

**THE NATIONAL SHIPPING COMPANY
OF SAUDI ARABIA**
(A Saudi Joint Stock Company)
**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**
For the three-month period ended March 31, 2011
and independent accountants' limited review report

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Interim Consolidated Financial Statements
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INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

April 20, 2011

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 (the "Company") and its Subsidiaries (the "Group") as of March 31, 2011 and the related interim consolidated statements of income, and cash flows for the three-month period then ended, including the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management.

We conducted our limited review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. 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 auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion on 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 of the Group for them to be in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group.

PricewaterhouseCoopers



By: _____
Khalid A. Mahdhar
License Number 368

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

ASSETS	Notes	March 31	
		2011	2010
Current assets:			
Cash in hand and at banks	3	183,599	215,391
Investments in Murabaha and short-term deposits	3	524,375	680,489
Trade receivables and other debit balances, net		201,400	232,345
Prepaid expenses		44,053	54,546
Bareboat lease receivable, net	4	6,858	6,095
Agents' current accounts, receivables		12,800	17,212
Inventories		133,602	136,091
Investments held for trading		18,909	18,367
Accrued bunker subsidy, net		77,532	36,681
Incomplete voyages		-	1,593
Total current assets		1,203,128	1,398,810
Non-current assets:			
Investment in government bonds		604	604
Bareboat lease receivable, net	4	410,485	417,343
Investments held to maturity (Sukuk)		30,206	30,224
Investments available for sale		28,142	31,032
Investments in affiliates and other	5	486,066	435,106
Deferred dry-docking cost, net		37,136	42,846
Fixed assets, net	7	6,562,573	6,650,719
Ships under construction and other	6	1,303,476	1,436,201
Total non-current assets		8,858,688	9,044,075
Total assets		10,061,816	10,442,885
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and other credit balances		264,337	238,193
Current portion of Murabaha financing and long-term finance	7	356,945	246,793
Dividends payable	8	315,000	-
Unclaimed dividends	8	26,727	28,265
Agents' current accounts, payables		825	995
Provision for zakat and tax	9	136,315	121,204
Incomplete voyages		17,180	-
Total current liabilities		1,117,329	635,450
Non-current liabilities:			
Murabaha financing and long-term finance	7	3,783,546	4,458,984
Obligation from fluctuations in swap fair market value for finance commission rates	10	1,349	3,441
Employees' end of service benefits provision		32,691	32,346
Total non-current liabilities		3,817,586	4,494,771
Total liabilities		4,934,915	5,130,221
Equity:			
Shareholders' equity			
Paid-up share capital	1	3,150,000	3,150,000
Statutory reserve	11	849,627	815,205
Retained earnings		834,387	1,154,587
Hedging reserve for finance commission	10	(1,349)	(3,441)
Unrealized gain from available for sale investments		1,267	2,900
Total shareholders' equity		4,833,932	5,119,251
Minority interest	1	292,969	193,413
Total equity		5,126,901	5,312,664
Total liabilities and equity		10,061,816	10,442,885

The accompanying notes from (1) to (16) form an integral part of these interim consolidated financial statements.

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

	<u>Notes</u>	For the three-month period ended March 31	
		<u>2011</u>	<u>2010</u>
Operating revenues	12	425,930	512,313
Operating expenses	12	(389,810)	(374,804)
Gross operating income	12	36,120	137,509
General and administrative expenses		(27,397)	(23,577)
Operating income		8,723	113,932
Company's share in profit of affiliates	5	41,632	16,587
Financing charges		(12,862)	(13,536)
Other income (expense), net	13	2,719	3,662
Profit before bunker subsidy, zakat, tax and minority interest		40,212	120,645
Bunker subsidy		29,375	21,038
Profit before zakat, tax and minority interest		69,587	141,683
Zakat provision	9	(5,459)	(7,507)
Tax provision, net	9	(158)	(532)
Profit before minority interest		63,970	133,644
Minority interest in consolidated subsidiaries' net profit	1	(4,277)	(3,295)
Net profit for the period		59,693	130,349
Earnings per share from operating income (SR)	2-t/8	0.03	0.36
Earnings per share from net profit (SR)	2-t/8	0.19	0.41

The accompanying notes from (1) to (16) form an integral part of these interim consolidated financial statements.

