

**THE NATIONAL SHIPPING COMPANY  
OF SAUDI ARABIA**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**  
For the three month period ended March 31, 2009  
and independent **accountants' review report**

**THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA**  
(A Saudi Joint Stock Company)  
**Interim Consolidated Financial Statements**  
As of March 31, 2009  
and independent **accountants' review report**

<u><b>Contents</b></u>	<u><b>Page</b></u>
Independent accountants' review report	3
Interim consolidated balance sheet	4
Interim consolidated income statement	5
Interim consolidated statement of cash flows	6
Notes to the interim consolidated financial statements	7 - 17

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

April 19, 2009

To the Shareholders of the National Shipping Company of Saudi Arabia  
(A Saudi Joint Stock Company):

We have reviewed the accompanying interim consolidated balance sheet of the National Shipping Company of Saudi Arabia and Subsidiaries (the "Group") as of March 31, 2009 and the related interim consolidated statements of income and cash flows for the three-month period then ended, including the related notes. These interim consolidated financial statements are the responsibility of the Group's management.

We conducted our review in accordance with the Standard of Interim Financial Information issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of the review 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.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements as of and for the three-month period ended March 31, 2009 for them to be in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group.

**PricewaterhouseCoopers Al Juraid**



By: \_\_\_\_\_  
Rashid S. Al Rashoud  
License Number 366

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

<b>ASSETS</b>	<b>Notes</b>	<b>March 31</b>	
		<b>2009</b>	<b>2008</b>
<b>Current assets:</b>			
Cash in hand and at banks	3	130,837	194,206
Investments in Murabaha and short-term deposits		1,105,131	778,824
Trade receivables and other debit balances, net		128,829	234,573
Prepaid expenses		75,598	66,776
Bareboat lease receivable, net	4	5,633	---
Agents' current accounts, receivables		30,072	17,762
Inventories		52,277	64,641
Investments held to maturity		77,525	---
Investments held for trading		11,791	---
Investments available for sale		---	130,751
Accrued bunker subsidy, net		49,016	34,236
Incomplete voyages		633	---
<b>Total current assets</b>		<b>1,667,342</b>	<b>1,521,769</b>
<b>Non-current assets:</b>			
Investment in government development bonds		604	604
Bareboat lease receivable, net	4	423,607	---
Investments available for sale		24,941	---
Investments in affiliates and other	5	282,992	227,341
Deferred charges, net		91,963	137,380
Fixed assets, net		5,111,240	4,896,892
Goodwill		119,177	119,177
Ships under construction and others	6	2,565,796	1,321,315
<b>Total non-current assets</b>		<b>8,620,320</b>	<b>6,702,709</b>
<b>Total assets</b>		<b>10,287,662</b>	<b>8,224,478</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable and other credit balances		269,829	295,307
Current portion of Murabaha financing and long-term loans	7	247,746	174,620
Dividends payables	12	472,500	---
Unclaimed dividends		23,334	18,215
Agents' current accounts, payables		471	1,633
Provision for zakat and tax	8	193,097	152,445
Incomplete voyages		---	28,596
<b>Total current liabilities</b>		<b>1,206,977</b>	<b>670,816</b>
<b>Non-current liabilities:</b>			
Murabaha financing and long-term loans	7	4,104,476	2,534,590
Obligation from fluctuations in swaps fair market value for loan commission rates	9	4,534	3,021
Tax obligation provision	8	4,000	8,000
Employees' end of service benefits provision		29,812	28,770
<b>Total non-current liabilities</b>		<b>4,142,822</b>	<b>2,574,381</b>
<b>Total liabilities</b>		<b>5,349,799</b>	<b>3,245,197</b>
<b>Equity:</b>			
<b>Shareholders' equity</b>			
Paid-up share capital	1	3,150,000	3,150,000
Share premium		524,416	524,416
Statutory reserve		255,929	183,138
Retained earnings		840,847	973,232
Hedging reserve for loans commission	9	(4,534)	(3,021)
Unrealized loss from investments in financial instruments		(667)	(4,470)
<b>Total shareholders' equity</b>		<b>4,765,991</b>	<b>4,823,295</b>
Minority interest		171,872	155,986
<b>Total equity</b>		<b>4,937,863</b>	<b>4,979,281</b>
<b>Total liabilities and equity</b>		<b>10,287,662</b>	<b>8,224,478</b>

