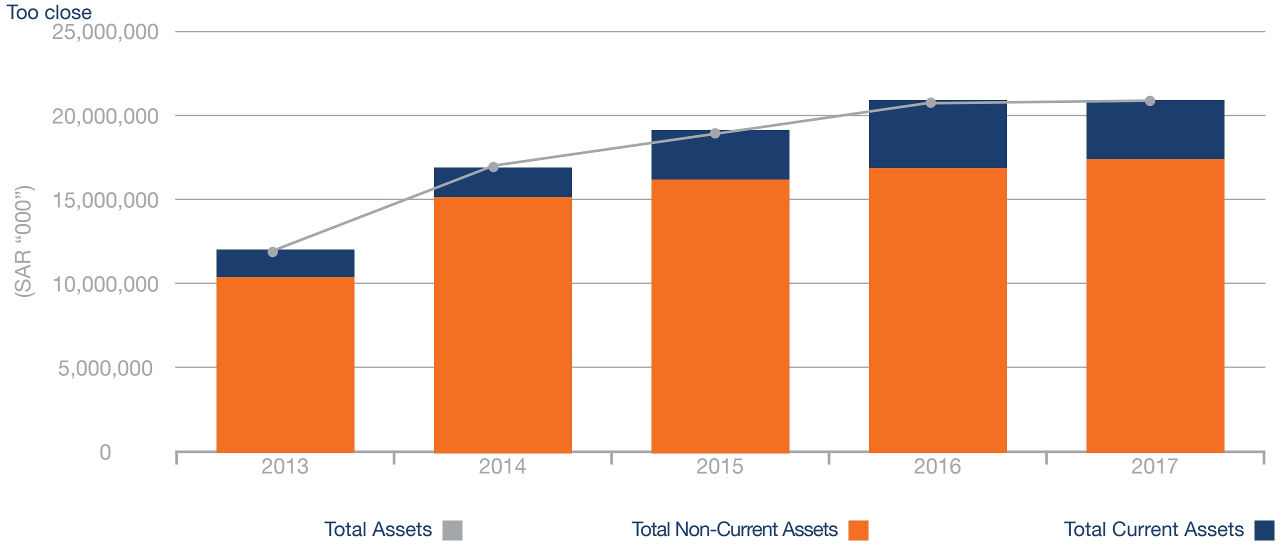
The below graph shows decreases in revenue and operating income due to declining global transportation rates in 2017 driven by a struggling global economy in addition to the declining volume of crude oil imports and exports, further compounded by a surplus in shipping capacity. Operating income, furthermore, was negatively affected by increased bunker 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.



	2016 – 2017 Consolidated Income Statement				
(SAR "000")	2017	2016	2015	2014	2013
Operating Revenues	6,045,835	6,788,484	7,502,120	3,626,412	2,846,698
Operating Income	1,320,681	1,892,331	1,980,030	575,351	500,439
Net Period Income	806,511	1,749,726	1,817,583	533,840	752,262

Graph 7 – Total Assets

The graph below shows the results of an increase in total assets in 2017 due to Bahri's expansion and increases in investments and marine fleet.



(SAR "000")	2016 – 2017 Total Assets				
	2017	2016	2015	2014	2013
Total Current Assets	3,629,374	3,812,768	2,840,531	1,838,528	1,453,027
Total Non-Current Assets	17,553,209	17,024,487	16,256,120	15,305,883	10,569,686
Total Assets	21,182,583	20,837,255	19,096,651	17,144,411	12,022,713

Bahri Five-Year Financial Results

Item	Bahri Five Year Financial Results – 2017 - 2013				
	2017	2016*	2015	2014	2013
Operating Revenue	6,045,835	6,788,484	7,502,120	3,626,412	2,846,698
Operating Expenses	(4,911,018)	(5,030,411)	(5,485,511)	(3,170,122)	(2,438,244)
Total Operating Income before Bunker Subsidy	1,134,817	1,758,073	2,016,609	456,290	408,454
Bunker Subsidy	185,864	134,258	179,910	217,936	171,108
Total Profit	1,320,681	1,892,331	2,196,519	674,226	579,562
General and Administrative Expenses	(171,274)	(111,062)	(216,489)	(98,875)	(79,123)
Other Revenue (Expenses), Net	(242,136)	(75,070)	63,130	24,429	338,544
Zakat & Tax Provisions	(100,760)	43,527	(181,354)	(37,436)	(49,858)
Non-Controlling Interest Equity	6,198	31,855	(44,223)	(28,504)	(36,863)
Net Period Income	806,511	1,749,726	1,817,583	533,840	752,262
Earnings Per Share (EPS)	2.03	4.36	4.62	1.58	2.39

* 2016 figures of the financial report were modified in accordance with the international standards

Chapter Seven

7

Statement of Assets & Liabilities

Statement of Assets & Liabilities

Item	2017	2016*	2015	2014	2013
Statement of Assets & Liabilities as of December 31, 2017					
Total Current Assets	3,629,374	3,812,768	2,840,531	1,838,528	1,453,027
Net Fixed Assets	14,746,536	13,661,896	12,798,271	12,980,017	8,512,152
Other Non-Current Assets	2,806,673	3,362,591	3,457,849	2,325,866	2,057,534
Total Assets	21,182,583	20,837,255	19,096,651	17,144,411	12,022,713
Total Current Liabilities	2,014,500	2,021,118	1,837,952	4,722,716	1,381,237
Murabaha Financing for Long-Term Loans	9,180,585	8,663,558	7,505,847	4,152,888	4,376,589
Other Non-Current Liabilities	69,467	65,482	53,774	83,538	77,464
Total Liabilities	11,264,552	10,750,158	9,397,573	8,959,142	5,835,290
Paid-In Capital	3,937,500	3,937,500	3,937,500	3,937,500	3,150,000
Reserves and Retained Earnings	5,557,718	5,740,428	5,347,158	3,877,572	2,695,729
Non-Controlling Interest Equity	422,813	409,169	414,420	370,197	341,694
Total Equity	9,918,031	10,087,097	9,699,078	8,185,269	6,187,423
Total Equity and Liabilities	21,182,583	20,837,255	19,096,651	17,144,411	12,022,713

* 2016 figures have been updated in accordance with the International Financial Reporting Standards (IFRS).

Shareholder Equity as of December 31, 2017

Year	Shareholders' Equity	Increase/Decrease	Change in Ratio
Shareholder's Equity as of December 31, 2017			
2017	9,495,218	(182,710)	1.89%-
2016	9,677,928	393,270	4.24%
2015	9,284,658	1,469,586	18.80%
2014	7,815,072	1,969,343	33.69%
2013	5,845,729	434,815	8.04%

Operating segments for the year ending December 31, 2017

2017	Oil Transportatio	Petrochemical Transportation	Logistics Transportation	Dry Bulk Transportation	Shared Assets and Liabilities*	Adjustments and deletions	Total
Operating segments for the year ending December, 31, 2017							
Operating Revenue	3,726,244	805,270	1,136,967	362,297	107,018	(91,961)	6,045,835
Operating Expenses	(3,114,438)	(677,289)	(803,992)	(315,299)	(91,961)	91,961	(4,911,018)
Fuel Subsidy	164,986	9,842	11,036	-	-	-	185,864
Total Profit	776,792	137,823	344,011	46,998	15,057	-	1,320,681
General and Administrative Expenses	(5,706)	(15,831)	(2,311)	(15,089)	(132,337)	-	(171,274)
Other Revenue (Expenses), Net	(160,804)	(85,440)	(16,799)	(19,120)	40,027	-	(242,136)
Income Before Zakat and Tax	610,282	36,552	324,901	12,789	(77,253)	-	907,271
Ration to Total	67%	4%	36%	1%	-9%		100%

Distribution of the Group's assets and liabilities according to the operating segments as of December 31,2017

	Oil Transportation	Petrochemical Transportation	Logistics Transportation	Dry Bulk Transportation	Shared Assets and Liabilities*	Total
Distribution of the Group's assets and liabilities according to the operating segments as of 31st December, 2017						
Assets	12,423,200	3,548,304	2,327,355	688,573	2,195,151	21,182,583
Percentage of Total Assets	59%	17%	11%	3%	10%	100%
Liabilities	6,849,952	2,116,263	947,529	359,611	991,197	11,264,552
Percentage Total of Liabilities	61%	19%	8%	3%	9%	100%

Statement from Bahri's Management

Bahri's Audited 2017 Financial Statements

The audit committee examined the initial annual financial statements of the Company. The committee then submitted its recommendations to the Board of Directors, which approved the submitted annual financial statements for 2017 during its meeting held on February 28, 2018. The 2017 annual report was prepared in accordance with accepted disclosure and transparency standards, requirements of the Capital Markets Authority and International Financial Reporting Standards (IFRS) approved by the Saudi Organization for Certified Public Accountants (SOCPA).

Chapter Eighth

8

Bahri Board of Directors

Table of Attendance - Board of Directors’ 2017 Meetings

		Board of Directors Meetings Attendance Sheet 2017						
Name	**Position**	**Meeting (17/1) 17/1/26**	**Meeting (17/2) 17/2/28**	**Meeting (17/3) 17/5/22**	**Meeting (17/4) 17/6/12**	**Meeting (17/5) 17/10/26**	**Meeting (17/6) 17/12/13**	**Meeting (17/7) 17/12/14**
Abdulrahman M. Almofadhi	Chairman	√	√	×	√	√	√	√
Mohammed A. Al-Sarhan	Vice Chairman	√	√	√	√	√	√	√
Ghassan A. Al-Shibl	Board Member	√	√	√	√	×	√	√
Saleh A. Al-Debasi	Board Member	√	√	×	√	√	√	√
Abdulmalik A. Al-Hoqail	Board Member	√	√	√	√	√	√	√
Ahmed A. Al-Subaey	Board Member	√	√	×	×	×	×	×
Ibrahim Q. Al-Buainain	Board Member	√	√	√	√	√	√	√
Khalid M. Al Arifi	Board Member	√	√	√	√	√	√	√
Khalifa A. Al-Mulhim	Board Member	×	√	√	√	√	√	√

The Board of Directors has three board committee including the Strategy and Investment, Audit Committee and Remuneration and Compensation committee, whose authorities and powers are specified by the Board.

Strategy and Investment Committee

The Strategy and Investment Committee is responsible for developing the main pillars of Bahri’s strategy and reviewing it periodically, considering issues referred by the Board, and ensuring optimal and effective utilization of the Company’s resources in order to enhance Bahri’s ability to maximize its return on investment.

	Strategy and Investment Committee Meetings Attendance Sheet 2017	
Name	**Position**	**Meeting (17/1) 17/1/26**
Abdulrahman M. Almofadhi	Chairman	√
Ahmed A. Al-Subaey	Board Member	√
Ghassan A. Al-Shibl	Board Member	√
Ibrahim Q. Al-Buainain	Board Member	√
Khalifa A. Al-Mulhim	Board Member	×

Audit Committee

Tasks and responsibilities:

- Examines and formulates recommendations about the initial annual consolidated financial statements of the Group in addition to examining reports from the external auditor and monitoring related corrective measures that have been identified as a result.
- Ensures the efficiency of Bahri’s internal controls, policies and procedures as well as the Company’s business, operations and internal auditing reports. It also monitors the execution of corrective measures identified to ensure Bahri’s objectives are met and shareholders’ interests are protected.
- Reviews reports from regulatory bodies and audits the procedures implemented by executive management to process them.
- Makes recommendations to the Board of Directors concerning the appointment of the external auditor, specifying their remuneration, assessing their performance, ensuring their independence and reviewing their scope of work and contracting requirements.
- Monitors risk management work and activities.

Summary:

The Audit Committee reviewed control and internal auditing procedures as outlined in the procedures approved by the Internal Auditing Department.

It also discussed initial and final annual business results with the external auditor and executive management.

The committee is satisfied with the effectiveness of Bahri’s internal auditing systems. and there are no significant issues that could cause any weakness or otherwise threaten the internal auditing system. However, the committee is aware that no internal auditing system, irrespective of how robust it is, can provide absolute affirmation of any possible issues within Bahri’s business and operations.

		Audit Committee Meetings Attendance Sheet 2017						
Name	**Position**	***Meeting (1/17) 17/1/15**	**Meeting (17/2) 17/4/24**	**Meeting (17/3) 17/4/30**	**Meeting (17/4) 17/5/3**	**Meeting (17/5) 17/7/24**	**Meeting (17/6) 17/10/23**	**Meeting (17/7) 17/12/4**
Abdulrahman A. Al-Hoqail	Chairman	-	√	√	√	√	√	√
Saleh A. Al-Debasi	Board Member	√	√	√	√	√	√	√
Khalid M. Al Arifi	Board Member	-	√	√	√	×	√	√
Saad S. Al-Ruwaita	Board Member	√	√	√	×	√	√	√

* A meeting within the previous session

Remuneration and Compensation Committee:

This committee is responsible for nominating candidates to serve a term on the Board of Directors by conducting an annual review of the needs and the skills required for board membership. In addition, the committee is responsible for reviewing the board’s structure, making recommendations concerning necessary changes, identifying strengths and weaknesses of the current board and finding ways to address them. The committee is also responsible for developing clear policies concerning remuneration and compensation for the Board of Directors and senior executives based on their performance. The Company’s Ordinary General Assembly approved the selection rules of the Remuneration and Compensation Committee members and their membership terms and mandate. The board, however, set the remuneration of the committee members.