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

	Note	For the three-month period ended	
		March 31	
		2011	2010
Cash flows from operating activities:			
Net profit for the period		59,693	130,349
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation		83,076	81,226
Amortization of dry-docking costs		7,905	8,833
Unrealized gain on investments held for trading		(82)	(2,050)
Company's share in profit of affiliate		(41,632)	(16,587)
Gains from sale of fixed assets		-	(40)
Minority interest in consolidated subsidiaries' net profit		4,277	3,295
Provision for zakat		5,459	7,507
Provision for tax, net		158	532
Reversal of excess zakat and withholding tax provision		1,269	-
Employees' end of service benefits provision		1,099	902
Changes in operating assets and liabilities:			
Trade receivables and other debit balances, net		(26,157)	(24,634)
Prepaid expenses		(3,954)	(10,552)
Bareboat lease receivable		1,631	1,461
Agents' current accounts, receivables		2,347	(2,586)
Inventories		(236)	(19,290)
Accrued bunker subsidy, net		(11,637)	(5,429)
Accounts payable and other credit balances		13,465	25,342
Agents' current accounts, payables		(2,660)	426
Zakat and tax paid		-	(5,474)
Incomplete voyages		16,480	5,020
Net cash provided by operating activities		110,501	178,251
Cash flows from investing activities:			
Investments in Murabaha and short-term deposits		(10,821)	(75,148)
Investment held to maturity		(206)	(224)
Investment available for sale		598	-
Dividends from affiliates		11,362	-
Additions of fixed assets		(240,305)	(1,181)
Proceeds from sale of fixed assets		2,286	42
Ships under construction and other, net		(292,010)	(4,503)
Deferred dry-docking costs		(4,658)	(291)
Net cash used in investing activities		(533,754)	(81,305)
Cash flows from financing activities:			
Murabaha financing and long-term loans		54,498	-
Repayments against Murabaha financing and long-term loans		(57,195)	(57,196)
Loan to a joint venture		-	(3,750)
Dividends paid		(169)	(924)
Net cash used in financing activities		(2,866)	(61,870)
Net change in cash and cash equivalents during the period		(426,119)	35,076
Cash and cash equivalents at beginning of the period		1,085,349	761,618
Cash and cash equivalents at end of the period	3	659,230	796,694
Non-cash items:			
Unrealized loss(gain) from available for sale investments		837	(1,293)

The accompanying notes from (1) to (16) form an integral part of these interim consolidated financial statements.

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Notes To The Interim Consolidated Financial Statements
For the three month period ended March 31, 2011 (Unaudited)
(In Thousands Saudi Riyals)

1. ORGANIZATION AND OPERATIONS

The National Shipping Company of Saudi Arabia, a Saudi joint stock company (the "Company"), was established by Royal Decree No. M/5 dated 12/02/1398H, corresponding to 21/01/1978, and registered under Commercial Registration No. 1010026026 dated 01/12/1399H, corresponding to 22/10/1979, issued in Riyadh.

The Company is primarily engaged in purchasing, chartering and operating vessels for the transportation of cargo and passengers and other activities related to sea shipping industry. The Company has operations through three distinct segments which are very large crude carriers (VLCCs), chemical transportation, and goods transportation (liners).

The authorized and paid-up capital of the Company is SR 3,150 million from 315 million shares for the nominal value of SR 10 each as of March 31, 2011 and 2010.

The Company owns seventeen Very Large Crude Carriers (VLCCs), one of which is chartered to RWE Supply & Trading GmbH (A German Company), one to Euronav Company, three to Hanjin Company (A Korean Company) and twelve are operating in spot market. The Company owns four Roll-On Roll-Off (RoRo) vessels operating on liner trade between North America, Europe, the Middle East and Indian Subcontinent.

