Bahri البحري

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2016 AND INDEPENDENT AUDITORS'
LIMITED REVIEW REPORT

Building a better
working world

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

SCOPE OF REVIEW

We have reviewed the accompanying interim consolidated balance sheet of The National Shipping Company of Saudi Arabia - a Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group") as at 31 March 2016, and the related interim consolidated statements of income and cash flows for the three month period then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION

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

For Ernst & Young

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Certified Public Accountant
Registration No. 277

Riyadh: 11 Rajab 1437H
(18 April 2016)

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Interim Consolidated Financial Statements (Unaudited)
For the three month period ended 31 March 2016
and independent auditors' limited review report

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Bahri البحري

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

ASSETS	Note	As at 31 March 2016 (Unaudited)	As at 31 December 2015 (Audited)	As at 31 March 2015 (Unaudited)
Current assets:				
Bank balances and cash	3	**247,521**	173,265	164,543
Murabaha and short term deposits	3	**262,915**	1,066,597	368,316
Trade receivables, net		**867,612**	1,001,104	763,564
Lease receivable for vessels, net		**29,610**	27,901	22,866
Prepaid expenses and other receivables		**245,946**	163,686	162,338
Agents' current accounts		**52,338**	47,587	75,510
Inventories		**194,560**	203,610	264,902
Accrued bunker subsidy, net		**150,698**	150,412	201,625
Incomplete voyages		**1,543**	6,369	-
Total current assets		**2,052,743**	2,840,531	2,023,664
Non-current assets:				
Lease receivable for vessels , net		**321,997**	330,381	351,607
Investments held to maturity		**10,043**	10,043	10,587
Investments available for sale		**13,533**	13,533	13,533
Investment in an associated company	4	**1,065,932**	1,027,941	957,530
Deferred dry-docking cost, net		**172,443**	126,586	128,712
Intangible assets, net		**811,418**	849,464	889,991
Fixed assets, net		**13,963,579**	12,798,271	12,804,769
Ships under construction and others	5	**1,109,017**	1,099,901	15,931
Total non-current assets		**17,467,962**	16,256,120	15,172,660
Total assets		**19,520,705**	19,096,651	17,196,324
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable and accruals		**638,624**	928,326	587,170
Murabaha and long-term financing -current portion	6	**545,722**	547,016	555,839
Short term Murabaha financing	6	**232,500**	-	3,182,813
Dividends payable		**35,070**	35,095	33,720
Provision for zakat and withholding tax	8	**330,635**	296,811	173,710
Incomplete voyages		-	-	5,293
Other liabilities	9	**30,704**	30,704	-
Total current liabilities		**1,813,255**	1,837,952	4,538,545
Non-current liabilities:				
Murabaha, Sukuk and long-term financing	6	**7,338,399**	7,505,847	3,984,146
Employees' end of service benefits		**54,177**	53,774	50,647
Other liabilities	9	-	-	30,704
Total non-current liabilities		**7,392,576**	7,559,621	4,065,497
Total liabilities		**9,205,831**	9,397,573	8,604,042
Equity:				
Shareholders' equity				
Share capital	1	**3,937,500**	3,937,500	3,937,500
Statutory reserve		**2,259,089**	2,197,890	2,055,973
Retained earnings	7	**3,700,058**	3,149,268	2,220,011
Total shareholders' equity		**9,896,647**	9,284,658	8,213,484
Non-controlling interests	1	**418,227**	414,420	378,798
Total equity		**10,314,874**	9,699,078	8,592,282
Total liabilities and equity		**19,520,705**	19,096,651	17,196,324

The accompanying notes from (1) to (13) form an integral part of these interim consolidated financial statements.