		Remuneration and Compensation Committee Meetings Attendance Sheet 2017						
Name	**Position**	**Meeting (17/1) 17/4/27**	**Meeting (17/2) 17/5/15**	**Meeting (17/3) 17/5/22**	**Meeting (17/4) 17/6/7**	**Meeting (17/5) 17/7/25**	**Meeting (17/6) 17/9/26**	**Meeting (17/7) 17/12/14**
Mohammed A. Al-Sarhan	Chairman	√	√	√	√	√	√	√
Saleh A. Al-Debasi	Board Member	√	√	×	√	×	√	√
Ibrahim Q. Al-Buainain	Board Member	√	√	√	√	√	√	√
Khalifa A. Al-Mulhim	Board Member	√	√	√	√	×	√	√

Bahri Board of Directors Classification (Session 2017 – 2019)

	Bahri Board of Directors Classification (Session 2017 – 2019) Executive / Non-Executive / Independent
Name	**Position**
Abdulrahman M. Almofadhi	Non-executive
Mohammed A. Al-Sarhan	Independent
Saleh A. Al-Debasi	Non-executive
Ghassan A. Al-Shibl	Non-executive
Abdulmalik A. Al-Huqail	Independent
Ahmed A. Al-Subaey	Non-executive
Ibrahim Q. Al-Buainain	Non-executive
Khalid M. Al Arifi	Non-executive
Khalifa A. Al-Mulhim	Independent

Bahri Board of Directors and Board Committees Compensation and Bonuses 2017 (excluding Audit Committee)

Compensation and bonuses allocated to Bahri's Board and Board Committee members (excluding Audit Committee) amounted to SAR 3,945,000 in 2017.

2017 Compensation and Bonuses Allocated to Bahri's Audit Committee members:

Compensation and bonuses allocated to Audit Committee members amounted to SAR 470,000 in 2017.

Bahri Board of Directors' Share Ownership as of December 31, 2017

The Board of Directors declares that with exception to the shares owned by members of the board as stated in the table below, there are no private interests, share rights option, subscription rights, or ties to the company and its subsidiaries involving members of the Board, their spouses or children that could cause a conflict of interest. This includes company shares (direct or indirect) and provisions in employment contracts.

	Board of Directors Meetings Attendance Sheet 2017				
Name	**Position**	**Equity at the beginning of the period**	**Equity at the end of the period**	**Change during the period**	**Change percentage %**
Abdulrahman M. Almofadhi	Chairman of the Board	-	-	-	0%
Mohammed A. Al-Sarhan	Vice Chairman	369,053	369,053	-	0%
Saleh A. Al-Debasi	Board Member	5,200	10,500	5,300	102%
Ghassan A. Al-Shibl	Board Member	25,000	10,500	(14,500)	(58%)
Abdulmalik A. Al-Huqail	Board Member	120,000	120,000	-	0%
Ahmed A. Al-Subaey	Board Member	-	-	-	0%
Ibrahim Q. Al-Buainain	Board Member	-	-	-	0%
Khalid M. Al Arifi	Board Member	-	-	-	0%
Khalifa A. Al-Mulhim	Board Member	2,507,956	2,508,956	1,000	0%

Bahri's Board of Directors' Membership in Other Corporations (2017 – 2019)

	Bahri's Members of the Board's Membership in Other Corporations (2017 – 2019)
Name	**Position**
Abdulrahman M. Almofadhi	- The National Commercial Bank - The Saudi Real Estate Company
Mohammed A. Al-Sarhan	- None
Saleh A. Al-Debasi	- None
Ghassan A. Al-Shibl	- The Saudi Research and Marketing Group
Abdulmalik A. Al-Huqail	- The Saudi Electricity Company
Ahmed A. Al-Subaey	- None
Ibrahim Q. Al-Buainain	- None
Khalid M. Al Arifi	- None
Khalifa A. Al-Mulhim	- The Advanced Petrochemical Company - Bank Al-Jazirah

General Assemblies held during 2017:

1. The Ordinary General Assembly No.41(held on January 16, 2017), was attended by the following board members:

- Abdulrahman M. Almofadhi
- Mohammed A. Al-Sarhan
- Essam H. Al-Mubarak
- Abdullah A. Al-Ajaji
- Ahmed A. Al-Subaey
- Ibrahim Q. Al-Buainain

2. The Extraordinary General Assembly No.11 (held on April 12, 2017) was attended by the following board members:

- Abdulrahman M. Almofadhi
- Mohammed A. Al-Sarhan
- Ghassan A. Al-Shibl
- Khalid M. Al Arifi

Chapter Nine

9

Executive Management

Executive Management

With the mandate of improving the Company's competitiveness and executing its strategic operational plan, Bahri's Executive Management is led by the CEO and assisted by his deputies, business unit presidents and subsidiaries. They manage the Company's business in order to achieve the goals and visions set by shareholders and the Board of Directors.

The Executive Management is responsible for the Company's operational, financial, administrative, technical, communications and risk management activities. Furthermore, it manages all activities related to Bahri's business and assists in monitoring and executing important ad-hoc work and tasks by forming executive committees as needed.

The Executive Management is committed to responsibly using the powers delegated by the Board and adhering to approved policies. It executes Bahri's operational and strategic plans with the aim of developing and growing the Company's business in line with shareholder interests. There are no investments or reserve funds set aside for the benefit of Company's employees except what is due to them based on official company regulations.Bahri's five senior executives, including the Chief Financial Officer (CFO), hold no interest, stock rights option, subscription rights or debt holdings in any of Bahri's subsidiary companies that could cause a conflict of interest. Furthermore, they do not own source shares based on information from Tadawul as of December 31, 2017, except as outlined in the table below.

Statement of Bahri's Senior Executive's Equity during 2017

	Statement of Bahri's Senior Executive's Equity during 2017
Name	Position
Ali Al-Harbi	Acting CEO Chief Financial Officer
Ahmed Al-Ghaith	Acting President, Bahri Logistics
Anwar Siddiqui	President, Bahri Data
Per Pedersen	President, Bahri Ship Management
Majid H. Al-Shenaiber	Senior Vice President, Information Technology

Their total salaries, bonuses and equivalents amounted to SAR 8,718,519 in 2017

Bahri
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A Final Note

In conclusion, we, Bahri's Board of Directors and staff members, must extend our thanks and appreciation to Custodian of the Two Holy Mosques King Salman bin Abdulaziz, Crown Prince Mohammed bin Salman bin Abdulaziz and their government. The Board of Directors is equally grateful to Bahri's shareholders and customers; we express our deep appreciation for their invaluable trust that empowers the Board to deliver further value and lead the company to future successes. The Board also thanks the executive management and all Bahri employees for their efforts in developing and enhancing performance and for their hard work in achieving Bahri's objectives.

Chapter Ten

10

Fleet Information

Bahri Oil Tanker Fleet in 2017

No.	Vessel name	Year built	Type	Length (m)	Beam (m)	DWT	DWT No. of tanks	Speed (knot)
1	Ramlah	1996	Double hull	340	56	300,361	17	15
2	Ghawar	1996	Double hull	340	56	300,361	17	15
3	Watban	1996	Double hull	340	56	300,361	17	15
4	Hawtah	1996	Double hull	340	56	300,361	17	15
5	Safaniyah	1997	Double hull	340	56	300,361	17	15
6	Harad	2001	Double hull	333	58	303,116	17	17.1
7	Marjan	2002	Double hull	333	58	302,977	17	17.1
8	Safwa	2002	Double hull	333	58	303,139	17	17.1
9	Abqaiq	2002	Double hull	333	58	302,986	17	17.1
10	Tinat	2002	Double hull	333	60	316,502	17	15
11	Hilwah	2002	Double hull	333	60	316,808	17	15
12	Lulu	2003	Double hull	333	60	316,507	17	15
13	Shiblah	2003	Double hull	333	60	316,476	17	15
14	Wafrah	2007	Double hull	333	60	317,788	17	16.7
15	Layla	2007	Double hull	333	60	317,821	17	16.7
16	Jana	2008	Double hull	333	60	317,693	17	16.7
17	Habari	2008	Double hull	333	60	317,664	17	16.7
18	Shaybah	2008	Double hull	333	60	319,429	17	16
19	Manifa	2008	Double hull	333	60	319,428	17	16
20	Jaham	2008	Double hull	333	60	319,430	17	16
21	Jaladi	2008	Double hull	333	60	319,464	17	16
22	Khuzama	2008	Double hull	333	60	319,423	17	16
23	Karan	2009	Double hull	333	60	319,411	17	16
24	Kahla	2009	Double hull	333	60	317,521	17	16.7
25	Dorra	2009	Double hull	333	60	317,458	17	16.7
26	Ghazal	2009	Double hull	333	60	317,388	17	16.7
27	Sahba	2009	Double hull	333	60	317,563	17	16.7
28	Farhah	2010	Double hull	333	60	319,302	17	16
29	Ghinah	2010	Double hull	333	60	319,141	17	16
30	Niban	2010	Double hull	333	60	319,286	17	16
31	Nisalah	2010	Double hull	333	60	319,288	17	16
32	Kidan	2010	Double hull	333	60	321,234	17	15
33	Wedyan	2010	Double hull	333	60	321,234	17	15
34	Arsan	2010	Double hull	333	60	314,000	17	15
35	Dilam	2010	Double hull	333	60	314,000	17	15
36	Awtad	2011	Double hull	333	60	309,988	17	15
37	Amjad	2017	Double hull	333	60	298,886	17	15
38	Maharah	2017	Double hull	333	60	298,968	17	15
39	Aslaf	2017	Double hull	333	60	298,778	17	15
40	Rimthan	2017	Double hull	333	60	298,855	17	15
41	Shaden	2017	Double hull	333	60	298,750	17	15
42	Khafji	2003	Double hull	248	43	97,000	14	14
43	Bahri Iris	2005	Double hull	200	32	49,000	14	14
44	Bahri Jasmine	2005	Double hull	200	32	49,000	14	14
45	Bahri Rose	2006	Double hull	200	32	49,000	14	14
46	Bahri Tulip	2006	Double hull	200	32	49,000	14	14
	Total DWT					**13,082,507**		

Bahri Chemical Fleet in 2017

No.	Carriers	Year built	Length (m)	Beam (m)	DWT	No. of tanks	Speed (knot)
1	*NCC Makkah	1995	183.10	32.2	37.500	52	16
2	*NCC Riyadh	1995	183.10	32.2	37.500	52	16
3	*NCC Jubail	1996	183.10	32.2	37.500	52	16
4	NCC Najed	2005	183.02	32.2	46.200	22	15
5	NCC Al Hijaz	2005	183.02	32.2	46.200	22	15
6	NCC Tihama	2006	183.02	32.2	46.200	22	15
7	NCC Abha	2006	183.02	32.2	46.200	22	15
8	NCC Tabuk	2006	183.02	32.2	46.200	22	15
9	NCC Qassim	2006	183.02	32.2	46.200	22	15
10	NCC Rabigh	2007	183.02	32.2	46.200	22	15
11	NCC Sudair	2007	183.02	32.2	46.200	22	15
12	NCC Dammam	2008	183.02	32.2	46.200	22	15
13	NCC Hail	2008	183.02	32.2	46.200	22	15
14	NCC Noor	2011	183.00	32.2	45.000	22	15
15	NCC Huda	2011	183.00	32.2	45.000	22	15
16	NCC Amal	2011	183.00	32.2	45.000	22	15
17	NCC Safa	2011	183.00	32.2	45.000	22	15
18	NCC Danah	2011	183.00	32.2	45.000	22	15
19	NCC Nasma	2011	183.00	32.2	45.000	22	15
20	NCC Shams	2012	183.00	32.2	45.000	22	15
21	NCC Najem	2012	183.00	32.2	45.000	22	15
22	NCC Reem	2012	183.00	32.2	45.000	22	15
23	NCC Sama	2012	183.00	32.2	45.000	22	15
24	NCC Fajr	2013	228.00	36.8	75.000	30	14
25	NCC Qamar	2009	183.00	32.0	46.195	22	15
26	NCC Maha	2009	183.00	32.0	46.265	22	15
27	NCC Bader	2014	183.12	32.2	50,000	14	15
28	NCC Ghazal	2014	183.12	32.2	50,000	14	15
29	NCC Jood	2014	183.12	32.2	50,000	14	15
30	NCC Masa	2014	183.12	32.2	50,000	14	15
31	NCC Wafa	2014	183.12	32.2	50,000	14	15
Total capacity (DWT)				**1,441,890**			

Bahri Dry Bulk Vessels in 2017

No.	Ship	Year built	DWT	Draft (m)	Beam (m)	Length (m)	Horsepower	Speed (knots)
1	Bahri Arasco	2013	81,855	14.45	32.26	228.99	9,840	14.5
2	Bahri Grain	2014	81,855	14.45	32.26	228.99	9,840	14.5
3	Bahri Bulk	2014	81,855	14.45	32.26	228.99	9,840	14.5
4	Bahri Wafi	2014	81,855	14.45	32.26	228.99	9,840	14.5
5	Bahri Trader	2014	81,855	14.45	32.26	228.99	9,840	14.5

Bahri Logistics Vessels in 2017

No.	Ship	Year built	Weight (DWT)	Draft (m)	Beam (m)	Length (m)	Capacity (TEU con¬tainer)	Horsepower	Speed (knots)
1	Bahri Abha	2013	26.00	9.5	32.30	225	2.50	8.907	17
2	Bahri Hofuf	2013	26.00	9.5	32.30	225	2.50	8.907	17
3	Bahri Tabuk	2013	26.00	9.5	32.30	225	2.50	8.907	17
4	Bahri Jazan	2013	26.00	9.5	32.30	225	2.50	8.907	17
5	Bahri Jeddah	2014	26.00	9.5	32.30	225	2.50	8.907	17
6	Bahri Yanbu	2014	26.00	9.5	32.30	225	2.50	8.907	17

Chapter Eleven

11

Consolidated Financial Statements

and Independent Auditor's Report
For the year ending December 31, 2017

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

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)

Opinion
We have audited the consolidated financial statements of The National Shipping Company of Saudi Arabia - a Saudi Joint Stock Company - (the "Company") and its subsidiaries (collectively with the Company referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity and for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants.