The National Chemical Carriers Ltd. Co. ("Subsidiary") owns fourteen chemical tankers, out of which three were leased to Odfjell SE ("Odfjell"), a Norwegian company, on January 30, 2009 under a bareboat capital lease arrangement, four are operating in a pool with NCC-Odfjell Chemical Tankers JLT, six are chartered to the International Shipping and Transportation Company Limited (ISTC), a subsidiary of Saudi Basic Industries Corporation (SABIC), and one tanker is chartered out to Saudi International Petrochemical Company (SIPCHEM).

The Subsidiary signed a 50 percent joint venture agreement with "Odfjell SE" on 22/06/1430H, corresponding to June 15, 2009 to establish a company in Dubai, (United Arab Emirates), by the name of NCC-Odfjell Chemical Tankers JLT (hereinafter referred as "Joint Venture"), to commercially operate the two companies' combined fleet of coated chemical tankers in a pool for trading in the chemicals, vegetable oils and clean petroleum products markets on a world-wide basis with emphasis on the growing production and export of the Arabian Gulf Region. The new company commenced operations in 2010.

On August 28, 2010, the Company entered into an agreement with the Arabian Agricultural Services Company (ARASCO) to establish a new subsidiary "Al-Bahri Company for Bulk Transportation" for dry bulk transportation with a capital of SR 200 million of which 60% is owned by the Company and 40% by ARASCO. The full capital contributions have been made by the shareholders as of March 31, 2011. The new subsidiary is expected to commence its commercial operations in the year 2011.

The accompanying interim consolidated financial statements include the activities of the Company and its subsidiaries, in which the Company owns more than 50% of owners' equity and/or has control over those subsidiaries. The Company established and/or invested in the following subsidiaries and affiliates:

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Name	Activity	Location	Date of incorporation	Ownership % 2010	Ownership % 2009
Consolidated Subsidiaries:					
National Shipping Company of Saudi Arabia (America) Inc.	Company's ships agent	USA	1991	100 %	100 %
Mideast Ship Management Ltd.	Ship management	Dubai	1996	100 %	100 %
National Chemical Carriers Ltd. Co. (NCC)	Petrochemicals transportation	Riyadh	1990	80 %	80 %
Al-Bahri Company for Bulk Transportation	Bulk transportation	Riyadh	2010	60%	-
Affiliates:					
Petreddec Ltd.	Liquefied petroleum gas transportation	Bermuda	1980	30.3 %	30.3 %
Arabian United Float Glass Co.	Glass manufacturing & trading	Riyadh	2006	10%	10%

2. **SIGNIFICANT ACCOUNTING POLICIES**

a) *Accounting convention*

The accompanying interim consolidated financial statements are prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and under the historical cost convention, except for the investment in financial instruments and derivative financial instruments at fair value. The Company applies the accrual basis of accounting in recognizing revenues and expenses.

The significant accounting policies implemented by the Company in preparation of interim consolidated financial statements are in conformity with that implemented for annual consolidated financial statements for the year ended December 31, 2010.

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 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 revenues, gains, expenses and losses are recognized during that period. All adjustments which management feels are necessary and significant to reflect fair financial position and results of the Company's operations have been made. The results of operations for the interim period may not give an accurate indication of the results for the actual annual operations.

c) *Basis of consolidation*

For the purpose of consolidating accounts, inter-company transactions and balances are eliminated in the consolidation process. Minority interest relating to third parties (other partners in the subsidiaries) is also accounted for in the subsidiaries' net assets and 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 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 event and actions, actual results ultimately may differ from those estimates.

The National Shipping Company of Saudi Arabia

e) Accounting for finance lease

The present value of lease payments for assets sold under finance lease together with unguaranteed residual value at 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.

