THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Condensed Interim Consolidated Financial Statements (Unaudited)

and review report for the three months period ended at 31 March 2018

and Independent Auditor's Report

OneBahri

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Independent Auditors' Report On Review Of Interim Financial Statements

The Shareholders
The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 31 March 2018 condensed interim consolidated financial statements of **The National Shipping Company of Saudi Arabia** ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprises:

- the condensed interim consolidated statement of financial position as at 31 March 2018;
- the condensed interim consolidated statement of profit or loss for the three month period ended 31 March 2018;
- the condensed interim consolidated statement of comprehensive income for the three month period ended 31 March 2018;
- the condensed interim consolidated statement of changes in equity for the three month period ended 31 March 2018;
- the condensed interim consolidated statement of cash flows for the three month period ended 31 March 2018; and
- the notes to the condensed interim consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2018 condensed consolidated interim financial statements of The National Shipping Company of Saudi Arabia and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No.: 348

Riyadh on: 9 Sha'aban 1439H
Corresponding to: 25 April 2018

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THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed interim consolidated statement of financial position
As at 31 March 2018

	Notes	31 March 2018 (Unaudited) SAR '000	31 December 2017 (Audited) SAR '000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	**15,566,970**	14,746,536
Ships under construction	7	**416,582**	959,390
Intangible assets		**706,475**	719,593
Investment in associates		**978,673**	995,161
Receivables from finance lease		**116,291**	121,735
Other investments		**10,711**	10,794
TOTAL NON-CURRENT ASSETS		17,795,702	17,553,209
CURRENT ASSETS			
Receivables from finance lease - current portion		**54,532**	56,860
Inventories		**328,225**	290,759
Trade receivables, net		**1,755,957**	1,474,988
Prepayments and other current assets		**516,037**	364,951
Investment held for sale		**246,872**	251,375
Murabaha and short-term deposits		**711,335**	692,921
Cash and cash equivalents		**276,696**	497,520
TOTAL CURRENT ASSETS		3,889,654	3,629,374
TOTAL ASSETS		21,685,356	21,182,583
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**3,937,500**	3,937,500
Statutory reserve		**964,732**	964,732
Shares premium		**1,489,103**	1,489,103
Other reserves		**(5,342)**	(5,342)
Retained earnings		**3,232,363**	3,109,225
Equity attributable to equity holders of the parent company		9,618,356	9,495,218
Non-controlling interests		**432,791**	422,813
TOTAL EQUITY		10,051,147	9,918,031
LIABILITIES			
NON-CURRENT LIABILITIES			
Sukuk and long-term loans	8	**9,367,455**	9,180,585
Employees' benefits		**71,005**	69,467
TOTAL NON-CURRENT LIABILITIES		9,438,460	9,250,052
CURRENT LIABILITIES			
Long term loans - current portion	8	**1,149,312**	1,075,289
Trade payables and other current liabilities		**783,024**	694,947
Provision for zakat and taxes	10	**263,413**	244,264
TOTAL CURRENT LIABILITIES		2,195,749	2,014,500
TOTAL LIABILITIES		11,634,209	11,264,552
TOTAL EQUITY AND LIABILITIES		21,685,356	21,182,583

Chief Financial Officer **Chief Executive Officer** **Authorized Board Member**

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

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed interim consolidated statement of profit or loss
For the three months period ended 31 March 2018

	Notes	**31 March 2018 (Unaudited) SAR '000**	31 March 2017 (Unaudited) SAR '000
Revenues		**1,457,320**	1,937,839
Operating costs		**(1,208,429)**	(1,494,261)
Gross profit before bunker subsidy		**248,891**	443,578
Bunker subsidy		**54,888**	34,214
Gross profit		**303,779**	477,792
General and administrative expenses		**(55,972)**	(39,289)
Other income (expenses), net		**9,102**	4,524
Total operating profit		**256,909**	443,027
Finance costs		**(85,658)**	(61,693)
Share in results of an associate		**(20,991)**	19,209
Income before zakat and taxes		**150,260**	400,543
Zakat and taxes, net		**(23,144)**	(21,303)
Net income for the period		**127,116**	379,240
Net income for the year attributable to:			
Equity holders of the parent company		**123,138**	378,861
Non-controlling interests		**3,978**	379
		127,116	379,240
Earnings per share (Saudi Riyal):			
Basic	9	**0.31**	0.96
Diluted	9	**0.31**	0.96