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company) - continued

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
First time Adoption of International Financial Reporting Standards (IFRS) As a result of the regulatory requirement in the Kingdom of Saudi Arabia, effective 1 January 2017, the Group is required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (referred to as "IFRS as endorsed in KSA"). For all periods up to and including the year ended 31 December 2016, the Group prepared and published its audited consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP) issued by Saudi Organization for Certified Public Accountants ("SOCPA") in KSA (referred to as "SOCPA GAAP"). The consolidated financial statements for the year ended 31 December 2017 are the Group's first consolidated financial statements prepared in accordance with IFRS as endorsed in KSA. Accordingly, the Group has applied IFRS as endorsed in KSA for preparation of its consolidated financial statements for the year beginning 1 January 2017, as well as for presenting the relevant comparative period data. In compliance with requirements of IFRS 1 as endorsed in KSA, the Group's opening statement of consolidated financial position was prepared as at 1 January 2016 after incorporating required adjustments to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Group has assessed the impact and significant adjustments made on transitioning from SOCPA GAAP to IFRS as endorsed in KSA in the Group consolidated financial statements as at 1 January 2016 and 31 December 2016. We considered this as a key audit matter, since the first time adoption of IFRS has significant impact on the consolidated financial statements from the recognition, measurement, presentation and disclosure perspective. Refer to notes 2.1 and 32 to the consolidated financial statements for the details of transition and reconciliation adjustments between SOCPA GAAP and IFRS as endorsed in KSA.	We performed the following procedures in respect of the transition to IFRS as endorsed in KSA: • Assessed the appropriateness of the implementation of IFRS as endorsed in KSA in accordance with the provisions of IFRS 1 as endorsed in KSA. • Assessed the appropriateness of the accounting policies adopted. • Evaluated the GAAP differences identified by the Group's management. • Tested a sample of adjustments (including calculation and recording) made to various balances and transactions to bring them in line with IFRS as endorsed in KSA. • Assessed the appropriateness of disclosures made in relation to transition impact from SOCPA GAAP to IFRS as endorsed in KSA. • Assessed the appropriateness of exceptions to retrospective application of other IFRSs as endorsed in KSA and optional exemptions availed by the Group from full retrospective application of certain IFRSs as endorsed in KSA, in preparing the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company) - continued

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
Review of estimated useful lives of the Group's vessels The Group owns and operates 88 vessels that are used in its transportation activities. The carrying value of these vessels, which is shown as part of property and equipment, is SR 14.6 billion, representing around 69% of total assets as at 31 December 2017. The management reviews the estimated useful lives of the vessels on an annual basis. This review includes significant judgment by the Group's management to assess and estimate the vessels useful lives. 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 its use. However, there are other factors, often result in a diminution of the economic benefits that might have been obtained from the asset, which ultimately impact the determination of the estimated useful life. These factors are mainly the following: • expected physical wear and tear • future usage of the vessels • potential changes in market demand • expected technical and commercial obsolescence We considered this as a key audit matter, since this assessment requires significant degree of management judgment, in particular, when considering the factors mentioned above, which directly impact the determination of the estimated useful lives of vessels. Also, the potential impact of any changes in these estimates could be material to the consolidated financial position and results of operation of the Group. Refer to note 4.6 of the consolidated financial statements for the accounting policy of property and equipment, note 4.2 for significant accounting judgement, estimates and assumptions and note 6 for the disclosure of property and equipment.	The procedures we performed included the following: • Assessed the appropriateness of the procedures performed by management to estimate the useful lives of vessels. • Tested, on a sample basis, the supporting documents used by management in the estimation process of useful lives. • Reviewed, on a sample basis, the vessels' inspection reports that are prepared by the Group's Technical Department, to assess the physical condition of these assets. • Reviewed the benchmarking reports prepared by management that cover relevant industry information on vessels' estimated useful lives. • Reviewed, on a sample basis, documents that support the maintenance of vessels (i.e. dry-docking) occurred during the year. • Assessed the adequacy of the Group's disclosures in respect of estimation of useful lives in the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company) - continued

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property and equipment As at 31 December 2017, total property and equipment of the Group amounted to SR 14.7 billion. The Group's management, on an annual basis, assesses whether there is an indication that an asset may be impaired (mainly; vessels). If an indication exists, the management estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or related cash generation unit (represented by an operating vessel) fair value less costs to sell and its value in use. As part of the Group process to review the indication of impairment of its vessels, the management considers internal and external factors, such as the following: • 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 is available of obsolescence or physical damage of the vessels • significant changes with an adverse effect to the vessels, which include the vessels becoming idle, plans to discontinue its operation and plans to dispose of a vessel • reassessment of the useful lives of the vessels • operating loss of the vessels We considered this as a key audit matter, since the assessment of impairment indicators requires a significant degree of judgment by management in considering external and internal factors. Also, the potential impairment, if exists, could have material impact to the consolidated financial position and results of operation of the Group. Refer to note 4.18 of the consolidated financial statements for the accounting policy that relate to impairment of non-financial assets, note 4.2 for significant accounting judgments, estimates and assumptions and note 6 for the disclosure of property and equipment.	The procedures we performed included the following: • Assessed the design and effectiveness of the management's process to determine whether impairment indications exist or not. • Obtained and reviewed the management report that relates to the assessment of impairment of the Group's fleet of vessels. • Reviewed, on a sample basis, the vessels' inspection reports that are prepared by the Group's Technical Department, to assess the physical condition of the vessels. • Reviewed internal reports (include Board of Directors minutes of meetings) to consider any future plans for the vessels. • Reviewed the operating profit and loss statement for each vessel during the year.

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Other information included in The Group's 2017 Annual Report
Other information consists of the information included in the Group's 2017 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2017 annual report is expected to be made available to us after the date of this auditor's 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 Group's 2017 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the 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.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company) - continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism 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.

- 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, we are required to draw attention in our auditor's 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 auditor's 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 the audit committee 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.

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

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of The National Shipping Company of Saudi Arabia
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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's 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 Ernst & Young

Abdulaziz A. Al-Sowailim
Certified Public Accountant
License No. (277)

Riyadh: 16 Jumad Thani 1439H
(4 March 2018)

Consolidated Statement of Financial Position
As at December 31, 2017 (In Thousands Saudi Riyals)

	Notes	2017	2016 (Note 32)	1 January 2016 (Note 32)
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	6	**14,746,536**	13,661,896	12,642,669
Ships under construction	7	**959,390**	1,235,565	1,099,901
Intangible assets	8	**719,593**	772,064	849,464
Investment in an associates	9	**995,161**	1,123,848	1,027,941
Receivables from finance lease	10	**121,735**	207,498	251,730
Other investments	11	**10,794**	23,616	23,576
TOTAL NON-CURRENT ASSETS		**17,553,209**	17,024,487	15,895,281
CURRENT ASSETS				
Receivables from finance lease - current portion	10	**56,860**	44,232	36,109
Inventories	12	**290,759**	240,675	203,610
Trade receivables, net	13	**1,474,988**	1,071,729	989,879
Prepayments and other current assets	14	**364,951**	376,139	337,423
Investment held for sale	9	**251,375**	-	-
Murabaha and short-term deposits	15.1	**692,921**	1,908,262	1,066,597
Cash and cash equivalents	15	**497,520**	171,731	173,265
TOTAL CURRENT ASSETS		**3,629,374**	3,812,768	2,806,883
TOTAL ASSETS		**21,182,583**	20,837,255	18,702,164
EQUITY AND LIABILITIES				
EQUITY	16	**3,937,500**	3,937,500	3,937,500
Share capital	17	**2,453,835**	2,373,804	2,197,890
Statutory reserve		**(5,342)**	(6,694)	(11,061)
Other reserves		**3,109,225**	3,373,318	2,817,536
Retained earnings		**9,495,218**	9,677,928	8,941,865
Equity attributable to equity holders of the parent company	31			
Non-controlling interests		**422,813**	409,169	377,314
Total equity		**9,918,031**	10,087,097	9,319,179
LIABILITIES				
NON-CURRENT LIABILITIES				
Sukuk and long term loans	18	**9,180,585**	8,663,558	7,475,216
Employees' benefits	19	**69,467**	65,482	65,349
TOTAL NON-CURRENT LIABILITIES		**9,250,052**	8,729,040	7,540,565
CURRENT LIABILITIES				
Long term loans - current portion	18	**1,075,289**	1,001,146	547,016
Trade payables and other current liabilities	20	**694,947**	800,419	998,593
Provision for zakat and taxes	21	**244,264**	219,553	296,811
TOTAL CURRENT LIABILITIES		**2,014,500**	2,021,118	1,842,420
TOTAL LIABILITIES		**11,264,552**	10,750,158	9,382,985
TOTAL EQUITY AND LIABILITIES		**21,182,583**	20,837,255	18,702,164

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Consolidated Statement of Income
For the year ending December 31, 2017 (In Thousands Saudi Riyals)

	Notes	2017	2016 (Note 32)
Revenues		**6,045,835**	6,788,484
Operating costs		**(4,911,018)**	(5,030,411)
Gross profit before bunker subsidy		**1,134,817**	1,758,073
Bunker subsidy		**185,864**	134,258
Gross profit		**1,320,681**	1,892,331
General and administrative expenses	22	**(171,274)**	(111,062)
Other expenses, net	23	**(24,198)**	(1,508)
Total operating profit		**1,125,209**	1,779,761
Finance income		**8,344**	18,955
Finance costs	24	**(308,435)**	(239,561)
Share in results of an associate	9	**82,153**	147,044
Income before zakat and taxes		**907,271**	1,706,199
Zakat and taxes, net	21	**(100,760)**	43,527
Net income for the year		**806,511**	1,749,726
Net income for the year attributable to:			
Equity holders of the parent company		**800,313**	1,717,871
Non-controlling interests	31	**6,198**	31,855
		806,511	1,749,726
Earnings per share (Saudi Riyal):			
Basic	25	**2.03**	4.36
Diluted	25	**2.03**	4.36

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
For the year ending December 31, 2017 (In Thousands Saudi Riyals)

	Note	2017	2016 (Note 32)
Net income for the year		806,511	1,749,726
Items that will not be reclassified to consolidated statement of income			
Re-measurement gain on defined benefit plans	19	1,352	4,367
Total comprehensive income for the year		807,863	1,754,093
Total comprehensive income attributable to:			
Equity holders of the parent company		801,665	1,722,238
Non-controlling interests	31	6,198	31,855
Total comprehensive income for the year		807,863	1,754,093

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ending December 31, 2017 (In Thousands Saudi Riyals)

	Note	2017	2016
OPERATING ACTIVITIES			
Net income for the year		806,511	1,749,726
Adjustments to reconcile net income for the year:			
Depreciation of property and equipment	6	801,567	914,922
Amortization of intangible assets	8	52,471	52,732
Provision (reversal of provision) for doubtful debts, net	13	1,638	(15,452)
Finance income		(8,344)	(18,955)
Finance costs	24	308,435	239,561
Share in results of an associate	9	(82,153)	(147,044)
(Gain) loss on disposal of property and equipment	23	(5,286)	32,942
Provision (reversal of provision) for zakat and taxes	21	100,760	(43,527)
		1,975,599	2,764,905
Changes in operating assets and liabilities:			
Inventories		(50,084)	(37,065)
Trade receivables		(404,897)	(66,398)
Prepayments and other current assets		16,864	(38,716)
Receivables from finance lease		73,135	36,109
Trade and other payables		(152,105)	(341,307)
Employees' benefits		10,468	10,924
Cash generated from operations		1,468,980	2,328,452
Finance costs paid		(262,581)	(98,764)
Zakat and taxes paid	21	(76,049)	(33,731)
Board members' compensation paid		(1,800)	(1,800)
Employees' benefits paid		(5,131)	(6,424)
Net cash flows from operating activities		1,123,419	2,187,733
INVESTING ACTIVITIES			
Acquisition of property and equipment	6,7	(827,373)	(1,798,166)
Proceeds from disposal of property and equipment	6	7,582	47,913
Ships under construction	7	(784,955)	(327,834)
Investment in an associates	9	(74,625)	-
Dividends received from an associate	9-1	34,090	51,137
Proceeds from finance income		8,344	18,955
Other investments		12,822	(40)
Non-controlling interests		7,446	-
Net cash flows used in investing activities		(1,616,669)	(2,008,035)
FINANCING ACTIVITIES			
Proceeds from long term loans	18	1,586,640	2,146,128
Proceeds from short term loans	18	-	781,688
Repayment of long term loans	18	(1,001,146)	(503,656)
Repayment of short term loans	18	-	(781,688)
Dividends paid	30	(981,796)	(982,039)
Net cash flows (used in) from financing activities		(396,302)	660,433
(Decrease) increase in cash and cash equivalents		(889,552)	840,131
Cash and cash equivalents at 1 January	15	2,079,993	1,239,862
Cash and cash equivalents at 31 December	15	1,190,441	2,079,993
Major non-cash transactions:			
Ships under construction transferred to property and equipment	7	1,061,130	192,170