The Company accounts for the assets acquired under a lease arrangement as a finance lease when the lease transfers to the lessee (“the Company”) substantially all the benefits and risks incident to the ownership of leased assets.

f) Cash and cash equivalents

For the purpose of preparing the interim consolidated statement of cash flows, cash and cash equivalents represent cash in hand, bank balances, investment in Murabaha and short-term deposits, and investments that can be liquidated to cash and maturing within three months or less from the date of acquisition which is available to the Company and its subsidiaries without any restrictions.

g) Investments

1- Investments in affiliates and others:

Investment in affiliates in which the Company has significant influence, but no control, over the investee’s financial and operation policies, or in which the Company owns equity interest ranging between 20% and 50% are accounted for using the equity method. The Company’s investment in an associate includes goodwill identified on acquisition, being the excess of the purchase price over the value of purchased net assets, net of any accumulated amortization and impairment losses, if any. Due to the timing difference between Petredec Ltd. fiscal year and the Company’s fiscal year, the Company’s share in Petredec Ltd. net profits or losses are recognized in the Company’s books according to the latest financial statements prepared by Petredec Ltd. The gap period between the latest financial statements prepared by Petredec Ltd. and the date of the Company’s interim consolidated financial statements is two months.

Investments in other companies which are not listed in market and the Company own equity interest of less than 20% is accounted for using the cost method.

2- Investments in government bonds:

Investments in government bonds are held to maturity and are stated at cost adjusted by premium or discount. In case of a permanent decline in value, unrealized losses are charged to the interim consolidated income statement.

3- Investments in financial instruments:

Investments in financial instruments represent investments in mutual funds units and investment portfolios managed by local banks, which were classified into three categories as follows:

- Investments held to maturity

Certain investments in financial instruments are classified as held to maturity based on the Company’s management intention. These investments are stated at cost adjusted by premium or discount, if any.

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- Investments held for trading

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

- Investments available for sale

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

h) Inventories

Inventories representing fuel and lubricants on board of the vessels are shown as inventories at the balance sheet date, and its cost is determined using First in First out (FIFO) method which is considered more appropriate to the Company's operations. The differences between the weighted average method and FIFO method are not significant to the interim consolidated income statement. Spare parts and other consumables on board for each vessel are charged to operating expenses on 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 amortized in the interim consolidated income statement in the period that ends at the beginning of the new dry-docking operation.

j) Fixed assets, net

Fixed assets are recorded at actual cost and are depreciated using the straight-line method to allocate the costs of the related assets over the estimated useful lives using the following depreciation rates:

Buildings and improvements	From 5 to 33.3%
Fleet and equipment *	From 4 to 15%
Containers and trailers	From 8.33 to 20%
Furniture and fixtures	10%
Tools and office equipment	From 2.5 to 25%
Motor vehicles	From 20 to 25%
Computers equipment	From 15 to 25%
Container yard facilities	From 10 to 25%
Others	From 7 to 15%

* RoRo' vessels are depreciated over a period of twenty years, while VLCCs are depreciated over a period of twenty-five years. Used vessels are depreciated based on their estimated remaining useful lives, after taking into consideration 10% of the vessels' cost as residual value. RoRos' equipment are depreciated over a period of fifteen years.

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k) *Impairment of non-current assets*

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, 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 should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement. Impairment losses recognized on intangible assets are not reversible.

l) *Employees' end of service benefits provision*

Employees' end of service benefits provision is provided for on the basis of accumulated services period in accordance with the By-Laws of the Company and in conformity with the Saudi Labor Law. End of service benefits in respect of subsidiaries outside the Kingdom of Saudi Arabia are provided for based on the applicable regulations applied to these subsidiaries.

m) *Revenue recognition*

The Company adopted the completed voyage policy to determine the revenues and expenses for the period of the voyages. A voyage is considered to be a "Completed Voyage" when a vessel has sailed from the last discharging port of a voyage. Freight revenues, direct and indirect operating expenses associated with incomplete voyages are deferred until completion of voyage. Incomplete voyages are shown at net amount in the interim consolidated balance sheet under "Incomplete Voyages".