Chief Financial Officer **Chief Executive Officer** **Authorized Board Member**

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

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed interim consolidated statement of comprehensive income
For the three months period ended 31 March 2018

	31 March 2018 (Unaudited) SAR '000	31 March 2017 (Unaudited) SAR '000
Net income for the year	**127,116**	379,240
Items that will not be reclassified to consolidated statement of profit or loss		
Re-measurement gain on defined benefit plans	-	-
Total comprehensive income for the period	**127,116**	379,240
Total comprehensive income attributable to:		
Equity holders of the parent company	**123,138**	378,861
Non-controlling interests	**3,978**	379
Total comprehensive income for the period	**127,116**	379,240

Chief Financial Officer **Chief Executive Officer** **Authorized Board Member**

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

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed interim consolidated statement of cash flows
For the three months period ended 31 March 2018

	Note	**31 March 2018 (Unaudited)**	31 March 2017 (Unaudited)
OPERATING ACTIVITIES			
Net income for the period		**127,116**	379,240
Adjustments to reconcile net income for the period:			
Depreciation	6	**234,024**	216,320
Amortization		**13,118**	13,117
Provision for doubtful debts		**10,946**	3,173
Finance costs		**85,658**	61,693
Share in results of an associate		**20,991**	(19,209)
(Gain) loss on disposal of property and equipment		**(2,535)**	(800)
Provision (reversal of provision) for zakat and taxes		**23,144**	21,303
		512,462	674,837
Changes in operating assets and liabilities:			
Inventories		**(37,466)**	(7,088)
Trade receivables		**(291,915)**	(88,347)
Prepayments and other current assets		**(145,410)**	(61,395)
Receivables from finance lease		**7,772**	10,644
Trade and other payables		**(99,237)**	83,333
Employees' benefits		**2,454**	2,797
Cash generated from operations		**(51,340)**	614,781
Finance costs paid		**101,656**	(93,254)
Zakat and taxes paid		**(3,995)**	(3,217)
Employees' benefits paid		**(916)**	(2,906)
Net cash flows from operating activities		**45,405**	515,404
INVESTING ACTIVITIES			
Acquisition of property and equipment	6,7	**(35,684)**	(39,444)
Proceeds from disposal of property and equipment	6	**7,015**	1,090
Ships under construction	7	**(480,446)**	(396,861)
Other investments		**83**	-
Net cash flows used in investing activities		**(509,032)**	(435,215)
FINANCING ACTIVITIES			
Proceeds from long term loans	8	**484,095**	-
Repayment of long term loans	8	**(228,878)**	(127,948)
Dividends paid	11	-	(980,237)
Share of non-controlling interests in subsidiary's share capital		**6,000**	-
Net cash flows from /(used in) financing activities		**261,217**	(1,108,185)
(Decrease) increase in cash and cash equivalents		**(202,410)**	(1,027,996)
Cash and cash equivalents at the beginning of the period		**1,190,441**	2,079,993
Cash and cash equivalents at end of the period		**988,031**	1,051,997
Major non-cash transactions:			
Ships under construction transferred to property and equipment	7	**1,023,254**	356,059

Chief Financial Officer **Chief Executive Officer** **Authorized Board Member**

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

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Condensed interim consolidated statements of changes in equity
For the three months period ended 31 March 2018

	Attributable to equity holders of the pareut company						Non-controlling interests	Total equity
	Share capital	Statutory reserve	Shares premium	Other reserves	Retaiued earnings	Total		
	SAR '000							
Balance as at 1 January 2017 (Audited)	3,937,500	884,701	1,489,103	(6,694)	3,373,318	9,677,928	409,169	10,087,097
Net income for the year	-	-	-	-	378,861	378,861	379	379,240
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	378,861	378,861	379	379,240
Transferred to statutory reserve	-	-	-	-	-	-	-	-
Non-controlling interest share	-	-	-	-	-	-	-	-
Dividends (note 11)	-	-	-	-	(984,375)	(984,375)	-	(984,375)
Balance as at 31 March 2017 (unaudited)	3,937,500	884,701	1,489,103	(6,694)	2,767,804	9,072,414	409,548	9,481,962
Balance as at 1 January 2018 (Audited)	3,937,500	964,732	1,489,103	(5,342)	3,109,225	9,495,218	422,813	9,918,031
Net income for the period	-	-	-	-	123,138	123,138	3,978	127,116
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	123,138	123,138	3,978	127,116
Transferred to statutory reserve	-	-	-	-	-	-	-	-
Non-controlling interest share	-	-	-	-	-	-	6,000	6,000
Dividends (note 11)	-	-	-	-	-	-	-	-
Balance as at 31 March 2018 (unaudited)	**3,937,500**	**964,732**	**1,489,103**	**(5,342)**	**3,232,363**	**9,618,356**	**432,791**	**10,051,147**