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
(For the year ending December 31, 2017 (In Thousands Saudi Riyal

	Attributable to equity holders of the parent company						
	Share capital	Statutory reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2016	3,937,500	2,197,890	(11,061)	2,817,536	8,941,865	377,314	9,319,179
Net income for the year	-	-	-	1,717,871	1.717.871	31,855	1,749,726
Other comprehensive income	-	-	4,367	-	4,367	-	4,367
Total comprehensive income for the year	-	-	4,367	1,717,871	1,722,238	31,855	1,754,093
Transferred to statutory reserve	-	175,914	-	(175,914)	-	-	-
Dividends (note 30)	-	-	-	(984,375)	(984,375)	-	(984,375)
Board members' compensation	-	-	-	(1,800)	(1,800)	-	(1,800)
Balance as at 31 December 2016	3,937,500	2,373,804	(6,694)	3,373,318	9,677,928	409,169	10,087,097
Balance as at 1 January 2017	3,937,500	2,373,804	(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	2,453,835	(5,342)	3,109,225	9,495,218	422,813	9,918,031

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
December 31, 2017 (In Thousands Saudi Riyal)

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

The National Shipping Company of Saudi Arabia (the "Company", "Bahri" or "Parent"), 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 is located in Olya district, Olya 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 on vessels' board transport and storage, and all of the marine transport activities. 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 thousand shares as of December 31, 2017 and December 31, 2016. The par value per share is SAR 10.

The subsidiary companies incorporated into these consolidated financial statements of the group include:

Subsidiary	Date of incorporation	Ownership % 2017	Ownership % 2016	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 Limited Co. (NCC)	1990	80٪	80٪	Petrochemicals transportation	KSA
Bahri Dry Bulk LLC and its Subsidiary* (BDB)	2010	60٪	60٪	Dry bulk transportation	KSA
BahriBolloré Logistics**	2017	60٪	-	Logistic Services	KSA

*During 2017, Bahri Dry Bulk LLC (a subsidiary) and Koninklijke Bunge B.V. (Netherlands Company) has established Bahri Bunge Dry Bulk Ltd in the UAE, with capital of SAR 18.7 million. The Company engages in chartering vessels for the purpose of importing and exporting dry bulk commodities between the Middle East and the world. Bahri Dry Bulk Company owns 60% of share capital.

**During 2017, BahriBollore Logistics company was established in Saudi Arabia with a capital of SAR 15 million. The company's responsibilities are to provide comprehensive logistics services including freight brokerage, transportation and all services associated with transportation. Bahri owns 60% of share capital. The company paid its capital share during 2018.

The following are the associated companies that are not consolidated into these consolidated financial statements of the Group (note 9):

Associate	Date of incorporation	Ownership % 2017	Ownership % 2016	Principal Activity	Location
Petredec Limited	1980	30.30٪	30.30٪	Liquefied petroleum gas transportation	Bermuda
International Maritime Industries Company	2017	19.9٪	-	Maritime industries	KSA

Group's Fleet:
As at December 31, 2017, the Group owns eighty-eight vessels (December 31, 2016: eighty-three vessels, January 1, 2016: seventy-five vessels) operating in various sectors as the following:

Crude oil transportation sector:
Consists of forty-six (December 31, 2016: forty-one vessels, January 1, 2016: thirty-eight vessels)Very Large Crude Carriers (VLCCs), out of which forty are operating in the spot market, while five product tankers are chartered to Saudi Arabian Oil Company (Saudi Aramco).

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

1.THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION (continued)

Chemicals transportation sector: This sector is fully operated by National Chemical Carriers Limited Company (a subsidiary), and it owns thirty-one (December 31, 2016: thirty-one vessels, January 1, 2016: twenty-six vessels) specialized tankers distributed as follows:

- Three tankers are leased in the form of iron under finance lease signed on January 30, 2009, with Odfjell SE (a trading partner) (note 10).
- Sixteen tankers that are operates in the spot market.
- Six tankers are chartered to the International Shipping and Transportation Co. Ltd., a subsidiary of Saudi Basic Industries Corporation ("SABIC"), and five tankers are chartered to Saudi Aramco.
- One tanker operates in a pool with Odfjell SE (note 27).

Logistics sector:

Consists of six RoCon vessels (December 31, 2016: six vessels, January 1, 2016: six vessels) operating 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 Bahri Dry Bulk Company (a subsidiary), and it owns five vessels (December 31, 2016: five vessels, January 1, 2016: five 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") (referred to as "IFRS as endorsed in KSA"). These are also the Group's first consolidated financial statements prepared in accordance with IFRS as endorsed in KSA, and accordingly, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in KSA has been applied in the current year. Refer to note 32 for information on the first time adoption of IFRS as endorsed in KSA by the Group.

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 (SR), 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 OF FINANCIAL STATEMENTS

The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return. The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees. Based on the above considerations, the management and the Group believe: there is a pattern of past and existing practice of the Group's involvement in the relevant activities of these investees resulting in an impact on their returns and also indicating a more than passive interest of the Group in such investees; and the Group has created an environment in which the set-up and function of these investees and their interrelationship with the Group leads towards a judgement of 'control'.

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combination using the acquisition method when control is transferred to the Group. The consideration transferred in the cost of acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition and fair value of Non-Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in the consolidated statement of financial position. NCI is are measured at is their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

The portion of profit or loss, net assets and other comprehensive income not controlled by the Group are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. New standards, amendments to standards and interpretation, and standards issued and not yet effective

4.1.1. New standards, amendment to standards and interpretations

The Group has adopted, as appropriate, the following new and amended IASB Standards, effective January 1,2017.

a) Disclosure initiative (amendments to IAS 7)

The amendments require disclosures of information that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Group's financing activities, as disclosed in the consolidated statement of cash flows, represents only cash flow changes.

b) Annual improvements to IFRS (2014 – 2016) cycle amendments to IFRS 12 disclosure of interests in other entities

The amendments clarify that disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. There is no impact of this amendment on the Group's consolidated statements.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1. New standards, amendments and standards issued and not yet effective (continued)

4.1.2. Standards issued but not yet effective

Following are the new standards and amendments to standards the are effective for annual periods beginning after January 1, 2018 and earlier application is permitted; The Group has not early adopted these standards in preparing these consolidated financial statements.

a) IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and the standard will not be adopted for comparative figures. The Group performed a detailed assessment of IFRS 9, which is subject to changes arising from additional information that will be available to the Group on the date of application. The Group does not expect significant effect on the consolidated financial position nor the consolidated statement of changes in equity from the adoption of the standard.

Classification and measurement

The Group does not expect a significant impact on its consolidated statement of financial position or consolidated statement of changes in equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring all financial assets currently held at fair value.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that the trade receivables will continue to be measured at amortized cost under IFRS 9 and will be classified as financial assets measured at amortization cost.

Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under "IAS 39." It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under "IFRS 15 – Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. It is not expected to have an impact on the consolidated statement of financial statement and consolidated statement of changes in equity.

Hedge accounting

The new hedge accounting rules will align instruments more closely with the Group's risk management practices. As a general rule, more hedge relations might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group will reassess the effect of adopting commissions rate options as per IFRS 9.

Disclosure

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of adoption of the new standard.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1. New standards, amendments and standards issued and not yet effective (continued)

4.1.2. Standards issued but not yet effective (continued)

b) IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Group will implement the standard using a retrospective approach option. The Group has performed a detailed analysis, subject to changes arising from additional information available to the Group during the year 2018. In general, the Group does not expect a significant impact on the consolidated statement of financial positons nor the consolidated statement of changes in equity from adopting IFRS 15.

c) IFRS 16 Leases

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 periods 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.

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 same election to all of its leases contracts. The Group plans to adopt IFRS 16 on January 1,2019. The Group has not yet determined which transition approach to apply. 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.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 New standards, amendments and standards issued and not yet effective (continued)

4.1.2. Standards issued but not yet effective (continued)

d) Annual improvements to IFRS (2014 – 2016) cycle

- IFRS 1 First-time Adoption of IFRS - Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning from January1, 2018.
- IAS 28 Investments in Associates and Joint Ventures - A venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The adjustments should be accounted for using a retrospective approach, and it is effective from January 1, 2018 and early adoption is permitted. In case, the Company will follow the adjustment, the Company should disclose it. This exemption is not applicable to the Group.

4.2 Significant accounting judgement, estimates, and assumptions

The preparation of the Group consolidated 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 yearend financial statements in which the estimates are revised if the revision affects only those yearend financial statements, or in the year end financial statements of the revision and future periods if the revision affects both current and future periods.

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

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.

Provisions

The provision policy for doubtful debts of the Group is based on the ageing analysis and management›s continuous evaluation of the recoverability of the outstanding receivables. Management considers in assessing the ultimate realization of these receivables among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4.2 Significant accounting judgement, 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.

4.3. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and cash equivalent, short-term deposits, and Murabaha with an original maturity of three months or less, which are not subject to a significant 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.

4.4. Inventories

Inventories consisting of fuel and lubricants on board of the vessels are shown as inventories at the consolidated statement of financial position date, and the cost is determined using the First in First Out (FIFO) method. Spare parts and other consumables on board for each vessel are charged to operating expenses upon purchase. Cost includes the net purchase price and any other direct expenses related to the acquisition.

4.5. Investment in associates and joint ventures

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. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5. Investment in associates and joint ventures (continued)

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

4.6. Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and 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 income as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated using the straight-line method, net of their residual values, over their estimated useful lives as follows:

Asset class	Estimated 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
Computer equipment	4-6
Containers yard equipment	4-10

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 period 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 income during the period in which such operation is commenced.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6. Property and equipment (continued)

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 income when the asset is derecognized.

The residual values, remaining useful lives, and methods of depreciation of property and equipment are reviewed at each financial reporting period and adjusted prospectively, if difference is material.

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 includes amounts paid for the construction of new vessels that are not ready for their intended use at yearend These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

4.8. Goodwill and other intangible assets

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible Assets

Intangible assets other than goodwill are measured at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over their 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 period 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 period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite life is recognized in the consolidated statement of income.

Notes to the Consolidated Financial Statements (continued) December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9. Leases

Group as a lessor

Leases in which the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. Finance leases are recorded at the inception of the lease at the lower of the fair values of the leased asset and the present value of the minimum lease payments.

Gross investment in finance leases include the total of 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 finance leases. Any unguaranteed residual value of the assets is reviewed periodically and any decrease in the residual value is recorded immediately.

Initial direct costs incurred by 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.

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 income.

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 income on a straight-line basis over the lease term. Notes to the Consolidated Financial Statements (continued)
31 December 2017 (In Thousands Saudi Riyal)

Notes to the Consolidated Financial Statements (continued) December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through statement of income, held-to-maturity financial assets, loans and receivables and available-for-sales financial assets.

Measurement

Financial assets at fair value through statement of income - A financial asset is classified as at fair value through statement of income if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value income statement are measured at fair value and changes therein, including any interest or dividend income, are recognized in consolidated statement of income.

Financial assets held-to-maturity - These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Available-for-sale financial assets - These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in statement of other comprehensive income and recorded in accumulated fair value of financial assets. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through consolidated statement of income, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purpose of subsequent measurement, financial assets are classified in three categories:
a) Receivables
b) Investments held to maturity
c) Available for sales “AFS” financial assets

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the Effective Interest Rate “EIR” method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income in finance costs for loans and in cost of sales or other operating expenses for receivables.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10. Financial Instruments (continued)

Investments held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity investments when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of income as finance costs.

AFS financial assets

AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held-for-trading nor designated at fair value through income statement.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited to the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other comprehensive income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of income in finance costs. Finance income earned whilst holding AFS financial assets is reported as finance income using the EIR method.

Unquoted equity instruments are carried at cost as their fair value cannot be measured reliably. The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to the consolidated statement of income over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

a) The rights to receive cash flows from the asset have expired, or
b) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10. Financial Instruments (continued)

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Finance income (recorded as finance income in the consolidated statement of income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant decline' is evaluated against the original cost of the investment and 'prolonged decline' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income – is removed from OCI and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through income statement; increases in their fair value after impairment are recognized in OCI. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.
Future finance costs continue to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The finance costs are recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10. Financial Instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through consolidated statement of income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through statement of income

Financial liabilities at fair value through consolidated statement of income include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through consolidated statement of income.