The accompanying notes from (1) to (14) 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>	<b>For the three months ended March 31</b>	
		<u>2009</u>	<u>2008</u>
Operating revenues	10	469,299	584,448
Operating expenses	10	(350,791)	(358,161)
<b>Gross operating income</b>	10	<b>118,508</b>	<b>226,287</b>
General and administrative expenses		(24,923)	(23,554)
<b>Operating income</b>		<b>93,585</b>	<b>202,733</b>
Company's share in profit (loss) of affiliates, net	5	48,520	(6,255)
Other income, net	11	35,439	8,511
Finance charges		(23,913)	(30,811)
<b>Profit before bunker subsidy, zakat, tax and minority interest</b>		<b>153,631</b>	<b>174,178</b>
Bunker subsidy		16,832	9,968
<b>Profit before zakat, tax and minority interest</b>		<b>170,463</b>	<b>184,146</b>
Zakat provision	8	(9,799)	(6,958)
Tax provision	8	(818)	(1,780)
<b>Profit before minority interest</b>		<b>159,846</b>	<b>175,408</b>
Minority interest in consolidated subsidiaries' net profit		(8,797)	(2,297)
<b>Net profit for the period</b>		<b>151,049</b>	<b>173,111</b>
<b>Earnings per share from operating income (SR)</b>	2-s	<b>0.30</b>	<b>0.64</b>
<b>Earnings per share from net profit for the period (SR)</b>	2-s	<b>0.48</b>	<b>0.55</b>

The accompanying notes from (1) to (14) 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)

	Notes	For the Period ended March 31	
		2009	2008
<b>Cash flows from operating activities:</b>			
Net profit for the period		151,049	173,111
<b>Adjustments to reconcile net profit to net cash provided by operating activities:</b>			
Depreciation		67,176	62,177
Amortization of deferred charges		24,988	16,247
Loss from investment - held for trading		794	---
Company's share in dividends from investment - held for trading		(173)	---
Company's share in (profit) loss of affiliates, net		(48,520)	6,255
Gain from sale of fixed assets		(30,012)	(22)
Minority interest in consolidated subsidiaries' net profit		8,797	2,297
Provision for zakat and tax		10,617	8,738
Employees' end of service benefits provision		948	1,768
<b>Changes in operating assets and liabilities:</b>			
Trade receivables and other debit balances, net		52,577	(42,807)
Prepaid expenses		(10,475)	(17,930)
Agents' current accounts, receivables		(12,257)	(3,595)
Inventories		14,639	23,988
Accrued bunker subsidy, net		955	7,616
Accounts payable and other credit balances		(33,950)	(24,303)
Agents' current account, payables		(2,964)	(1,126)
Zakat and tax paid		(606)	(1,244)
Incomplete voyages		(8,017)	191
<b>Net cash provided by operating activities</b>		<b>185,566</b>	<b>211,361</b>
<b>Cash flows from investing activities:</b>			
Investments in Murabaha and short-term deposits		(19,870)	(25,814)
Bareboat lease receivable		485	---
Investments available-for-sale		---	1,170
Dividends from affiliates		5,284	---
Additions of fixed assets		(6,130)	(324,952)
Proceeds from sale of fixed assets		86,911	340
Ships under construction and others		(488,193)	(59,228)
Deferred charges		(1,920)	(7,382)
<b>Net cash used in investing activities</b>		<b>(423,433)</b>	<b>(415,866)</b>
<b>Cash flows from financing activities:</b>			
Murabaha financing and long-term loans		473,295	350,051
Repayments against long-term and short-term loans		(127,626)	(74,981)
Dividends paid		(96)	(222)
<b>Net cash provided by financing activities</b>		<b>345,573</b>	<b>274,848</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>107,706</b>	<b>70,343</b>
Cash and cash equivalents at beginning of the period		1,059,161	851,297
<b>Cash and cash equivalents at end of the period</b>	3	<b>1,166,867</b>	<b>921,640</b>
<b>Non Cash Items :</b>			
Bareboat lease receivable against sale of fixed assets	4	429,725	---
Unrealized loss from investments in financial instruments		3,844	6,588

The accompanying notes from (1) to (14) 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, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

**I. 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 general cargo transportation (liner).

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, 2009 and 2008.

The Company owns fourteen Very Large Crude Carriers (VLCCs), three of which are chartered to Vela International Marine Limited, a subsidiary of Saudi Aramco, two are chartered to Euronav Company, one is chartered to Hanjin Company (A Korean Company) and eight are operated in spot market which includes one new VLCC, name “Kahla” received on March 12, 2009. 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 Company Ltd “Subsidiary” owns thirteen chemical tankers, out of which three were leased to Odfjell Company (“Odfjell”) on January 30, 2009 under a capital lease arrangement (see Note 4), three are directly chartered to “Odfjell” Company, six are chartered to Saudi Basic Industries Corporation (SABIC), and one tanker is chartered out to Saudi International Petrochemical Company (SIPCHEM).

Also in January 2009, the Subsidiary sold three of its old tankers (see Note 11).