Chief Financial Officer **Chief Executive Officer** **Authorized Board Member**

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

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

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

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

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

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

The associated company that is not consolidated into these condensed interim consolidated financial statements is as follows:

Associate	Date of incorporation	Ownership % **2018**	Ownership % 2017	Principal Activity	Location
Petredec Limited *	1980	**30.30**	30.30	Liquefied petroleum gas transportation	Bermuda
International Maritime Industries Company	2017	**19.9**	19.9	Maritime industries	KSA

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

Group's Fleet: As at 31 March 2018, the Group owns 91 vessels (31 December 2017: 88 vessels) operating in various sectors as the following:

Crude oil transportation sector: Consists of 49 vessels, out of which 43 very large crude carriers (VLCCs) are operating in the spot market, while one tanker is chartered to ARAMCO Trading Company. The Group also owns 5 product tankers all of which are also chartered to ARAMCO Trading Company.

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

Chemicals transportation sector: This sector is fully operated by National Chemical Carriers Company (a subsidiary), and it owns 31 specialized tankers distributed as follows:

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

Logistics sector: Consists of six RoCon vessels operate on commercial lines between North America and Europe, and the Middle East and the Indian Subcontinent.

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

2. BASIS OF PREPARATION

1.1. Statement of Compliance

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual Consolidated Financial Statements as at and for the year ended 31 December 2017 ("last annual Financial Statements"). They do not include all of the information required for a complete set of IFRS Financial Statements however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual Financial Statements.

This is the first set of Condensed Consolidated Interim Financial Statements where IFRS 15 and IFRS 9 have been applied.

1.2. Preparation of financial statements

(i) Historical cost convention

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for Derivative financial instruments are measured at fair value that are measured at fair value basis in the condensed interim consolidated statement of financial position.

(ii) Functional and presentation currency

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

3. BASIS OF CONSOLIDATION

The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, unrealised income and expenses and cash flows relating to transactions are eliminated in full on consolidation.

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

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

If the Group loses control over a subsidiary, it:

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. Changes in significant accounting policies

The Group has adopted IFRS 15 Revenue from Contracts with Customers (see A) and IFRS 9 Financial Instruments (see B) from 1 January 2018. Other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's condensed interim consolidated financial statements.

Except as described below, the accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The effect of applying these standards is illustrated in point (a) and (b) below.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, and related interpretations.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various services are set out below.

Under IFRS 15, revenue is recognised when a customer obtains control of the services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. IFRS 15 did not have a significant impact on the condensed interim consolidated financial statements.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1. Changes in significant accounting policies (continued)

A. IFRS 15 Revenue from Contracts with Customers (continued)

Change in Significant accounting judgments, estimates and assumptions

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

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

B. IFRS 9 Financial Instruments

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

i- Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1. Changes in significant accounting policies (continued)

B. IFRS 9 Financial Instruments (continued)
i- Classification and measurement of financial assets and financial liabilities (continued)

asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1. Changes in significant accounting policies (continued)

B. IFRS 9 Financial Instruments (continued)

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

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

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.a Under IFRS 9, credit losses are recognised earlier than under IAS 39.

'The financial assets at amortised cost consist of trade receivables, cash and cash equivalents and investments in Sukuk.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

'The Group measures loss allowances at an amount equal to lifetime ECLs.

'When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

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

Credit-impaired financial assets

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

Presentation of impairment

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

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

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

a. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

a. IFRS 16 Leases (continued)

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual 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.