Financial liabilities are classified as held-for-trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through income statement are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through statement of income.

Long term loans

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

This category generally applies to interest-bearing loans.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10. Financial Instruments (continued)

Financial liabilities (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offsetted and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Hedge agreements and derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to certain portions of its interest rate risks arising from financing activities. The use of financial derivatives is governed by the Group's policies, which provide principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in equity, if material and the ineffective portion is recognized immediately in the consolidated statement of income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability if recognized, the associated gain or loss on the derivative that had previously been recognized is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the consolidated statement of income in the same period in which the hedged item affects net income or loss.
Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of income as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualified for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transactions occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the consolidated statement of 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.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12. Revenue recognition

Revenue from transportation

Revenue is primarily generated from the rendering of transport services. Revenue is therefore recognized using the percentage-of-completion method as per IAS 18 and the percentage of completion / transport progress is determined based on the length of estimated voyage.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group determines whether it acts as a principal or an agent.The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

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 from chartering and other attributable activities are recorded when services are rendered over the duration of the related contractual services.

Onerous contracts
An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. For contracts that became onerous, the present obligation under the contract is recognized and measured as a provision.

Other income
Other income is recognized when earned.

4.13. 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 an 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.

4.14. 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 a 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 a 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).

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15. 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 of the preparation of the consolidated financial statements and their consolidated 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 income. 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.

4.16. Zakat and tax

Zakat is provided for the Company and its subsidiaries in the Kingdom of Saudi Arabia in accordance with the Regulations of General Authority of Zakat and Tax (the "GAZT") in the Kingdom of Saudi Arabia, and the provision is charged to the consolidated statement of income.
For subsidiaries outside the Kingdom of Saudi Arabia, income tax is provided for in accordance with the regulations applicable in the respective countries and is charged to the consolidated statement of income.
Provision is made for withholding tax on payments to non-resident parties and is charged to the consolidated statement of income.

4.17. Borrowing costs

Borrowing costs are directly attributed to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period 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 period in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

4.18. 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 income 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.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18. Impairment of non-financial assets (continued)

Such reversal is recognized in the consolidated statement of income 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 annually as at December 31 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 annually at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

4.19. 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 groups classified as held for sale are measured at the lower end 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, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

4.20. Cash dividends to the shareholders

The Group recognizes a liability to make cash distribution to equity holders of the Parent when the distribution is authorized and the distribution is no longer at the discretion of the Group. In accordance with the Companies Law in KSA, a distribution is authorized when it is approved by the shareholders.

4.21. Employees' benefits

The Group has defined benefit plans with General Organization for Social Insurance "GOSI" where the Group and the employees contribute fixed percentage of their salary toward the retirement of its employees. The Group operates defined benefit plans, under the Saudi Arabian Labor Law based on employees' accumulated periods of service at the consolidated statements of financial position.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the year end in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21. Employees' benefits (continued)

Past service costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date on which the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under "general and administrative expenses" in the consolidated statement of income:

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

4.22. 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 income net of any reimbursement.

4.23. 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.

4.24. Earnings per share

The Group determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by ordinary equity of the parent by the weighted average number of ordinary shares outstanding (the denominator) during the year. For the purpose of calculating basic earnings per share, the number of ordinary shares is the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period 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 period; 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.

4.25. Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company 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 capital. This reserve is not available for distribution.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.26. Operating segments

For management purposes, the Group is organized into business units based on their operations and has the following reportable segments:

- Oil transportation
- Chemical transportation
- Logistics
- Dry bulk transportation,
- Others and corporate

Note 1 to the consolidated financial statements describes the operations related to the above segments. "Others and corporate" column consist of the vessel's technical operations management and Group's corporate activities. The Group's management monitors the operational results of the segments separately for the purposes of making decisions about resource allocation and performance assessment. Segments' performance is evaluated based on the profit or loss and measured consistently with the profit or loss in the consolidated financial statements.

The Group's accounting policies used in the segment reporting is the same as the accounting policies described in note 4 to the consolidated financial statement.

Intersegments revenues are recorded either at values that approximate third-parties selling prices or at prices mutually agreed by the management of the operating segments. Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

5. OPERATING SEGMENTS

For management purposes, the Group is organized into business units based on its operations as it is illustrated in note 4.26:

2017	Oil transportation	Chemical	Logistic	Dry bulk transportation	Head office and Others	Adjustments and eliminations'	Total
Revenue	3,726,244	805,270	1,136,967	362,297	107,018	(91,961)	6,045,835
Operating cost	(3,114,438)	(677,289)	(803,992)	(315,299)	(91,961)	91,961	(4,911,018)
Bunker subsidy	164,986	9,842	11,036	-	-	-	185,864
Gross profit	776,792	137,823	344,011	46,998	15,057	-	1,320,681
General and administrative expenses	(5,706)	(15,831)	(2,311)	(15,089)	(132,337)	-	(171,274)
Other income (expenses), net	-	(28,193)	7,057	387	(3,449)	-	(24,198)
Finance income	-	1,410	-	999	5,935	-	8,344
Finance cost	(160,804)	(58,657)	(23,856)	(20,506)	(44,612)	-	(308,435)
Share in a result of an associate	-	-	-	-	82,153	-	82,153
Income before zakat & taxes	610,282	36,552	324,901	12,789	(77,253)	-	907,271

2016	Oil transportation	Chemical	Logistic	Dry bulk transportation	Head office and Others	Adjustments and eliminations'	Total
Revenue	4,797,713	774,148	931,772	271,156	98,748	(85,053)	6,788,484
Operating cost	(3,527,352)	(611,325)	(666,368)	(225,366)	(85,053)	85,053	(5,030,411)
Bunker subsidy	117,565	4,524	12,169	-	-	-	134,258
Gross income	1,387,926	167,347	277,573	45,790	13,695	-	1,892,331
General and administrative expenses	-	(15,432)	24,889	(12,009)	(108,510)	-	(111,062)
Other income (expenses), net	(44,219)	29,569	3,181	26	9,935	-	(1,508)
Finance income	-	314	-	607	18,034	-	18,955
Finance cost	(127,761)	(43,376)	(24,714)	(11,401)	(32,309)	-	(239,561)
Share in a result of an associate	-	-	-	-	147,044	-	147,044
Income before zakat & taxes	1,215,946	138,422	280,929	23,013	47,889	-	1,706,199

The Group›s vessels are deployed throughout the world and are not concentrated in certain geographical areas. The Group›s management does not consider geographical distribution by its management analysis of operations. Therefore, geographical segment information is not disclosed.

The revenues of the crude oil transportation sector include SAR 2.5 billion for the year ending December 31, 2017 (SR 2016: SAR 3.4 billion) from one customer (ARAMCO and its subsidiaries - shareholders), which represents more than 10% of the revenues of Crude Oil Transportation and the Groups revenues as a whole.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

5. OPERATING SEGMENTS (continued)

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

2016	Oil transportation	Chemical	Logistic	Dry bulk transportation	Head office and Others	Total
Property and equipment	8,511,362	3,138,716	1,422,611	559,202	30,005	13,661,896
Total assets	11,570,776	3,741,470	1,971,912	704,739	2,848,358	20,837,255
Total liabilities	5,948,036	2,324,146	1,095,470	387,928	994,578	10,750,158

January 1, 2016	Oil transportation	Chemical	Logistic	Dry bulk transportation	Head office and Others	Total
Property and equipment	7,808,188	2,740,528	1,478,975	592,789	22,189	12,642,669
Total assets	10,936,177	3,158,966	1,863,650	700,369	2,043,002	18,702,164
Total liabilities	4,979,168	1,858,006	1,138,964	407,949	998,898	9,382,985

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

6.PROPERTY AND EQUIPMENT

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 January 1, 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 December 31, 2017	55,308	21,280,467	20,239	12,373	4,158	1,132	69,583	14,435	21,457,695
Accumulated depreciation									
At January 1, 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 December 31, 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 December 31, 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 SR 9.3 billion as at December 31, 2017, are pledged against the long term loans (note 18).

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

6.PROPERTY AND EQUIPMENT (continued)

2016	Land	Building and improve-ments	Fleet and equipment*	Contain-ers and trailers	Furni-ture and fixtures	Tools and office equip-ment	Motor vehicles	Computer equip-ment	Contain-ers yard equip-ment	Total
Cost										
At January 1, 2016	1,854	58,813	17,494,356	34,350	11,343	4,157	2,241	61,370	11,987	17,680,471
Additions/ transfers	-	715	1,981,664	-	625	297	2,213	2,374	2,448	1,990,336
Disposals	(1,854)	(5,016)	(71,250)	(4,879)	-	(278)	-	(45)	-	(83,322)
At December 31, 2016	-	54,512	19,404,770	29,471	11,968	4,176	4,454	63,699	14,435	19,587,485
Accumulated depreciation										
At January 1, 2016	-	14,846	4,912,708	34,096	6,376	3,727	1,481	54,054	10,514	5,037,802
Charge for the year	-	4,693	905,521	-	1,367	133	241	2,626	341	914,922
Disposals	-	(4,058)	(17,989)	(4,877)	-	(169)	-	(42)	-	(27,135)
At December 31, 2016	-	15,481	5,800,240	29,219	7,743	3,691	1,722	56,638	10,855	5,925,589
Net book value:										
As at December 31,2016	-	39,031	13,604,530	252	4,225	485	2,732	7,061	3,580	13,661,896
As at January 1, 2016	1,854	43,967	12,581,648	254	4,967	430	760	7,316	1,473	12,642,669

*Certain vessels and tanker of the Group under fleet and equipment with a carrying value of SR 6.5 billion as at 31 December 2016, and SR 4.5 billion as at 1 January 2016 are pledged against the long term loans (note 18).

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

6.PROPERTY AND EQUIPMENT (continued)

During 2017, the Group revised the estimated residual value of the fleet from 10% of the cost to more appropriate estimate of residual value, measured based on the average steel price for light weight tonnage. This method is applied by leading transport companies. The Company also revised the estimated useful lives of five vessels, from 25 years to 22-23 years as a result of impact assessment for the expected change in certain environmental regulations which are expected to be applied during 2020.
These changes have been accounted for prospectively, resulted in a decrease in depreciation expenses for the year ending December 31, 2017 by SAR 65.7 million. This change will have a similar impact on the subsequent financial results of the Group until the end of the estimated residual lives of the assets.

7. SHIPS UNDER CONSTRUCTION

The movement in ships under construction is as follows:

	2017	2016	January 1, 2016
Beginning Balance	1,235,565	1,099,901	12,039
Additions	784,955	327,834	1,098,412
Transferred to property and equipment	(1,061,130)	(192,170)	(10,550)
Ending balance	959,390	1,235,565	1,099,901

- The Group signed contracts on May 21, 2015 and June 30, 2015 with the Korean company Hyundai Samho Heavy Industries for building ten VLCCs for a total amount of SAR 3.56 billion (US$ 948.90 million), which expected to be received during 2017 and 2018. The Group paid an advance payment of SR 882 million (USD 235 million). The Group received five vessels during the current year 2017.
- Bahri Dry Bulk Company (a subsidiary) signed contracts on August 25,2017 with the Korean company Hyundai Samho Heavy Industries to build four bulk cargo carriers vessels for a total amount of SAR 450 million (US$ 120 million). These 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

	2017	2016	January 1, 2016
Cost			
Opening balance	894,082	918,750	918,750
Disposals	-	(24,668)	-
Ending balance	894,082	894,082	918,750
Accumulated amortization			
Opening balance	(122,018)	(69,286)	(15,249)
Charge for the year	(52,471)	(54,690)	(54,037)
Disposals	-	1,958	-
Ending balance	(174,489)	(122,018)	(69,286)
Net book value	719,593	772,064	849,464

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

9. INVESTMENT IN AN ASSOCIATES

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

	Note	2017	2016	January 1, 2016
Petredec Limited	9-1	1,171,911	1,123,848	1,027,941
International Maritime Industries Company	9-2	74,625	-	-
		1,246,536	1,123,848	1,027,941

9.1. Petredec Limited

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

	2017	2016	January 1, 2016
Beginning Balance	1,123,848	1,027,941	905,758
Share in results of an associated company	82,153	147,044	184,683
Dividends received during the year	(34,090)	(51,137)	(62,500)
Ending balance	1,171,911	1,123,848	1,027,941

The fiscal year of Petredec Limited begins as at September 1 and ends as at August 31 of each Gregorian year. The Company's share in Petredec Limited results for the financial year is recorded as per the 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.