Bahri البحري

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

	Note	For the three-month period ended 31 March 2016	2015
Operating revenues		**1,935,181**	1,642,457
Bunker cost		**(167,825)**	(331,915)
Other operating expenses		**(1,049,510)**	(902,378)
Gross operating income before bunker subsidy		**717,846**	408,164
Bunker subsidy		**29,710**	47,049
Gross operating income		**747,556**	455,213
General and administrative expenses		**(37,855)**	(27,269)
Operating income		**709,701**	427,944
Share in results of an associated company	4	**37,991**	51,772
Finance charges	6	**(64,110)**	(39,601)
Other (losses) income, net	10	**(33,672)**	843
Income before zakat, withholding tax and non-controlling interests		**649,910**	440,958
Zakat and withholding tax	8	**(34,113)**	(33,945)
Income before non-controlling interests		**615,797**	407,013
Non-controlling interests in consolidated subsidiaries' net income		**(3,807)**	(8,601)
Net income for the period		**611,990**	398,412
Earnings Per Share (in SR):			
Attributable to operating income	7	**1.80**	1.09
Attributable to net income for the period	7	**1.55**	1.01

The accompanying notes from (1) to (13) form an integral part of these interim consolidated financial statements.

Bahri البحري

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

	Note	For the three-month period ended 31 March 2016	2015
Cash flows from operating activities:			
Net income for the period		**611,990**	398,412
Adjustments to reconcile net income for the period to net cash flows from operating activities:			
Depreciation		**186,366**	176,214
Amortization of deferred dry-docking costs		**15,835**	13,109
Amortization of intangible assets		**11,421**	13,510
Provision for doubtful account		**16,718**	-
Share in results of an associated company	4	**(37,991)**	(51,772)
Gain (loss) on sale of fixed assets		**33,812**	(1,532)
Non-controlling interests in consolidated subsidiaries' net income		**3,807**	8,601
Zakat and withholding tax	8	**34,113**	33,945
Employees' end of service benefits, net		**404**	(2,187)
		876,474	588,300
Changes in operating assets and liabilities:			
Trade receivables, net		**116,774**	(101,812)
Lease receivable for vessels, net		**6,675**	4,949
Prepaid expenses and other receivables		**(82,260)**	1,999
Agents' current accounts		**(4,751)**	824
Inventories		**9,050**	62,588
Accrued bunker subsidy, net		**(286)**	(4,218)
Incomplete voyages		**4,826**	(4,520)
Accounts payable and accruals		**(289,702)**	68,664
Zakat and withholding tax paid	8	**(289)**	(3,133)
Net cash flows from operating activities		**636,511**	613,641
Cash flows from investing activities:			
Murabaha and short-term deposits		**36,175**	17,373
Intangible assets		**26,625**	-
Additions to fixed assets		**(1,257,180)**	(1,065)
Proceeds from sale of fixed assets		**26,534**	1,631
Ships under construction and others, net		**(163,956)**	(3,892)
Deferred dry-docking costs		**(61,692)**	(19,655)
Net cash used in investing activities		**(1,393,494)**	(5,608)
Cash flows from financing activities:			
Proceeds (Repayment) of short-term Murabaha financing		**232,500**	(276,500)
Repayment of Murabaha and long-term financing		**(168,742)**	(171,208)
Dividends paid		**(25)**	(162)
Net cash from (used in) financing activities		**63,733**	(447,870)
Net change in cash and cash equivalents during the period		**(693,250)**	160,163
Cash and cash equivalents at the beginning of the period		**1,142,831**	313,308
Cash and cash equivalents at the end of the period	3	**449,581**	473,471
Major non-cash transactions:			
Ships under construction and others transferred to fixed assets	5	**154,840**	-

The accompanying notes from (1) to (13) form an integral part of these interim consolidated financial statements.

(In Thousands Saudi Riyals)

1. ORGANIZATION AND OPERATIONS

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

The Company and its subsidiaries listed below (the "Group") are primarily engaged in purchasing, sale and operating of vessels for the transportation of cargo and passengers, and all of the marine transport activities. The Group performs its operations through four distinct segments which are Crude oil transportation, chemicals transportation, general cargo transportation, 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 2016, and 31 March 2015. The par value per share is SR 10.