The Group has completed an initial assessment of the potential impact on its Consolidated Financial Statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the interim consolidated financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

Determining whether an arrangement contains a lease

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

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

Transition

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

- Retrospective approach; or

- Modified retrospective approach with optional practical expedients.

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

4.3. Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Therefore, actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period 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 financial statements:

- Determining the residual values and useful lives of property and equipment
- Provisions
- Actuarial estimate
- Valuation of derivatives
- Fair value measurement of financial instruments.

4.4. Cash and cash equivalents

Cash and cash equivalents in the condensed interim consolidated statement of financial position comprise cash at banks, short-term deposits, and Murabaha with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5. Inventories

Inventories are measured at the lower of cost or net realizable value. Cost of the used inventories are measured by using the First-in-First-out method including bunker inventory. Vessels spare parts and other consumables are charged to expenses on purchase.

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

4.6. Property and equipment and ships under construction

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

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

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 condensed interim consolidated statement of profit or loss 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 to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Property and equipments	**Useful lives (in years)**
Buildings and improvements	3 to 20
Fleet and equipment	6 to 25
Containers and trailers	5 to 12
Furniture and fixtures	10
Tools and office equipment	4
Motor Vehicles	4 to 5
Computers equipment	4 to 6
Containers yard equipment	4 to 10
Others	6 to 15

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 condensed interim consolidated statement of profit or loss during the period in which such operation is commenced.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the condensed interim consolidated statement of profit or loss when the asset is derecognized.
The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7. Goodwill and other intangible assets

Goodwill
Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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 condensed interim consolidated statement of profit or loss. 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.

Other 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 the estimated useful lives. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably. Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization 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 recognised in the condensed interim consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

4.8. Investment in an associate

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9. Receivable from finance lease

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

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 condensed interim consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the condensed interim consolidated statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

4.10. Foreign currency translation

The Group's condensed interim consolidated financial statements are presented in Saudi Riyals, which is also the parent company's presentation 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 reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss 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 condensed interim consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on these monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or condensed interim consolidated statement of profit or loss, respectively).

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyal at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to condensed interim consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11. Zakat and Tax

The Company and its subsidiaries in the Kingdom of Saudi Arabia are subject to Zakat in accordance with the zakat regulation issued by the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakat profit or based on net equity using the basis defined in the zakat regulation. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation. Zakat is charged to the consolidated statement of profit or loss. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

For subsidiaries outside the Kingdom of Saudi Arabia, income tax is provided for in accordance with the regulations applicable in the respective countries and is charged to the condensed interim consolidated statement of profit or loss. Provision is made for withholding tax on payments to non-resident parties and is charged to the condensed interim consolidated statement of profit or loss. Moreover, certain shareholders in the Group are subject to income tax, which is recognized as an expense in the consolidated statement of profit or loss.

4.12. 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.

4.13. Cash dividends to the shareholders

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

4.14. Employees' benefits

i. Short-term employee benefits

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

ii. Defined benefit plans

Provision is made for amounts payable to employees under the Saudi Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee on a going concern basis.

The Company provides end of service benefits to employees. These benefits are unfunded. The cost of providing benefits is determined using the projected unit credit method as amended by IAS 19.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the defined benefit liability (excluding amounts included in interest on the defined benefit liability) are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14. Employees' benefits (continued)

iii. Other long-term employee benefits

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

iv. Termination benefits

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

4.15. 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 condensed interim consolidated statement of profit or loss net of any reimbursement.

4.16. Contingent assets and liabilities

Contingent assets are not recognized in the condensed interim 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 company.

4.17. Earnings per share - EPS

The Group determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. For the purpose of calculating basic earnings per share, the number of ordinary shares are 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.