During 2017, the Group commenced the process to sell part of its 30.3% in Petredec Limited. As part of the arrangement, Haydock Holdings Limited, the other partner in Petredec Limited, will also sell part of its 69.7% stake in Petredec Limited, bringing the total ownership of the new investor to 13% of Petredec Limited share capital. The Group expects the sale to take place during the first quarter of 2018, after fulfilling certain conditions including shareholders' approval, governmental and regulatory approvals. The Group has reclassified Petredec's share from "investment in an associates" to "Investment held for sale" amounting to SR 251 million as at December 31, 2017 which represents the carrying value of the assets held for sale

Notes to the Consolidated Financial Statements (continued)
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9. INVESTMENT IN AN ASSOCIATES (continued)

9.1. Petredec Limited (continued)

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

	October 31, 2017	October 31 , 2016	October 31 , 2015
Current assets	4,564,995	4,678,728	4,778,580
Non-current assets	6,276,377	5,700,871	3,630,451
Current liabilities	(3,480,982)	(3,528,806)	(2,325,825)
Non-current liabilities	(3,733,051)	(3,368,469)	(2,911,184)
Net assets before non-controlling interest	3,627,339	3,482,324	3,172,022
Non-controlling interest	(44,866)	(58,464)	(64,666)
Share premium	(108,333)	(108,333)	(108,333)
Net assets	3,474,140	3,315,527	2,999,023
Group's share in net assets (30.30%)	1,052,734	1,004,671	908,764
Goodwill	119,177	119,177	119,177
Carrying amount of investment in an associates	1,171,911	1,123,848	1,027,941
Revenue	16,359,977	19,828,483	
Net income before non-controlling interest	272,507	494,473	
Non-controlling interest	(1,402)	(9,228)	
Total net income for the year	271,105	485,245	
Group's share of total comprehensive income (30.30%)	82,153	147,044	

The associate has SAR 1.3 billion contingent liabilities and capital commitments as at October 31, 2017 (October 31, 2016: SAR 1.2 billion, October 31, 2015: SAR 3.6 billion).

9.2. International Maritime Industries Company

During 2017, International Maritime Industries Company wes established in KSA with capital of SR 375 million between the Company, ARAMCO, Hyundai Heavy Industries (South Korean Company) and Lamprell (a UAE-based company). The Group's share in the established company represents 19.9% and amounting to SR74.6 million. The new company has not started its operations yet as at December 31, 2017.

10. RECEIVABLES FROM FINANCE LEASE

On January 30, 2009, National Chemical Carriers Limited Co. (a subsidiary) 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 lessee on February 1, 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.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

10. RECEIVABLES FROM FINANCE LEASE (continued)

The net lease receivable balance is summarized as follows:

	2017	2016	January 1, 2016
Accounts receivable from finance leases	84,296	157,860	227,509
Unguaranteed residual value at the end of the contract*	116,231	148,875	148,875
Gross finance lease	200,527	306,735	376,384
Unearned lease finance income	(21,932)	(55,005)	(88,545)
Net of receivables from finance lease	178,595	251,730	287,839
Current portion	56,860	44,232	36,109
Non-current portion	121,735	207,498	251,730
	178,595	251,730	287,839

*The Group has reviewed the unguaranteed residual value at the end of the lease agreement as at 31 December 2017, and found a reduction amounted to SR 32.6 million. An impairment of SR 28.9 million has been recognized and charged to the consolidated statement of income (note 23). The remaining reduction of the unguaranteed residual value will be recognized over the remaining period of the contract.

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 2017	PV of MLPs 2017	MLPs 2016	PV of MLPs 2016	MLPs 1 January 2016	PV of MLPs 1 January 2016
Less than one year	77,670	56,860	73,564	44,232	69,649	36,109
More than one year but less than five years	122,857	121,735	233,171	207,498	306,735	251,730
Net investment receivable in finance leases	200,527	178,595	306,735	251,730	376,384	287,839

11. OTHER INVESTMENTS

The balance of other investments includes the following:

	2017	2016	January 1, 2016
Investments available for sale	10,711	13,533	13,533
Investment in government bonds	83	83	43
Investments in Sukuk held to maturity	-	10,000	10,000
	10,794	23,616	23,576

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

12. INVENTORIES

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

	2017	2016	January 1 , 2016
Fuel	232,874	186,718	150,274
Lubricant	51,171	47,676	47,689
Others	6,714	6,281	5,647
	290,759	240,675	203,610

Fuel expenses recognized in the consolidated statement of income for the year ended amounted to SR 1,084 million December 31, 2017 (2016: SR 806 million).

13. TRADE RECEIVABLES

Trade receivable is includes the following items:

	2017	2016	January 1, 2016
Trade receivables	774,957	266,282	337,344
Receivable from related parties (Note 26)	277,481	397,495	378,849
	1,052,438	663,777	716,193
Less: Provision for doubtful debts	(32,766)	(31,128)	(46,580)
	1,019,672	632,649	669,613
Unbilled revenues	455,316	439,080	320,266
Trade receivables, net	1,474,988	1,071,729	989,879

The movement of provision for doubtful debts is as follows:

	2017	2016	January 1, 2016
Opening balance	31,128	46,580	19,831
Charge (reversal) during the year (Note 22)	1,638	(15,452)	26,749
Ending balance	32,766	31,128	46,580

The aging of trade receivables is as follows:

	2017	2016	January 1, 2016
Less than 6 months	1,032,313	896,598	872,413
From 6 months to 12 months	242,249	152,112	103,311
More than 12 months	233,192	54,147	60,735
Total trade receivables	1,507,754	1,102,857	1,036,459
Less: Provision for doubtful debts	(32,766)	(31,128)	(46,580)
Trade receivables, net	1,474,988	1,071,729	989,879

Included in trade receivables amounts due from Government entities amounting to SAR 782 million as at December 31, 2017 (2016: SAR 323 million, 1 January 2016: SAR 306 million). These amounts constitute %53 of the net trade receivables as at 31 December 2017 (2016: 30%, 1 January 2016: 31%) amounts due for more than one year are amounts due from Government entities.

Notes to the Consolidated Financial Statements (continued) December 31, 2017 (In Thousands Saudi Riyal)

14. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2017	2016	1 January 2016
Prepaid expenses	322,624	286,850	281.142
Insurance claims	12,397	8,406	10.953
Advances to suppliers	9,274	42,361	26.942
Others	20,656	38,522	18,386
	364,951	376,139	337.423

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:

	2017	2016	1 January 2016
Bank balances and cash	497,520	171,731	173,265
Murabaha and short term deposits (Note 15.1)	692,921	1,908,262	1,066,597
Cash and cash equivalents in statement of cash flows	1,190,441	2,079,993	1,239,862
Amounts restricted by banks			
- Bank balances and cash	(17,993)	(14,342)	(23,213)
- Murabaha and short term deposits	(87,715)	(102,974)	(73,818)
Total amounts restricted by banks	(105,708)	(117,316)	(97,031)

15.1 Murabaha and Short-Term Deposits

Murabaha and short term deposit comprise of the following:

	2017	2016	1 January 2016
Murabaha and short - term deposits in USD	379,452	445,064	776,348
Murabaha and short - term deposits in Saudi Riyals	313,469	1,463,198	290,249
	692,921	1,908,262	1,066,597

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

16. SHARE CAPITAL

The Company's share capital is comprises of 393,750 thousand shares with a par value of SR 10 per share. Total authorized, issued, and outstanding shares are SR 3,937,500,000 as at December 31, 2017, December 31, 2016, and January 1, 2016.

Notes to the Consolidated Financial Statements (continued) 31 December 2017 (In Thousands Saudi Riyal)

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 comprises of the following:

	2017	2016	1 January 2016
Transfers from net income	964,732	884,701	708,787
Shares premium	1,489,103	1,489,103	1,489,103
Total statutory reserve	2,453,835	2,373,804	2,197,890

18. SUKUK AND LONG TERM LOANS

	Note	2017	2016	January 1 2016
Sukuk	18-1	3,900,000	3,900,000	3,900,000
Murabaha loans	18-2	6,268,676	5,646,869	3,916,832
Commercial loans	18-3	163,406	199,719	236,031
Total sukuk and long term loans		10,332,082	9,746,588	8,052,863
Less: Total current portion		(1,075,289)	(1,001,146)	(547,016)
Non-current sukuk and long term loans		9,256,793	8,745,442	7,505,847
Less: prepaid financing		(76,208)	(81,884)	(30,631)
Net non-current sukuk and long term loans		9,180,585	8,663,558	7,475,216

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 SR 3,900 million, and a nominal value of SR 1 million for each Sukuk. The Sukuk issuance bears a variable rate of return at (SIBOR) plus a predetermined margin, payable semi-annually. The Sukuk is due at maturity at par value on its expiry date of 1 Muharram 1444 (corresponding to 30 July 2022).

18.2 Murabaha loans

The Group obtained long term loan during year ended 31 December 2017 amounted to SR 1,587 million (31 December 2016: SR 2,290 million, 1 January 2016: Nil). The existing loans are secured by promissory notes and mortgages against vessels (note 6). These loans are usually repayable in 10 years on quarterly and semi-annual basis. These loans carry commission at normal commercial rates. Balance of loans against which profit to be paid based on LIBOR as at 31 December 2017 is SR 3,235 million (31 December 2016: SR 3,240 million: 1 January 2016: SR 2,484 million) and balance of loans against which profit to be paid based on SIBOR at the end of 31 December 2017 is SR 3,033 million (31 December 2016: SR 2,407 million: 1 January 2016: SR 1,433 million).

18.3 Commercial loans

The Group did not obtain any long term loan during year endeding December 31, 2017 (31 December 2016: Nil, January 1, 2016: Nil). The existing loans are secured by mortgages against vessels (note 6). These loans are repayable in 10 years on semi-annual basis carrying special commission at LIBOR plus normal commercial margin. Balances of loans against which profit to be paid based on LIBOR as at 31 December 2017 is SAR 163 million (31 December 2016: SAR 200 million, January 1, 2016: SAR 236 million).

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

18. SUKUK AND LONG-TERM LOANS (continued)

18.4 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.

18.5 Long term loans related to subsidiary

18.5.1 National Chemical Carriers Limited Co.

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

	2017	2016	January 1, 2016
Murabaha loans	1,754,317	1,945,248	1,449,844
Commercial loans	163,406	199,719	236,031
Total long term loans	1,917,723	2,144,967	1,685,875
Less: Total current portion	(245,547)	(463,653)	(199,954)
Non-current long term loans	1,672,176	1,681,314	1,485,921
Less: prepaid financing	(5,734)	(6,423)	-
Net non-current long term loans	1,666,442	1,674,891	1,485,921

18.5.2 Bahri Dry Bulk LLC

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

	2017	2016	January 1, 2016
Murabaha loans	324,450	353,850	383,250
Total long - term loans	324,450	353,850	383,250
Less: Total current portion	(29,400)	(29,400)	(29,400)
Non-current long - term loans	295,050	324,450	353,850
Less: prepaid financing	(1,829)	(2,105)	(2,382)
Net non-current long - term loans	293,221	322,345	351,468

Notes to the Consolidated Financial Statements (continued)
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19. EMPLOYEES' BENEFITS

	2017	2016	January 1, 2016
Opening balance	65,482	65,349	52,835
Current service cost	7,860	8,439	6,447
Interest cost	2,608	2,485	2,403
Benefits paid	(5,131)	(6,424)	(7,397)
Re-measurement gain (loss) on defined benefit plans	(1,352)	(4,367)	11,061
Ending balance	69,467	65,482	65,349

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

	2017	2016
Discount rate	4,00%	4,00%
Withdrawal rate - for the first two years of service	30,00%	30,00%
Withdrawal rate - third year of service and above	3,00%	3,00%
Future salaries increase - for the first three years	3,00%	5,50%
Future salaries increase - fourth year and after	5,50%	5,50%

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

	2017	2016
Discount rate		
0.5 % increase	(3,582)	(3,050)
0.5% decrease	3,887	3,577
Withdrawal rate		
10% increase	600	622
10% decrease	(675)	(637)
Future salary increases		
1% increase	8,319	7,295
1% decrease	(7,193)	(6,335)

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 period. 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.

Notes to the Consolidated Financial Statements (continued)
31 December 2017 (In Thousands Saudi Riyal)

20. TRADE AND OTHER PAYABLES (continued)

	2017	2016	1 January 2016
Trade payables	430,652	545,391	766,993
Accrued expenses	190,605	188,075	142,323
Unclaimed dividend	40,011	37,432	35,095
Others*	33,679	29,521	54,182
	694,947	800,419	998,593

* This item includes SAR 30.7 million as at January 1, 2016 and represents the balance of the amounts received from a shipbuilding company for the repairs related to the six vessels built by the National Chemical Transportation Company Limited (a subsidiary) SR 6.12 million for each vessel. One vessel was repaired during 2013 and during the year ending December 31, 2016, repairs were made to the remaining five ships during the maintenance period resulting in savings of SAR 27.8 million, which were recognized in other income (note 23).

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') Ministerial Resolution No. 1005 dated 28 Rabi' Al-thani 1428H.

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

The movement in the provision for zakat and taxes is as follows:

	2017	2016	January 1, 2016
Opening balance	219,553	296,811	142,898
Provided for the year	100,760	106,649	181,354
Reversal of tax provision	-	(150,176)	-
Payments during the year	(76,049)	(33,731)	(27,441)
Ending balance	244,264	219,553	296,811

The Company has filed its zakat returns up to 2016. The zakat assessments have been agreed with the General Authority of Zakat and Tax ("GAZT") for all the years up to 2007. The GAZT has raised the zakat assessment for the years 2008 to 2012 claiming additional liabilities of SR 79 million. The Company has filed an appeal on these assessments and the appeal is still under study. The Company believes it provided a sufficient provision for zakat and withholding tax as at December 31, 2017. The Company has recognized income tax on shares of one of the shareholder starting from January 1, 2017.