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

Name	Activity	Location	Date of incorporation	Effective Ownership 2016	Effective Ownership 2015
NSCSA (America) Inc.	Company's ships agent	USA	1991	**100%**	100%
Mideast Ship Management Ltd. (JLT)	Ship management	UAE	2010	**100%**	100%
National Chemical Carriers Ltd. Co. (NCC)	Petrochemicals transportation	KSA	1990	**80%**	80%
Bahri Dry Bulk LLC	Dry Bulk transportation	KSA	2010	**60%**	60%

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

Name	Accounting method	Activity	Location	Date of incorporation	Effective Ownership 2016	Effective Ownership 2015
Petredec Ltd, *	Equity method	Liquefied petroleum gas transportation	Bermuda	1980	**30.30%**	30.30%

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

1. ORGANIZATION AND OPERATIONS (continued)

The Group Fleet:

As of 31 March 2016, the Group owns fleet of eighty vessels operating in various sectors as the following:

Oil Transportation Sector: Consist of thirty six very large crude carriers (VLCCs), out of which thirty five are operating in the spot market, while one tanker is chartered to ARAMCO Trading Company. The company also owns five product tankers all of which are chartered to ARAMCO Trading Company.

General Cargo Transportation Sector: Consist of six RoCon vessels operate on commercial lines between North America and Europe, the Middle East and the Indian subcontinent.

Chemical Transportation Sector: This sector is fully operated by the National Chemical Carriers Company (subsidiary), and it owns twenty-eight specialized tankers distributed as following:

- Three tankers are leased in the form of iron under capital lease signed on January 30, 2009, with "ODFjell SE".
- Fourteen tankers that are operated by the Company in the spot market.
- Eight tankers are chartered to the International Shipping and Transportation Co, Ltd. a subsidiary of Saudi Basic Industries Corporation "SABIC", and two tankers are chartered to ARAMCO Trading Company.
- One tanker operates in a pool with ODFjell SE and managed by the Company.

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Accounting convention

The accompanying interim consolidated financial statements are prepared in accordance with the accounting standard interim financial reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA) and under the historical cost convention, except for investments available for sale and the financial derivatives, which are measured at fair value, The Company applies the accruals basis of accounting in recognizing revenues and expenses.

The significant accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended 31 December 2015.

b. Period of financial statements

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. *Basis of consolidation*

- These interim consolidated financial statements include assets, liabilities and the Company's results of operations and its subsidiaries listed in Note (1) above.
- The subsidiary company is that in which the Company has, direct or indirect long term investment, comprising an interest of more than 50% in the voting capital and over which it exercises practical control. The subsidiary company is consolidated from the date the company obtains control until such control ceases.
- All significant inter-group accounts and transactions as well as realized gains (losses) on these transactions are eliminated on consolidation.
- Non-controlling interest represents share of profit or loss and net assets not owned by the Company, and is included as a separate item in the interim consolidated statement of financial position and interim consolidated statement of income.

d. *Use of estimates*

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

e. *Cash and cash equivalents*

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

f. *Trade accounts receivable*

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

g. *Accounting for finance leases*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Inventories

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

i. Deferred dry-docking costs

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

j. Investments

1- Investments in associated companies:

Investments in associated companies in which the Group has significant influence, but not control, over the investee's financial and operational policies, generally holds an equity interest ranging between 20% and 50%, are accounted for using the equity method, whereby the original cost of investment is adjusted by the post acquisition retained earnings (accumulated losses) and reserves of these companies based on their latest financial statements. When the Group acquires an interest in an associated company for an amount in excess of the fair value of the acquiree's net assets, the difference is treated as goodwill and recorded as part of the investment account. Goodwill is impaired by the decline in value amount, if any, and charged to the interim consolidated statement of income.

2- Investments in securities:

Investments in securities are classified into three categories as follows:

- Investments held for trading

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

- Investments held to maturity

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

- Investments available for sale

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

(In Thousands Saudi Riyals)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Intangible assets

The long term substantial evaluation of transportation contracts (which resulted from purchasing the operations and assets of Vela Company) was recorded as intangible assets in the interim consolidated statement of income. The value of those intangible assets are amortized over the average useful life of purchased assets and estimated in accordance with the company's accounting policy of recording fixed assets and its depreciations. Amortization is charged to the interim consolidated statement of income.

l. Fixed assets, net

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

Category	Depreciation rate	Category	Depreciation rate
Buildings and improvements	5 to 33.3%	Vehicles	20 to 25%
Fleet and equipment *	4 to 15%	Computers	15 to 25%
Containers and trailers	8.33 to 20%	Containers yard equipment	10 to 25%
Furniture and fixtures	10%	Others	7 to 15%
Tools and office equipment	2.5 to 25%		