4.18. Statutory reserve

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

4.19. Segment reporting

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

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

- Transportation of oil
- Transportation of chemicals
- Logistics, and
- Transportation of dry bulk

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

5. OPERATING SEGMENTS

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

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

SAR'000

31 March 2018	**Oil transportation**	**Chemical transportation**	**Logistics**	**Dry bulk transportation**	**Total**
Revenue	**825,225**	**213,368**	**318,380**	**100,347**	**1,457,320**
Operating costs	**(700,881)**	**(177,692)**	**(239,593)**	**(90,263)**	**(1,208,429)**
Gross profit before bunker subsidy	**124,344**	**35,676**	**78,787**	**10,084**	**248,891**
Bunker subsidy	**49,644**	**4,442**	**802**	**-**	**54,888**
Gross profit	**173,988**	**40,118**	**79,589**	**10,084**	**303,779**

31 March 2017	Oil transportation	Chemical transportation	Logistics	Dry bulk transportation	Total
Revenue	1,365,547	200,181	272,263	99,848	1,937,839
Operating costs	(1,020,801)	(173,109)	(208,234)	(92,117)	(1,494,261)
Gross profit before bunker subsidy	344,746	27,072	64,029	7,731	443,578
bunker subsidy	30,369	1,095	2,750	-	34,214
Gross profit	375,115	28,167	66,779	7,731	477,792

The Group's vessels are operating in several parts of the world and not concentered in a specific geographic area.

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

31 March 2018	**Oil transportation**	**Chemical**	**Logistics**	**Dry bulk transportation**	**Head office and Others**	**Total**
Property and equipment	**10,743,156**	**2,921,295**	**1,329,629**	**527,090**	**35,800**	**15,556,970**
Total assets	**13,138,524**	**3,519,064**	**2,402,190**	**701,848**	**1,923,730**	**21,685,356**
Total liabilities	**7,967,677**	**2,066,562**	**949,312**	**371,059**	**279,599**	**11,634,209**

31 December 2017	**Oil transportation**	**Chemical**	**Logistics**	**Dry bulk transportation**	**Head office and Others**	**Total**
Property and equipment	9,847,834	2,975,050	1,343,650	533,440	46,562	14,746,536
Total assets	12,423,200	3,548,304	2,327,355	688,573	2,195,151	21,182,583
Total liabilities	6,849,952	2,116,263	947,529	359,611	991,197	11,264,552

6. PROPERTY AND EQUIPMENT

SAR'000

31 March 2018	Building and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Containers yard equipment	Total
Cost									
At 1 January 2018	**55,308**	**21,280,467**	**20,239**	**12,373**	**4,158**	**1,132**	**69,583**	**14,435**	**21,457,695**
Additions	**10**	**1,058,470**	**-**	**188**	**23**	**-**	**247**	**-**	**1,058,938**
Disposals	**-**	**(4,362)**	**(7,691)**	**-**	**-**	**-**	**(3)**	**-**	**(12,056)**
At 31 March 2018	**55,318**	**22,334,575**	**12,548**	**12,561**	**4,181**	**1,132**	**69,827**	**14,435**	**22,504,577**
Accumulated depreciation									
At 1 January 2018	**20,223**	**6,592,030**	**14,925**	**8,265**	**3,829**	**792**	**58,563**	**12,532**	**6,711,159**
Charge for the period	**1,248**	**231,649**	**-**	**202**	**46**	**59**	**689**	**131**	**234,024**
Disposals	**-**	**-**	**(7,573)**	**-**	**-**	**-**	**(3)**	**-**	**(7,576)**
At 31 March 2018	**21,471**	**6,823,679**	**7,352**	**8,467**	**3,875**	**851**	**59,249**	**12,663**	**6,937,607**
Net book value:									
As at 31 March 2018	**33,847**	**15,510,896**	**5,196**	**4,094**	**306**	**281**	**10,578**	**1,772**	**15,566,970**

6. PROPERTY AND EQUIPMENT (continued)

SAR'000

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

7. SHIPS UNDER CONSTRUCTION

Ships under construction for the period ended 31 March 2018 amounted to SAR 417 million (31 December 2017: SAR 959 million).

- Ships under construction as at 31 March 2018, and 31 December 2017 is mainly related to advance payments made towards constructions of new vessels to Korean company Hyundai Samho Heavy Industries (South Korea).
- The Group signed contracts on 21 May 2015 and 30 June 2015 with Hyundai Samho Heavy Industries for building ten VLCCs for a total amount of SAR 3.56 billion (USD 948.90 million), which will be received during 2017 and 2018. As of 31 March 2018, The Group paid an advance payment of SAR 353 million (USD 94 million). The Group received eight vessels during the 2017 and first quarter of 2018 from for a total amount of SAR 2,817 million.
- Bahri Dry Bulk Company (a subsidiary) signed contracts on 25 August 2017 with Hyundai Samho Heavy Industries to build four bulk cargo carriers for a total amount of SAR 450 million (USD 120 million). These carriers are excepted to be received during the year 2020. As of 31 March 2018, Bahri Dry Bulk paid an advance payment of SAR 45 million (USD 12 million).