The Company did not receive from GAZT the zakat assessments for the years 2013 to 2016.

Zakat and Taxes status for National Chemical Carriers Company

The Company has submitted its zakat returns for all fiscal years up to 2016 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 SR 10 million and SR 43 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, which has still not been resolved as of this date of these financial

Notes to the Consolidated Financial Statements (continued)
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21. ZAKAT AND TAXES (continued)

Zakat and Taxes status for National Chemical Carriers Company (continued)

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 December 31, 2017.

The Company did not receive from GAZT the zakat assessments for the years from 2013 to 2016.

Zakat and Tax status for Bahri Dry Bulk

The Company submitted its zakat returns for the years up to 2016. 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 liability.

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	1 January 2016
Employees salaries and benefits	91,833	84,234
Professional, legal and consultation fees	22,682	22,900
Amortization of prepaid expenses	15,075	4,872
Rent	10,146	9,056
Depreciation	4,898	1,141
Provision (reversal of provision) for doubtful debts (note 13)	1,638	(15,452)
Others	25,002	4,311
	171,274	111,062

23. OTHER EXPENSES, NET

	2017	1 January 2016
Finance lease impairment (note 10)	(28,904)	-
Gains (loss) from disposal of property and equipment	5,286	(32,942)
Vessels maintenance settlement (note 20)	-	27,813
Recovery from insurance claims	-	1,363
Others	(580)	2,258
	(24,198)	(1,508)

24. FINANCE COSTS

	2017	January 1,2016
Saudi Riyal sukuk	118,339	108,176
Murabaha financing	148,461	125,882
Drivatives re-valuation (note 28.3)	38,133	2,473
Commercial loans	3,502	3,030
	308,435	239,561

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25. EARNINGS PER SHARE

	2017	2016
Net income for the year attributable to equity holders of the parent Company	800,313	1,717,871
Weighted average number of ordinary shares outstanding during the year	393,750,000	393,750,000
Earnings per share – basic	2.03	4.36
Earnings per share – diluted	2.03	4.36

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 are as follows:

	2017	2016
ARAMCO and its subsidiaries - shareholder	2,480,029	3,350,281
International Shipping and Transportation Co. Ltd. – affiliate	43,530	97,522
Arabian Agricultural Services Company (ARASCO) – affiliate	112,367	112,633

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

	2017	2016	1 January 2016
ARAMCO and its subsidiaries – shareholder	266,075	366,498	364,344
International Shipping and Transportation Co. Ltd. – affiliate	11,406	30,997	14,505
	277,481	397,495	378,849

Compensation of key management personnel:

	2017	2016
Salaries and compensations	10,147	10,701
Termination benefits	2,328	4,275
Total Compensation	12,475	14,976

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,and negotiating employment of the vessel. Odfjell bears the costs of technical managing, repairing, insuring, supply provisioning Odfjell vessel,and perform any other obligations under financing/ mortgage of Odfjell vessel.

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

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28. FINANCIAL INSTRUMENTS

28.1. Financial Assets

	Note	2017	2016	1 January 2016
Derivatives not designated as hedging instruments:				
CAP commission options	28.3	67,572	96,267	56,629
AFS financial assets at fair value through OCI				
Unquoted equity shares	11	10,711	13,533	13,533
Total financial instruments at fair value		78,283	109,800	70,162
Financial assets at amortized cost				
Trade receivables, net	13	1,474,988	1,071,729	989,879
Other investments*	11	83	10,083	10,043
Murabaha and short - term deposits	15.1	692,921	1,908,262	1,066,597
Total financial assets at amortized cost		2,167,992	2,990,074	2,066,519
Total financial assets		2,246,275	3,099,874	2,136,681

* Other investment represents investment in Sukuk held to maturity. Refer to note 11 for breakdown of other investments balance.

28.2 Financial Liabilities

	Note	2017	2016	1 January 2016
Financial liabilities at amortized cost				
Sukuk and long term loans	18	10,255,874	9,664,704	8,022,232
Trade and other payables and Other liabilities	20	694,947	800,419	998,593
Total financial liabilities at amortized cost		10,950,821	10,465,123	9,020,825
Total financial liabilities		10,950,821	10,465,123	9,020,825

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).

Notes to the Consolidated Financial Statements (continued)
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28. FINANCIAL INSTRUMENTS (continued)

28.3 Fair values of financial instruments (continued)

The fair value hierarchy is as follows:

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

	2016			
	Qouted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
Available for sale:				
Unquoted equity shares *	-	-	13,533	13,533
Derivatives measured at fair value through statement of income				
CAP commission option	-	96,267	-	96,267

	1 January 2016			
	Qouted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	Total
Available for sale:				
Unquoted equity shares *	-	-	13,533	13,533
Derivatives measured at fair value through statement of income				
Profit rate caps	-	56,629	-	56,629

*Based on provisions of IAS 39, 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 (comprising 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).

Notes to the Consolidated Financial Statements (continued)
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28. FINANCIAL INSTRUMENTS (continued)

28.4 Financial Risk Management (continued)

The financial instruments in the consolidated statement of financial position primarily 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.

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:

	2017					
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No fixed maturity	Total
	281,296	793,993	3,181,590	2,175,203	-	6,432,082
Long term loans	-	-	-	3,900,000	-	3,900,000
Sukuk	520,038	107,906	26,992	-	40,011	694,947
Trade payable and other current liabilities	-	-	-	-	69,467	69,467
Employee's benefits	801,334	901,899	3,208,582	6,075,203	109,478	11,096,496

Notes to the Consolidated Financial Statements (continued) December 31, 2017 (In Thousands Saudi Riyal)

28. FINANCIAL INSTRUMENTS (continued)

28.4 Financial Risk Management (continued)

28.4.2. Liquidity risk (continued)

	2016					
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No fixed maturity	Total
Long term loans	182,338	818,807	2,901,463	1,862,095	-	5,764,703
Sukuk	-	-	-	3,900,000	-	3,900,000
Trade payable and other current liabilities	641,068	94,337	27,582	-	37,432	800,419
Employees' benefits	-	-	-	-	65,482	65,482
	823,406	913,144	2,929,045	5,762,095	102,914	10,530,604

	1 January 2016					
	Within 3 months	3 to 12 months	1 to 5 years	More than 5years	No fixed maturity	Total
Long-term loans	168,742	378,274	1,552,447	2,022,769	-	4,122,232
Sukuk	-	-	-	3,900,000	-	3,900,000
Trade payable and other current liabilities	840,334	74,382	21,691	-	62,186	998,593
Employees benefit's	-	-	-	-	65,349	65,349
	1,009,076	452,656	1,574,138	5,922,769	127,535	9,086,174

The Company has unutilized credit facilities of SR 2,154 million as at December 31, 2017 (2016: SAR 3,145 million, January 1, 2016: 713 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.

Notes to the Consolidated Financial Statements (continued) December 31, 2017 (In Thousands Saudi Riyal)

28. FINANCIAL INSTRUMENTS (continued)

28.4 Financial Risk Management (continued)

28.4.3 Market risk (continued)

Commission rate 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.

	2017	2016
Profit rate		
Increase by 100 base points	99,602	85,702
Decrease by 100 base points	(99,602)	(85,702)

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.

	2017	2016	1 January 2016
Sukuk and long term loan (note 18)	10,332,082	9,746,588	8,052,863
Trade payables and other current liabilities (note 20)	694,947	800,419	998,593
Less: Cash and cash equivalent (note 15)	(1,190,441)	(2,079,993)	(1,239,862)
Net Debt	9,836,588	8,467,014	7,811,594
Total equity	9,918,031	10,087,097	9,319,179
Total capital	9,918,031	10,087,097	9,319,179
Capital and net debt	19,754,619	18,554,111	17,130,773
Gearing ratio	49.79%	45.63%	45.60%

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 SR 927 million as of December 31, 2017 (2016: SR 2.3 billion, 1 January 2016: SR3.3 billion) (note 7).

Notes to the Consolidated Financial Statements (continued)
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29. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments (continued)

The Group signed a joint venture agreement on May 30, 2017 with Saudi Arabian Oil Company (ARAMCO), Hyundai Heavy Industries Ltd. (South Korea) and Lamprell Power Company Limited (a UAE-based company) to enter into a partnership for the establishment, development, and operation of a maritime yard in Ras Al Khair near Jubail Industrial City. The partners will inject SR 2.625 billion (USD 700 million) of the project cost. The Group will contribute SR 522.38 million (USD 139 million) with a 19.9% ownership, while ARAMCO will own 50.1%, Lamprell Power Company Limited will own 20%, and Hyundai Heavy Industries' share is 10%. The Group has signed a purchase contract 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" based on the commercial rules.

Contingencies

The Group has outstanding letters of guarantee of SR 314 million as at December 31, 2017 (2016: SAR 298 million, 1 January 2016: SR 297 million) issued during the Group's normal course of business.

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

	2017	2016	1 January 2016
Within one year	536,336	584,382	495,476
After one year but not more than five years	1,372,579	1,672,135	1,481,939
More than five years	703,042	939,822	569,852
	2,611,957	3,196,339	2,547,267

Income from time charter agreements under operating lease amounted SR 584 million for the year endeding December 31, 2017 (2016: SAR 462 million).

30.DIVIDENDS

The Board of Directors decided in its meeting held on December 31, 2017 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 ending December 31, 2017, which amounted to SAR 1.5 per share.

The General Assembly of the shareholders of the Company approved in its meeting held on January 16, 2017 the distribution of cash dividends of SR 984.38 million to the shareholders for the financial year ending December 31, 2016, which amounted to SR 2.5 per share, and represented 25% of the share par value. These dividends were paid on January 31, 2017. The General Assembly of the shareholders of the Company approved distribution of SAR 1.8 million to the Board of Directors.

The General Assembly of the shareholders of the Company approved in its meeting held on April 6, 2016 the distribution of cash dividends of SR 984.38 million to the shareholders for the financial year ended December 31, 2015, which amounted to SR 2.5 per share, and represented 25% of the share par value. These dividends were paid on April 21, 2016. The General Assembly of the shareholders approved the Board of Directors remuneration distribution of SAR 1.8 million.

The balance of unclaimed dividends as at December 31, 2017 amounted to SR 40 million (2016: SR 37.4 million, January 1, 2016: SR 35 million) (note 20).

Notes to the Consolidated Financial Statements (continued)
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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:

2017	National Chemical Carrier Company Limited	Bahri Dry Bulk LLC	Total
Non-controlling interest Percentage	20%	40%	
Non-current assets	3,096,785	578,613	3,675,398
Current assets	456,312	110,229	566,541
Non-current liabilities	(1,669,399)	(294,154)	(1,963,553)
Current liabilities	(451,948)	(65,578)	(517,526)
Non-controlling interests relating to the subsidiary	-	12.048	12.048
Net assets	1,431,750	341,158	1,772,908
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	8,280	22,709
Net income attributable to non-controlling interests	2,886	3,312	6,198
Cash flow from operating activities	75,246	17,213	92,459
Cash flow from investing activities	161,813	(14,188)	147,625
Cash flow from financing activities	(226,966)	(29,330)	(256,296)
Increase (decrease) in cash and cash equivalents	10,093	(26,305)	(16,212)

2016	National Chemical Carrier Company Limited	Bahri Dry Bulk LLC	Total
Non-controlling interest Percentage	20%	40%	
Non-current assets	3,356,214	559,202	3,915,416
Current assets	378,752	143,511	522,263
Non-current liabilities	(1,679,586)	(322,478)	(2,002,064)
Current liabilities	(638,850)	(65,578)	(704,428)
Net assets	1,416,530	314,657	1,731,187
Net assets attributable to non-controlling interests	283,306	125,863	409,169
Revenue	774,148	271,156	1,045,304
Net income	115,415	21,930	137,345
Net income attributable to non-controlling interests	23,083	8,772	31,855
Cash flow from operating activities	332,921	52,101	385,022
Cash flow from investing activities	(707,818)	(320)	(708,138)
Cash flow from financing activities	459,091	(48,324)	410,767
Increase in cash and cash equivalents	84,194	3,457	87,651

Notes to the Consolidated Financial Statements (continued)
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31. NON-CONTROLLING INTERESTS IN SUBSIDIARIES (continued)

	1 January 2016		
	National Chemical Carrier Company Limited	Bahri Dry Bulk LLC	Total
Non-controlling interest Percentage	20%	40%	
Non-current assets	2,917,058	585,615	3,502,673
Current assets	241,908	112,890	354,798
Non-current liabilities	(1,489,542)	(351,245)	(1,840,787)
Current liabilities	(368,309)	(54,532)	(422,841)
Net assets	1,301,115	292,728	1,593,843
Net assets attributable to non-controlling interests	260,223	117,091	377,314

32. FIRST TIME ADOPTION OF IFRS

These consolidated financial statements, for the year ending December 31, 2017, have been prepared in accordance with IFRS as endorsed in KSA. The Group prepared its consolidated financial statements for all years up to the year December 31, 2016 in accordance with Generally Accepted Accounting Principal (GAAP) issued by Saudi Organization for Certified Public Accountants ("SOCPA") in KSA (Refer to as "SOCPA GAAP") Accordingly, the Group has prepared consolidated financial statements that comply with IFRS as endorsed in KSA along with the comparative figures for the year ending December 31, 2016. This note explains the principal adjustments made by the Group in preparing:

- The opening consolidated statement of financial position as at January 1, 2016, the Group's date of transitioning from SOCPA GAAP to IFRS as endorsed in KSA.
- Consolidated statement of financial position and reconciliation of equity as at December 31, 2016, and reconciliation of total comprehensive income for the year ending December 31, 2016.