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

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

Gain or loss from disposal of fixed asset is determined by comparing proceeds from disposal with the carrying value recognized in the interim consolidated statement of income. Maintenance and routine repairs which do not materially extend the estimated useful life of an asset are charged to the interim consolidated statement of income when incurred. Major renewals and improvements, if any, are capitalized and the assets replaced are retired.

m. Impairment of non-current assets

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

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

Except for goodwill, where the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount more than the carrying amount should not exceed that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior years. A reversal on an impairment loss is recognized as income immediately in the interim consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Accounts payable and accruals

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

o. Provisions

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

p. Zakat and income taxes

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

q. Employees' end of service benefits

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

r. 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 Group designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Group's policies, which provide principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in equity, if material and the ineffective portion is recognized immediately in the interim 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 interim 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 interim 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 interim consolidated statement of income for the period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Statuary reserve

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

t. Revenue recognition

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

- **Transport of Crude Oil, Petrochemical, and Dry Bulk:** Revenues from transport of oil, petrochemicals, and dry bulk are recognized when earned over the agreed-upon period of the contract, voyage and services.

- **General Cargo Transportation:** the Group follows the complete voyage policy in determining the revenues and expenses of the period for vessels transporting general cargo. A voyage is considered to be a "Complete Voyage" when a vessel has sailed from the last discharging port of a voyage. Shipping revenues, direct expenses, and indirect expenses of incomplete voyage are deferred until it is completed. Incomplete voyages are shown at the net amount in the interim consolidated balance sheet as "Incomplete Voyages".

- **Revenues from chartering and other associated activities**: Recorded when services are rendered over the duration of the related contractual services.

- Other income is recorded when earned.

u. Bunker subsidy

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

v. Expenses

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

w. Borrowing costs

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

x. Foreign currency transactions

Foreign currency transactions are translated into Saudi riyals at prevailing exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the interim consolidated balance sheet date are translated into Saudi riyals at the prevailing exchange rates on that date. Exchange differences are included in the interim consolidated statement of income.

Assets and liabilities shown in the financial statements of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi riyals at exchange rates prevailing at the interim consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi riyals at average exchange rates for the period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

x. Foreign currency transactions (continued)

The components of equity, other than retained earnings (or accumulated losses, if any) are translated at the date of occurrence of each component. Exchange differences, if material, are included in a separate line item within shareholders' equity.

y. Operating leases

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

z. Earnings per share and proposed dividends

Earnings per share from operating income, other operations and net profit for the period is calculated based on the weighted average number of shares outstanding during the period. 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.

aa. Segment reporting

Operating segment

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

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

(In Thousands Saudi Riyals)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent Bank balances and cash, and investments in Murabaha and short-term deposits, out of which SR 60.86 million as of 31 March 2016 (31 March 2015: SR 59.39 million) are restricted for repayment of current portion of loan installments falling due within 180 days from the interim consolidated balance sheet date.

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

	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Bank balances and cash	**247,521**	173,265	164,543
Amounts restricted by banks	**(23,393)**	(23,213)	(9,722)
	224,128	150,052	154,821
Investment in Murabaha and short-term deposits	**262,915**	1,066,597	368,316
Amounts restricted by banks	**(37,462)**	(73,818)	(49,666)
	225,453	992,779	318,650
Cash and cash equivalents balance at the end of the period	**449,581**	1,142,831	473,471

4. INVESTMENT IN AN ASSOCIATED COMPANY

Summary of the movement in investment in an associated company, which is Petredec Limited Company, is as follows:

	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Balance, beginning of the period	**1,027,941**	905,758	905,758
Group's share in results of an associated company*	**37,991**	184,683	51,772
Dividends received during the period	-	(62,500)	-
Balance, end of the period	**1,065,932**	1,027,941	957,530

* The Company's shares in the results of Petredec Limited Company for 2016 does not include any unrealized gain (loss) from commodity swaps (2015: unrealized loss of SR 2.35 million).