Revenues from chartering and other associated activities are recorded when services are rendered and are recorded in conformity with contract periods, voyages durations, and agreed upon services. Other income is recorded when earned.

n) *Bunker subsidy*

Bunker subsidy is computed on bunker quantities purchased and recorded in the interim consolidated income statement on purchase. Provisions are made against any amounts that might not be collectable.

o) *Expenses*

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

p) *Borrowing costs*

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

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q) Foreign currency transactions

Foreign currency transactions are translated into Saudi riyal at prevailing exchange rates on transaction date. Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Saudi riyal at the prevailing exchange rates on that date. Gains and losses resulting from fluctuation of exchange rates, which were not significant for 2011 and 2010, are recognized in the interim consolidated income statement.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are converted into Saudi riyal at exchange rates prevailing at the interim consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies are converted into Saudi riyal at average exchange rates during the period. Also the components of shareholders' equity excluding retained earnings (deficit) are converted applying the exchange rate prevailing at the dates the related items originated.

Exchange differences arising from such conversion, if material, are included in a separate line item under shareholders' equity.

r) Zakat and income taxes matter

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

s) Hedging reserve for loans commission

The Company uses commission rate swaps and caps agreements to hedge its long-term loans against fluctuations in market commission rates. Changes in the fair market value of the commission rate swaps that qualifies for hedge accounting are recorded in the hedging reserve which is included in shareholders' equity; also, the hedging reserve is adjusted based on the periodical valuation of commission rate swaps.

t) Earning per share and proposed dividends

Earning per share from operating income, other operations and net profit is calculated based on the weighted average number of shares outstanding during the period. Dividends proposed after period end are treated as a part of retained earnings and not as liabilities unless the General Assembly's approval was before the end of the period.

u) Trade accounts receivables

Trade accounts receivables are stated at net value 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 income statement and reported under "General and administrative expenses". When 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 income statement.

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v) **Segment reporting**

Business segment

A business segment is group of assets, operations or entities:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2011 represent cash in hand and at banks, Murabaha and short-term deposits, out of which SR 0.03 million (2010: SR 0.43 million) are subject to bank restrictions for letters of guarantee issued for the DZIT and other parties.

It also includes SR 48.71 million as of March 31, 2011 (2010: SR 42.72 million) restricted for repayment of current portion of Murabaha financing and long-term loans maturing within 180 days from the balance sheet date.

It also includes SR 56.04 million as of March 31, 2010 (2011: Nil) that was restricted for investment in financial certificate.

For the purpose of preparing the statement of cash flows, cash and cash equivalents as of March 31 comprises the following:

	<u>2011</u>	<u>2010</u>
Cash in hand and at banks	183,599	215,391
Amounts restricted by banks	<u>(33,787)</u>	<u>(34,396)</u>
	149,812	180,995
Investment in Murabaha and short-term deposits	524,375	680,489
Amounts restricted by banks	<u>(14,957)</u>	<u>(64,790)</u>
	509,418	615,699
Cash and cash equivalents balance at the end of the period	<u>659,230</u>	<u>796,694</u>

4. BAREBOAT LEASE RECEIVABLE, NET

On January 30, 2009, the National Chemical Carriers Ltd. Co. signed agreements with Odfjell to charter three vessels under bareboat arrangement for a period of ten years with purchase option after three years. These ships were delivered to Odfjell on February 1, 2009. The arrangement qualifies as a capital lease as it transfers to Odfjell substantially all the benefits and risks and also gives Odfjell a purchase option under the arrangement. The net bareboat lease receivable balance as of March 31 is summarized as follows:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Future minimum lease payments	508,770	564,204
Un-guaranteed residual value at the end of lease term	247,875	247,875
Total	756,645	812,079
Unearned income	<u>(339,302)</u>	<u>(388,641)</u>
Net bareboat lease receivable balance	<u>417,343</u>	<u>423,438</u>

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The above amount is classified at March 31 as under:

Description	2011	2010
Current	6,858	6,095
Non-current	410,485	417,343
Net bareboat lease receivable balance	<u>417,343</u>	<u>423,438</u>

Income related to the above arrangement for the period ended March 31, 2011 amounted to SR 12 million (2010: SR 12.2 million) and is included in the operating revenues in the accompanying interim consolidated income statement.