32.1 Exemptions

IFRS "First time adoption of International Financial Reporting Standards" as endorsed in KSA allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions:

Assets and liabilities of subsidiaries, associates and joint ventures

An entity which becomes a first-time adopter later than its subsidiary, the entity shall in its consolidated financial statements measure the assets and liabilities of the subsidiary at the same carrying amounts as in the financial statements of the subsidiary, after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary.

Mideast Ship Management Limited (a subsidiary based in UAE) and Petredec Limited (an associate based on Bermuda) have become first adopters of IFRS before the company. Hence, assets and liabilities have been measured at the same carrying value.

Business combinations

IFRS 3 "Business Combination" has not been applied to acquisition of subsidiaries, which are considered business for IFRS standards, or of interests in associates and joint ventures that occurred before January 1, 2016. Use of this exemption means carrying amounts of assets and liabilities recognized on the acquisition date under SOCPA, for such transactions have been considered to be their deemed cost.

Notes to the Consolidated Financial Statements (continued)
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32. FIRST TIME ADOPTION OF IFRS (continued)

32.1 Exemptions (continued)

Borrowing costs

The Group has applied the transitional provisions in IAS 23 Borrowing Costs and capitalizes borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for capitalized borrowing costs under SOCPA GAAP on qualifying assets prior to the date of transition to IFRS as endorsed in KSA.

32.2 Reconciliation of statement of financial position

A. Reconciliation of statement of financial position as at 1 January 2016 (date of transition to IFRS as endorsed in KSA)

	IFRS Adjustments				
	Note	As at 1 January 2016 (SOCPA GAAP)	Re-classification	Re-measurement	1 January 2016 (IFRS as endorsed in KSA)
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	32,6	12,798,271	126,586	(282,188)	12,642,669
Ships under construction		1,099,901	-	-	1,099,901
Intangible assets		849,464	-	-	849,464
Investment in an associates		1,027,941	-	-	1,027,941
Receivable from finance lease	32,7(c)	330,381	-	(78,651)	251,730
Other investments		23,576	-	-	23,576
Deferred dry-docking cost, net		126,586	(126,586)	-	-
TOTAL NON-CURRENT ASSETS		16,256,120	-	(360,839)	15,895,281
CURRENT ASSETS					
Receivable from finance lease – current portion	32,7(c)	27,901	-	8,208	36,109
Inventories		203,610	-	-	203,610
Trade receivables	32,7(A)	989,652	-	227	989,879
Prepayments and other current assets		163,686	173,737	-	337,423
Accrued bunker subsidy		150,412	(150,412)	-	-
Incomplete voyage		6,369	(6,369)	-	-
Agents current account		47,587	(47,587)	-	-
Murabaha and short term deposits		1,066,597	-	-	1.066.597
Cash and cash equivalents		173,265	-	-	173.265
TOTAL CURRENT ASSETS		2,829,079	(30,631)	8,435	2,806,883
TOTAL ASSETS		19,085,199	(30,631)	(352,404)	18,702,164
EQUITY AND LIABILITIES					
EQUITY					
Share capital		3,937,500	-	-	3,937,500
Statutory reserve		2,197,890	-	-	2,197,890
Other reserves	32.7(B)	-	-	(11,061)	(11,061)
Retained earnings		3,149,268	-	(331,732)	2,817,536
Equity attributable to equity holder of the parent		9,284,658	-	(342,793)	8,941,865
Non-controlling interests		414,420	-	(37,106)	377,314
TOTAL EQUITY		9,699,078	-	(379,899)	9,319,179

Notes to the Consolidated Financial Statements (continued)
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32. FIRST TIME ADOPTION OF IFRS (continued)

32.2 Reconciliation of statement of financial position (continued)

A. Reconciliation of statement of financial position as at 1 January 2016 (date of transition to IFRS as endorsed in KSA) (continued)

	IFRS Adjustments				
	Note	As at 1 January 2016 (SOCPA GAAP)	Re-classification	Re-measurement	1 January 2016 (IFRS as endorsed in KSA)
LIABILITIES					
NON-CURRENT LIABILITIES					
Sukuk and long term loans		7,505,847	(30,631)	-	7,475,216
Employees' benefits	32.7(B)	53,774	-	11,575	65,349
TOTAL NON-CURRENT LIABILITIES		7,559,621	(30,631)	11,575	7,540,565
CURRENT LIABILITIES					
Long term loans - current portion		547,016	-	-	547,016
Trade payables and other current liabilities		982,673	-	15,920	998,593
Provisions for zakat and taxes	32.7(A)	296,811	-	-	296,811
TOTAL CURRENT LIABILITIES		1,826,500	-	15,920	1,842,420
TOTAL LIABILITIES		9,386,121	(30,631)	27,495	9,382,985
TOTAL EQUITY AND LIABILITIES		19,085,199	(30,631)	(352,404)	18,702,164

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

32. FIRST TIME ADOPTION OF IFRS (continued)

32.2 Reconciliation of statement of financial position (continued)

B. Reconciliation of statement of financial position as at December 2016, 31

	IFRS Adjustments				
	Note	31 December 2016 (SOCPA GAAP)	Re-classification	Re-measurement	31 December 2016 (IFRS as endorsed in KSA)
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	32.6	13,744,303	241,466	(323,873)	13,661,896
Ships under construction		1,235,565	-	-	1,235,565
Intangible assets		772,064	-	-	772,064
Investment in associates		1,123,848	-	-	1,123,848
Receivable from finance lease	32.7(C)	295,313	-	(87,815)	207,498
Other investments		23,616	-	-	23,616
Deferred dry-docking cost, net		241,466	(241,466)	-	-
TOTAL NON-CURRENT ASSETS		17,436,175	-	(411,688)	17,024,487
CURRENT ASSETS					
Receivable from finance lease – current portion	32.7(C)	35,067	-	9,165	44,232
Inventories		240,675	-	-	240,675
Trade receivables	32.7(A)	1,063,600	-	8,129	1,071,729
Prepayments and other current assets		311,941	64,198	-	376,139
Accrued bunker subsidy		78,108	(78,108)	-	-
Agents current account		67,974	(67,974)	-	-
Murabaha and short term deposits		1,908,262	-	-	1,908,262
Cash and cash equivalents		171,731	-	-	171,731
TOTAL CURRENT ASSETS		3,877,358	(81,884)	17,294	3,812,768
TOTAL ASSETS		21,313,533	(81,884)	(394,394)	20,837,255
EQUITY AND LIABILITIES					
EQUITY					
Share capital		3,937,500	-	-	3,937,500
Statutory reserves		2,373,804	-	-	2,373,804
Other reserve	32.7(B)	-	-	(6,694)	(6,694)
Retained earnings		3,746,319	-	(373,001)	3,373,318
Equity attributable to the equity holder of the parent		10,057,623	-	(379,695)	9,677,928
Non-controlling interests		453,319	-	(44,150)	409,169
TOTAL EQUITY		10,510,942	-	(423,845)	10,087,097
LIABILITIES					
NON-CURRENT LIABILITIES					
Sukuk and long term loans		8,745,442	(81,884)	-	8,663,558
Employees benefits	32.7(B)	54,348	-	11,134	65,482
TOTAL NON-CURRENT LIABILITIES		8,799,790	(81,884)	11,134	8,729,040
CURRENT LIABILITIES					
Long term loans - current portion		1,001,146	-	-	1,001,146
Trade payables and other current liabilities	32.7(A)	782,102	-	18,317	800,419
Provisions for zakat and taxes		219.553	-	-	219,553
TOTAL CURRENT LIABILITIES		2,002,801	-	18,317	2,021,118
TOTAL LIABILITIES		10,802,591	(81,884)	29,451	10,750,158
TOTAL EQUITY AND LIABILITIES		21,313,533	(81,884)	(394,394)	20,837,255

Notes to the Consolidated Financial Statements (continued)
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32. FIRST-TIME ADOPTION OF IFRS (continued)

32.3 Reconciliation of equity

	Note	2016	1 January 2016
Total equity under SOCPA GAAP		10,510,942	9,699,078
Increase in accumulated depreciation	32.6	(323,873)	(282,188)
Decrease in service revenue recognition	32.7(A)	(10,187)	(15,693)
Decrease in employees' benefits - actuarial valuation	32.7(B)	(11,134)	(11,575)
Decrease in finance lease receivable	32.7(C)	(78,651)	(70,443)
Equity under IFRS as endorsed in KSA		10,087,097	9,319,179

32.4 Reconciliation of total comprehensive income for the year ending December 31, 2016

	Note	31 Decemeber 2016 (SOCPA GAAP)	Effect of IFRS Transition	31 December 2016 (IFRS as endorsed in KSA)
Revenues	32.7	6,788,789	(305)	6,788,484
Operating costs	32.6/7	(4,983,302)	(47,109)	(5,030,411)
Gross profit before bunker subsidy		1,805,487	(47,414)	1,758,073
Bunker subsidy		134,258	-	134,258
Gross profit		1,939,745	(47,414)	1,892,331
General and administrative expenses	32.7	(112,649)	1,587	(111,062)
Other expenses, net		(1,508)	-	(1,508)
Total operating profit		1,825,588	(45,827)	1,779,761
Finance income		18,955	-	18,955
Finance costs	32.7	(237,075)	(2,486)	(239,561)
Share in results of an associate		147,044	-	147,044
Income before zakat and taxes		1,754,512	(48,313)	1,706,199
Zakat and taxes, net		43,527	-	43,527
Net income for the year		1,798,039	(48,313)	1,749,726
OCI not to be reclassified to income or loss				
Re-measurement gain on defined benefit plans	32.7	-	4,367	4,367
Total comprehensive income		1,798,039	(43,946)	1,754,093

Notes to the Consolidated Financial Statements (continued)
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32. FIRST-TIME ADOPTION OF IFRS (continued)

32.5 Reconciliation of income for the year ending December 31, 2016

	Note	31 December 2016 (IFRS)
Income as per SOCPA GAAP		1,798,039
Increase in depreciation expenses	32.6	(41,685)
Increase in service revenue	32.7(A)	5,505
Increase in employees service cost	32.7(B)	(3,926)
Decrease in lease finance income	32.7(C)	(8,207)
Income as per IFRS as endorsed in KSA		1,749,726
Other comprehensive income		4,367
Total comprehensive income as per IFRS as endorsed in KSA		1,754,093

32.6 Property and equipment

Under IFRS as endorsed in KSA, property and equipment should be componentized and depreciated over each components' useful life separately. The cost of dry docking is capitalized and depreciated separately over the period till the next dry docking retrospectively, which previously was depreciated over the useful life of the assets.

32.7 Other adjustments

At the time of IFRS adoption as endorsed in KSA, the Group has recognized the below adjustments as at January 1, 2016, the date of IFRS transition, and as at December 31, 2016:

A. Revenue of a single voyage which involves multiple discharge points, percentage of completion applied separately for each cargo delivered. Therefore, revenue has been recalculated and adjusted for the voyages in progress at the transition date and for the year ending December 31, 2016 based on the percentage of completion.

B. The Group recorded its end of service liability based on the labor laws regulatory requirements. In order to determine the liability under IFRS standards, the Group performed detail actuarial valuation of its end of services benefits. Consequently, increase in the liability for the prior year has been recorded in the opening retained earnings, the consolidated statement of income and the consolidated statement of comprehensive income for the year ending December 31, 2016.

C. The Group has recognized a reduction in the value of the receivable from finance lease balance based on the nature and term of the arrangement. Therefore, receivable from finance lease balance decreased as at the transition date and for the year ending December 31, 2016.

32.8 Reclassifications of Sukuk issuance and loans arrangement fees

The Group has incurred certain Sukuk issuance and loans arrangement fees, and under SOCPA standards, these costs have been recorded as prepaid financing. IFRS standards require these costs to be offset against the liability of which these costs were incurred. The respective cost has been netted off against Sukuk and long-term loans.

Notes to the Consolidated Financial Statements (continued)
December 31, 2017 (In Thousands Saudi Riyal)

32. FIRST-TIME ADOPTION OF IFRS (continued)

32.9 Consolidated statement of cash flows

The transition from SOCPA GAAP to IFRS as endorsed in KSA has not had a material impact on the consolidated statement of cash flows.

33. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the year ending December 13, 2017 that would have a material impact on the consolidated statement of financial position of the Group as part of these consolidated financial statements.

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors has approved the consolidated financial statements for the year ending December 31, 2017 on their meeting held on 12 Jumad Thani 1439H (corresponding to 28 February 2018)

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