(In Thousands Saudi Riyals)

5. SHIPS UNDER CONSTRUCTION AND OTHERS

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

31 March 2016 (Unaudited)			
	The Company	**National Chemical Carriers**	**Total**
Beginning Balance	**1,099,901**	**-**	**1,099,901**
Additions	**1,044**	**162,912**	**163,956**
Transferred to fixed assets	**(29,625)**	**(125,215)**	**(154,840)**
Ending Balance	**1,071,320**	**37,697**	**1,109,017**

31 December 2015 (Audited)			
	The Company	National Chemical Carriers	Total
Beginning Balance	12,039	-	12,039
Additions	1,098,412	-	1,098,412
Transferred to fixed assets	(10,550)	-	(10,550)
Ending Balance	1,099,901	-	1,099,901

31 March 2015 (Unaudited)			
	The Company	National Chemical Carriers	Total
Beginning Balance	12,039	-	12,039
Additions	3,892	-	3,892
Ending Balance	15,931	-	15,931

The company signed on 21 May 2015, and 30 June 2015 contracts for building ten VLCCs with the Korean company Hyundai Samho Heavy Industries, which will be received during 2017 and 2018 (note 11). The company paid an advance payment of SR 1,068 million (USD 284.69 million).

The Board of Directors has approved in its meeting held on 26 October 2015 the purchase of two used VLCCs from DK Maritime (subsidiary of Daewoo Shipbuilding & Marine Engineering Co., Ltd), which were built by Daewoo Shipbuilding yard, South Korea in 2010 for a total price of SR 588.75 million (USD 157 million). One of the two tankers was received on 29 December 2015 and the other tanker was received on 7 January 2016. The ownership of the tankers was transferred to Bahri's Company fleet.

In addition, the Board of Directors has also approved in its meeting held on 24 December 2015 the purchase of two used VLCC from Alpha and Beta VLCC Companies (subsidiaries of Tanker Investment Ltd), which were built by Daewoo Shipbuilding yard, South Korea in 2010 for a total price of SR 581.25 million (USD 155 million). The two VLCC are expected to be received between 14 January and 1 February 2016 (note 23). One of the VLCC was received on 19 January 2016 and the other one was received on 20 January 2016. The ownership of the two VLCC was transferred to Bahri's Company fleet.

The National Chemical Carriers Company (subsidiary owned by Bahri with 80% ownership) signed an agreement to purchase five medium size used tankers for oil's products transportation. One tanker was received on 8 March 2016 and the second tanker was received on 29 March 2016. The ownership of the tankers was transferred to National Chemical Carriers Company's fleet.

(In Thousands Saudi Riyals)

6. MURABAHA, SUKUK, AND LONG-TERM FINANCING

The Group has signed various short Murabaha financing agreements on 22 June 2014 to finance the acquisition of Vela's vessels and its related expenses as well as to finance its working capital requirements for the Group. These financing agreements have been repaid through the issuance of local Sukuk denominated in Saudi Riyal on 30 July 2015 after the approval of the General Assembly on 1 April 2015 for the issuance of tradable debt instruments which include Sukuk and bonds.

The Group has also signed various Murabaha and long term financing agreements to finance the building and acquisition of new vessels in different sectors. The following table shows the details of the Murabaha and long-term financing:

31 March 2016 (Unaudited)				
Financing	**The Company**	**Subsidiaries**	**Total**	**%**
Local Sukuk denominated in Saudi Riyals*	**3,900,000**	**-**	**3,900,000**	**50%**
Murabaha financing	**1,172,727**	**1,782,238**	**2,954,965**	**37%**
Public Investment Fund "Murabaha financing"	**793,125**	**-**	**793,125**	**10%**
Public Investment Fund finance "commercial loans"	**-**	**236,031**	**236,031**	**3%**
Total Murabaha, Sukuk, and long term financing	**5,865,852**	**2,018,269**	**7,884,121**	**100%**
Less: current portion of Murabaha and long-term financing	**(316,369)**	**(229,353)**	**(545,722)**	**-**
Net non-current portion of Murabaha, Sukuk, and long term financing	**5,549,483**	**1,788,916**	**7,338,399**	**-**