5. INVESTMENTS IN AFFILIATES AND OTHER

Summary of the movement in investments in affiliates for the period ended March 31 is as follows:

	2011	2010
Balance, beginning of the period	455,796	418,519
Company's share in affiliate's profit	41,632	16,587
Dividends received during the period	(11,362)	-
Balance, end of the period	<u>486,066</u>	<u>435,106</u>

A - Petredec Ltd.

Petredec Ltd. was incorporated on February 20, 1980 under the laws of Bermuda. It is specialized in Liquefied Petroleum Gas (LPG) trading and shipping. The registered office of the company is located in Bermuda and the company also has offices in Monaco, Singapore and Bahamas. The Company signed an agreement on February 22, 2005 to acquire 30.3% share of the capital of Petredec Ltd. for total amount of SR 187.5 million (equivalent to USD 50 million).

The difference between the net investment value and the value of the net assets acquired of SR 119.18 million was considered as goodwill and is included as part of the carrying value of the investment.

Petredec's financial year starts on September 1 and ends on August 31 of each Gregorian year. The Company's share in Petredec net profit amounted to SR 41.63 million up to January 31, 2011 (January 31, 2010: SR 16.6 million), which was included in the interim consolidated income statement.

B - The Arabian United Float Glass Company

The Company signed a contract for establishing the Arabian United Float Glass Company as a founding member. It was established by a ministerial decision No. (1299) dated 11/05/1427H (corresponding to 08/06/2006). An investment of SR 20 million was made for the ownership of fully paid 2 million shares representing 10% of the share capital. Also, an amount of SR 1.2 million was paid through March 31, 2011 representing the Company's share in establishing and developing costs. The company is engaged to manufacture float glass and commenced operations in April 2009.

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C - NCC-Odfjell Chemical Tankers JLT (hereinafter referred as “Joint Venture”)

NCC signed a 50 percent joint venture agreement with Odfjell on 22/6/1430H (corresponding to June 15, 2009) to establish a company in Dubai, United Arab Emirates, by the name of NCC-Odfjell Chemical Tankers JLT to commercially operate the two companies' combined fleet of coated chemical tankers in a pool for trading in the chemicals, vegetable oils and clean petroleum products markets on a world-wide basis with emphasis on the growing production and export of the Arabian Gulf Region. The Joint Venture commenced operations in 2010.

6. SHIPS UNDER CONSTRUCTION AND OTHER

At March 31, 2011, the balance of ships and other assets under construction principally represents costs incurred towards construction of the Company's new building and costs incurred by NCC (a subsidiary) under signed contracts for constructing new chemical tankers.

The Company

On March 6, 2011, the Company signed four RoRo vessel contracts with Hyundai MIPO of South Korea for total cost of SR 1.03 billion (USD 274.2 million). The vessels are expected to be delivered during 2012 through 2013. The Company paid an amount of SR 205.65 million (USD 54.84 million) during March 2011 which represents the first installment on these contracts.

The Subsidiary (“NCC”)

NCC signed a contract with SLS Shipbuilding Co. Ltd. (“SLS”) of South Korea to build 10 petrochemical carriers and another contract during the year 2007 to build six additional petrochemical carriers with a total cost of SR 3.01 billion (USD 802 million). These tankers are scheduled to be delivered during 2011 through 2012.

NCC also signed a contract on July 4, 2010 with Daewoo Shipbuilding and Marine Engineering Co. Ltd. of South Korea to build a specialized chemical tanker for total price of approximately SR 245 million (USD 65.3 million) with expected delivery during 2013.