8. SUKUK AND LONG-TERM LOANS

	Note	**31 March 2018**	31 December 2017
		SAR'000	SAR'000
Sukuk	8.1	**3,900,000**	3,900,000
Murabaha loans	8.2	**6,529,975**	6,268,676
Commercial loans	8.3	**163,406**	163,406
Total sukuk and long-term loans		**10,593,381**	10,332,082
Less: Total current portion		**(1,149,312)**	(1,075,289)
Non-current sukuk and long-term loans		**9,444,069**	9,256,793
Less: prepaid financing		**(76,614)**	(76,208)
Net non-current sukuk and long-term loans		**9,367,455**	9,180,585

8.1. Sukuk

On 14 Shawwal 1436H (corresponding to 30 July 2015), the Company completed the issuance and offering of local Sukuk denominated in Saudi Riyal for public offering with nominal value amounted to SAR 3,900 million, and a nominal value of SAR 1 million for each Sukuk. The Sukuk issuance bears a variable rate of return at (SAIBOR) 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).

8.2. Murabaha loans

The Group obtained long term loan during the first quarter ended 31 March 2018 amounting SAR 484 million (31 December 2017: SAR 1,587 million). The existing loans are secured by promissory notes and mortgages against vessels. 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 at the end of 31 March 2018 is SAR 3,348 million (31 December 2017: SAR 3,236 million) and balance of loans against which profit to be paid based on SAIBOR at the end of 31 March 2018 is SAR 3,182 million (31 December 2017: SAR 3,033 million). Balance in prepaid financing account related to Murabaha loans at the end of 31 March 2018 is SAR 69 million (31 December 2017: SAR 68 million).

8.3. Commercial loans

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

9. EARNINGS PER SHARE

	31 March 2018	31 March 2017
	SAR'000	SAR'000
Income for the period	**123,138**	378,861
Average number of share outstanding during the period	**393,750**	393,750
Earnings per share - Basic (Saudi Riyals)	**0.31**	0.96

Earnings per share is calculated based on the number of shares outstanding during the period ended 31 March 2018 and 31 March 2017 amounting to 393.75 million shares.

10. ZAKAT AND TAX

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 not wholly owned subsidiaries filed their zakat returns for each company separately.

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 2000. The GAZT has raised the zakat assessment for the years 2001 to 2007 claiming additional liabilities of SAR 22 million. The Company filed an appeal on these assessments, and the appeal is still under study. The Company has charged the needed provision for these claims. During 2017, the GAZT has raised the zakat assessment for the years 2008 to 2012 claiming additional liabilities of SAR 79 million. The Company has filed an appeal on these assessments. The Company believes it provided a sufficient provision for zakat and withholding tax as at 31 March 2018. The Company has also recognized income tax on the share of one shareholder effective from the fiscal year 2017.

The zakat assessments for the years 2013 to 2016 are not received yet by the Company.

11. DIVIDENDS

The General Assembly of the shareholders of the Company approved in its meeting held on 17 April 2018 the distribution of cash dividends of SR 591 million to the shareholders for the financial year ended 31 December 2017, which amounted to SR 1.5 per share, and represented 15% of the share par value. These dividends will be paid on 3rd of May 2018.

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

12. CAPITAL COMMETMENTS

The Group signed an agreement on 30 May 2017 with Saudi Arabian Oil Company (Saudi Aramco), Hyundai Heavy Industries Ltd. (South Korea) and Lamprell Power Company Limited (UAE) to enter into a partnership for the establishment, development, and operation of maritime yard in Ras Al Khair near Jubail Industrial City. The partners will inject SAR 2.625 billion (USD 700 million) of the project cost. The Group will contribute SAR 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".

13. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the period ended 31 March 2018 that would have material impact on the condensed interim consolidated statement of financial position of the Group as reflected in these condensed interim consolidated financial statements.

14. DATE OF AUTHORIZATION

These condensed interim consolidated financial statements were authorized for issuance on 9 Sha'ban 1439H (25 April 2018).