31 December 2015 (Audited)				
Financing	The Company	Subsidiaries	Total	%
Local Sukuk denominated in Saudi Riyals*	3,900,000	-	3,900,000	48%
Murabaha financing	1,204,363	1,833,094	3,037,457	38%
Public Investment Fund "Murabaha financing"	879,375	-	879,375	11%
Public Investment Fund finance "commercial loans"	-	236,031	236,031	3%
Total Murabahaand, Sukuk, and long term financing	5,983,738	2,069,125	8,052,863	100%
Less: current portion of Murabaha and long-term financing	(317,663)	(229,353)	(547,016)	-
Net non-current portion of Murabaha, Sukuk, and long term financing	5,666,075	1,839,772	7,505,847	-

* The Company completed on 30 July 2015 the issuance and offering of local Sukuk denominated in Saudi Riyal for public offering with a nominal value amounted to SR 3.9 billion, and a nominal value of SR 1 million for each Sak, due on July 2022. The expected return on the Sukuk has been set at 80 basis points above the SIBOR rate for each periodic payment (semi-annual).

(In Thousands Saudi Riyals)

6. MURABAHA AND LONG-TERM FINANCING (continued)

31 March 2015 (Unaudited)				
Financing	The Company	Subsidiaries	Total	%
Murabaha financing	1,304,206	1,975,280	3,279,486	72%
Commercial loans	32	-	32	0%
Public Investment Fund "Murabaha financing"	988,125	-	988,125	22%
Public Investment Fund finance "commercial loans"	-	272,342	272,342	6%
Total Murabaha and long term financing	2,292,363	2,247,622	4,539,985	100%
Less: current portion of Murabaha and long-term financing	(326,485)	(229,354)	(555,839)	-
Net non-current portion of long-term financing	1,965,878	2,018,268	3,984,146	-

- The financing costs are calculated as per the financing agreements at market prevailing rates.
- Certain VLCCs and petrochemical carriers are mortgaged in favor of the lending parties.

7. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share is calculated based on the number of shares outstanding during the period ended 31 March 2016 and 2015 amounting to 393.75 million share.

On 1 April 2015 the General Assembly has approved the distribution of dividends amounting to 10% of the share capital for 2014 earnings, which amounts to SR 393.75 million, and represents SR 1 per share. A total of SR 345.9 million was distributed to the entitled shares of 2014 earnings pursuant to the agreement with ARAMCO Company for the merger of Vela vessels which indicates ARAMCO's right to the distribution of 2014 earnings from the date of transferring the vessels to the Company.

The Board of Directors decided in its meeting held on 24 December 2015 to recommend to the General Assembly of the Company the distribution of cash dividends to shareholders of SR 393.75 million for the financial year ended 31 December 2015 representing SR 1 per share. Also, the board has decided to recommend to the General Assembly of the Company the distribution of additional cash dividend to shareholders of SR 590.63 million for the financial year ended 31 December 2015 representing SR 1.5 per share. The total dividends for the financial year ended 31 December 2015 amounted to SR 984.38 million so that the total dividend per share amounts to SR 2.5, which represents 25% of the nominal value of the stock. The General Assembly of the Company has approved on its meeting held on 6 April 2016 the distribution of dividends, and set the date of payments to be on 21 April 2016.

The balance of unclaimed dividends as of 31 March 2016 amounted to SR 35.1 million (2015: SR 33.7 million.

8. ZAKAT AND WITHHOLDING TAX

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

(In Thousands Saudi Riyals)

8. ZAKAT AND WITHHOLDING TAX (continued)

Provision is made for withholding tax on payments to non-resident parties and is charged to the interim consolidated statement of income.

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

The Company has filed its zakat returns up to 2014. The zakat assessments have been agreed with the Department of Zakat and Income Tax ("DZIT") for all the years up to 2000. The "DZIT" has raised the zakat assessment for the years 2001 to 2007 claiming additional zakat liabilities of SR 22 million, and the Company has charged the needed provision for these claims. The Company believes it provided a sufficient provision for zakat and withholding tax as of 31 March 2016.

The Company did not receive the final assessments for the years from 2008 until 2014.

9. OTHER LIABILITIES

This item represents the total amounts received from one of the ships building companies as at 31 March 2016 and 2015 against charging this company with repair costs of the tanks related to the six vessels built for the National Chemical Carrier Company (subsidiary). Therefore, it was agreed to charge the ships building company an amount of SR 6.12 million for each ship. This item was classified as current liabilities as of 31 March 2016 since the company have a maintenance plan for the remaining vessels during 2016.