NCC in May 2010 decided to cancel two new contracts signed with SLS in 2006 for building two tankers due to delay by SLS to deliver the tankers on the dates agreed in the contracts. Also, on September 30, 2010 it was mutually agreed with SLS to cancel another five new ship building contracts, since SLS was not able to build the ships and deliver them within the period specified in the agreement. As of September 30, 2010, NCC collected SR 701.6 million which include all installments paid to SLS on all the cancelled contracts totaling to SR 641.3 million (USD 171 million), all other incidental costs amounting to SR 45.2 million, as mutually agreed between the parties, and net recovery amounting to SR 15.1 million which was included in the other income in the three-month period ended September 30, 2010.

NCC also signed contracts with SLS on December 21, 2010 to purchase two chemical tankers for total price of SR 322.5 million (USD 86 million). These two tankers were received on March 16, 2011 and April 15, 2011, respectively.

Capital commitments

The Company's capital commitments for constructing RoRo vessels amounted to SR 0.82 billion as of March 31, 2011 (2010: Nil). The Subsidiary's capital commitments for constructing chemical tankers amounted to SR 0.93 billion as of March 31, 2011 (2010: SR 1.68 billion).

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7. MURABAHA FINANCING AND LONG-TERM LOANS

The Company and its subsidiaries have entered into various Murabaha financing and long-term loans agreements principally to finance building of new VLCCs, petrochemical carriers and new office in Dubai. The balance of these financing as at March 31 comprises the following:

	2011	2010
Finance to the Company	2,285,573	2,454,198
Finance to the subsidiaries	1,854,918	2,251,579
Total Murabaha and long-term finance	4,140,491	4,705,777
Current portion of Murabaha and long-term finance	(356,945)	(246,793)
Non-current portion of long-term finance	3,783,546	4,458,984

Break down of Murabaha and long-term finances are listed below at March 31:

2011						
Financing:	Parent Co.	%	Subsidiaries	%	Total	%
Murabaha Finance	883,460	39%	1,437,325	77%	2,320,785	56%
Commercial Finances	216,363	9%	---	---	216,363	5%
Public Investment Fund "Murabaha Finance"	1,050,000	46%	---	---	1,050,000	26%
Public Investment Fund finance "conventional"	135,750	6%	417,593	23%	553,343	13%
TOTAL	2,285,573	100%	1,854,918	100%	4,140,491	100%

2010						
Financing:	Parent Co.	%	Subsidiaries	%	Total	%
Murabaha Finance	977,684	40%	1,815,829	81%	2,793,513	60%
Commercial Finances	253,264	10%	---	---	253,264	5%
Public Investment Fund "Murabaha Finance"	1,050,000	43%	---	---	1,050,000	22%
Public Investment Fund finance "conventional"	173,250	7%	435,750	19%	609,000	13%
TOTAL	2,454,198	100%	2,251,579	100%	4,705,777	100%

The cost of financing is calculated as per the respective financing agreements.

The Company's fleet and equipment includes VLCCs and petrochemical carriers that are financed by banks and mortgaged in favor of lending banks.

8. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share was calculated based on the number of shares outstanding during the periods ended March 31, 2011 and 2010 totaling to 315 million shares.

The General Assembly on March 29, 2011 approved dividends at the rate of 10% of the share capital equal to SR 315 million at one Saudi Riyal per share for 2010 and the distribution was completed on April 13, 2011. The balance of unclaimed dividends as of March 31, 2011 amounted to SR 26.73 million (2010: SR 28.27 million).

The earning per share from non-operating income for the three-month period ended March, 31 2011 amounted to SR 0.16 (2010: SR 0.05).

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9. ZAKAT AND INCOME TAX

The Company's zakat and tax status

The Company finalized its zakat and tax status with the DZIT up to 2000. The Company submitted the zakat returns for all fiscal years from 2001 up to 2009 and paid the zakat due according to these returns. The Company has not received zakat assessments from the DZIT for these years. The Company also has not received the final withholding tax assessments for the years 2001 up to the end of July 2004, the date of enforcement of the new tax law. Since the enforcement of the new tax law, the Company pays regularly the withholding tax on payments to non-resident parties. The Company believes that adequate provision is maintained at March 31, 2011 for any potential zakat and tax claims by DZIT for the concerned years.

Zakat and Tax status for the subsidiary (NCC)

NCC submitted the zakat returns for all fiscal years up to 2009 and paid the zakat due according to these returns. NCC received additional zakat and withholding tax assessments for the years 1991 to 2004 amounting to SR 59 million. NCC had filed appeals against some items in these assessments and their treatments. In April 2010, NCC reached an agreement for a final settlement of the above assessments in the amount of SR 53 million for the above-mentioned assessment years against which NCC maintains adequate provision at March 31, 2011.

Zakat returns are prepared separately for the Company and NCC.

10. HEDGING RESERVE FOR LOANS COMMISSION

The Company uses the commission rates swaps and caps to avoid fluctuations in commission rates on the long-term loans. The change in the market value of the commission rate swaps are recorded in the hedging reserve which is included in the shareholders' equity.

11. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company is required to transfer 10% of the net income to the statutory reserve until such reserve equals 50% of the paid-up capital. This reserve is not currently available for distribution to shareholders.

12. SEGMENT INFORMATION

A) The following schedule illustrates the distribution of the Company's and subsidiaries' activities according to the operational segments for the three-month period ended March 31:

	2011		
	<u>Operating revenues</u>	<u>Operating expenses</u>	<u>Gross operating income (loss)</u>
Crude Oil Transportation	298,465	(273,819)	24,646
Petrochemical Transportation	67,725	(38,288)	29,437
General Cargo Transportation (Liner)	59,740	(77,703)	(17,963)
Bulk Transportation (See Note 1)	-	-	-
	<u>425,930</u>	<u>(389,810)</u>	<u>36,120</u>

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	2010		
	Operating revenues	Operating expenses	Gross operating income (loss)
Crude Oil Transportation	380,395	(256,545)	123,850
Petrochemical Transportation	64,563	(38,877)	25,686
General Cargo Transportation (Liner)	67,355	(79,382)	(12,027)
Bulk Transportation (See Note 1)	-	-	-
	512,313	(374,804)	137,509

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

	2011					
	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Bulk Transportation	Shared Assets and Liabilities *	Total
Assets	5,531,934	3,014,416	444,819	200,000	870,647	10,061,816
Liabilities	2,463,095	1,949,568	64,348	-	457,904	4,934,915

	2010					
	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Bulk Transportation	Shared Assets and Liabilities *	Total
Assets	5,780,639	3,292,186	220,122	-	1,149,938	10,442,885
Liabilities	2,584,156	2,324,619	62,434	-	159,012	5,130,221

* Shared assets and liabilities represent amounts which cannot be determined for a specific segment such as cash, deposits, government bonds, unclaimed dividends, etc.

13. OTHER INCOME, NET

Other income, net includes net recovery made of SR 1.58 million representing income from investments in financial instruments and SR 0.24 million representing income from investments in Murabaha deposits for the three month period ended March 31, 2011 (2010: includes SR 2.27 representing income from investments in financial instruments and SR 1.24 million representing income from investments in Murabaha deposits).

14. COMMITMENTS AND CONTINGENCIES

The Company has issued letters of guarantee of SR 77.6 million which includes a guarantee of SR 0.03 million in favor of the DZIT. These guarantees were issued against restricted cash, Murabaha and short-term deposits of SR 0.03 million (See Note 3).

The Company has also certain outstanding legal proceedings that have arisen in the normal course of business. Although, 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 Company's result of operations or its financial position.

In addition, refer to Note (6) in relation to future capital commitments.

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15. SUBSEQUENT EVENTS

During April 2011, one petrochemical tanker of NCC with a total contract price of SR 161.25 million was delivered to NCC.

16. RECLASSIFICATION

Certain amounts previously reported in 2010 interim consolidated financial statements, including goodwill of SR 119.18 million reclassified as part of the carrying value of the investment in affiliate, have been reclassified to conform to current period presentation.