10. OTHER (LOSSES) INCOME, NET

Other (loss) income, net for the period ended 31 March comprises the following:

	2016 (Unaudited)	2015 (Unaudited)
(Losses) Gains from sale of fixed assets	**(33,812)**	1,532
Net gain from investments	**417**	92
Others	**(277)**	(781)
	(33,672)	843

11. CAPITAL CONTINGENT LIABILITIES

The Company has capital commitment related to the building of ten VLCCs amounting to SR 2.49 billion as of 31 March 2016 (31 March 2015: SR nil). The capital commitment for the National Chemical Carriers Company (subsidiary) related to the purchase of five medium size used tankers for oil's products transportation amounted to SR 334 million as of 31 March 2016 (note 5).

The Group has outstanding letters of guarantee of SR 297.45 million as at 31 March 2016 (2015: SR 295.59 million) issued during the normal course of business.

The Group also has certain outstanding legal proceedings that have risen in the normal course of business. As the outcome of these litigations has not yet been determined, management does not expect that these cases will have a material adverse effect on the Group's results of operations or its financial position.

(In Thousands Saudi Riyals)

12. **SEGMENTAL INFORMATION**

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

	2016 (Unaudited)				
	Oil Transportation	**Petrochemical Transportation**	**General Cargo Transportation**	**Dry Bulk Transportation**	**Total**
Operating revenues	**1,540,942**	**163,564**	**183,494**	**47,181**	**1,935,181**
Bunker costs	**(139,658)**	**(16,462)**	**(10,051)**	**(1,654)**	**(167,825)**
Other operating expenses	**(770,911)**	**(121,945)**	**(124,241)**	**(32,413)**	**(1,049,510)**
Total operating expenses	**(910,569)**	**(138,407)**	**(134,292)**	**(34,067)**	**(1,217,335)**
Gross operating income before bunker subsidy	**630,373**	**25,157**	**49,202**	**13,114**	**717,846**
Bunker subsidy	**26,497**	**1,321**	**1,892**	**-**	**29,710**
Gross operating income	**656,870**	**26,478**	**51,094**	**13,114**	**747,556**

	2015 (Unaudited)				
	Oil Transportation	Petrochemical Transportation	General Cargo Transportation	Dry Bulk Transportation	Total
Operating revenues	1,275,026	201,338	138,061	28,032	1,642,457
Bunker costs	(276,196)	(34,755)	(20,964)	-	(331,915)
Other operating expenses	(652,487)	(120,377)	(114,805)	(14,709)	(902,378)
Total operating expenses	(928,683)	(155,132)	(135,769)	(14,709)	(1,234,293)
Gross operating income before bunker subsidy	346,343	46,206	2,292	13,323	408,164
Bunker subsidy	39,705	2,662	4,682	-	47,049
Gross operating income	386,048	48,868	6,974	13,323	455,213

(In Thousands Saudi Riyals)

12. SEGMENTAL INFORMATION (continued)

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

B) The following schedule illustrates the distribution of the Group's assets and liabilities according to the operating segments as of 31 March:

	2016 (Unaudited)					
	Oil Transportation	**Petrochemical Transportation**	**General Cargo Transportation**	**Dry Bulk Transportation**	**Shared Assets and Liabilities***	**Total**
Assets	**11,992,214**	**3,549,616**	**1,876,116**	**703,267**	**1,399,492**	**19,520,705**
Liabilities	**4,651,751**	**2,067,333**	**1,125,355**	**398,842**	**962,550**	**9,205,831**

	2015 (Unaudited)					
	Oil Transportation	Petrochemical Transportation	General Cargo Transportation	Dry Bulk Transportation	Shared Assets and Liabilities*	Total
Assets	10,133,912	3,382,255	1,728,491	693,971	1,257,695	17,196,324
Liabilities	4,799,858	2,023,271	1,181,390	426,115	173,408	8,604,042

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

13. RECLASSIFICATION

Certain comparative figures of the 31 March 2015 interim consolidated financial statements have been reclassified to conform to the current period presentation.