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:

<u>Name</u>	<u>Activity</u>	<u>Location</u>	<u>Date of incorporation</u>	<u>Ownership %2009</u>	<u>Ownership %2008</u>
<b><u>Consolidated Subsidiaries:</u></b>					
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 Company Ltd. (NCC)	Petrochemicals transportation	Riyadh	1990	80 %	80 %
<b><u>Non-consolidated affiliates:</u></b>					
Petredec 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 standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) and under the historical cost convention, except for the investments in affiliated companies, available for sale investments and derivative financial instruments. The Company applies the accrual basis of accounting in recognizing revenues and expenses and on the assumption of the going concern concept.

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, 2008.

**b) *Period of financial statements***

According to the by-laws of the Company, the fiscal year of the Company starts on the 1<sup>st</sup> of January and ends on December 31<sup>st</sup> 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.

**e) *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, 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 without any restrictions.

*f) Investments*

1- Investments in affiliates and others:

Investment in affiliates in which the Company has significant influence over the investee's financial and operation policies, or which the Company owns equity interest ranging between 20% and 50% are accounted for using the equity method. Due to the timing difference between Petredec Ltd. fiscal year and the Company's fiscal year, the Company's share in Petredec Ltd. 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% are accounted for using the cost method.

2- Investments in government development bonds:

Investments in Saudi Government Development Bonds are held to maturity and are stated at adjusted cost 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 are classified to three categories as follows:

- Investments held to maturity

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

- Investments held for trading

Certain investments in financial instruments are classified as held for trading based on the Company management's 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 in financial instruments are classified as available for sale when the conditions of classification as financial instruments held to maturity or for trading are not met. The available for sale securities 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 charged to 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 financial statements, it is reported under current assets otherwise under non-current assets.

**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, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

---

**g) Inventories**

Inventories represent vessels supplies, costs of spare parts and other operating supplies on board of the vessels are charged to operating expenses upon purchase. 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 on the interim consolidated income statement.

**h) Intangible assets, net**

1- Deferred charges:

Deferred dry-docking charges 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 charges related to the previous dry-docking of the vessel will be amortized in the interim consolidated income statement in the period that ends at the beginning of the new dry-docking operation.

2- Goodwill:

Goodwill paid on the purchase of investments, representing the excess of the purchasing price over the value of purchased net assets, is re-evaluated at the end of each fiscal year and shown in the financial statements at cost after adjustment for any impairment in its value, if any.

**i) Fixed assets, net**

Fixed assets are recorded at actual cost and are depreciated using the straight-line method as follows:

1- 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 life, after taking into consideration 10% of the vessels' cost as residual value.

2- Other fixed assets items are depreciated using depreciation rates appropriate to these assets estimated useful lives which are as follows:

Buildings & improvements	5-33.3%	Motor vehicles	20-25%
Containers & trailers	8.33-20%	Computers equipment	15-25%
Furniture & fixture	10%	Container yard	10-25%
Instruments & office equipment	2.5-25%	Others	7-15%

**j) Impairment of non-current assets**

At each balance sheet date, the carrying amounts of non-current assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the interim consolidated income statement immediately.

**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, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

---

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 asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the interim consolidated income statement.

**k) *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.

**l) *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.

**m) *Bunker subsidy***

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

**n) *Expenses***

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

**o) *Borrowing costs***

Borrowing costs incurred to finance the construction of vessels are capitalized until these vessels are ready for use and operation.

**p) *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 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 elements of shareholders' equity excluding retained earnings (deficit) are converted applying the exchange rate prevailing at the time of incurring the elements

**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, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

---

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

**q) 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.

**r) 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.

**s) Earning per share and proposed dividends**

Earning 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. Dividends proposed, after the 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.

**t) Trade receivables**

Trade receivables are stated at net value after deducting provision for doubtful debts.

**u) Capital lease**

The Group accounts for the lease as a capital lease when the lease transfers to the lessee substantially all the benefits and risks incident to the ownership of leased assets.

(A Saudi Joint Stock Company)  
**Notes to the Interim Consolidated Financial Statements**  
For the three month period ended March 31, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of March 31, 2009 represent cash in hand and at banks, Murabaha and short-term deposits, out of which SR 5.48 million (2008: SR 5.77 million) that are subject to bank restrictions for letters of guarantee issued for the Department of Zakat and Income Tax (DZIT) and other parties.

It also includes SR 63.6 million as of March 31, 2009 (2008: SR 45.6 million) restricted for repayment of current portion of loans maturing within 180 days from the balance sheet date.

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

	2009	2008
Cash in hand and at banks	<b>130,837</b>	<b>194,206</b>
Amounts restricted by banks	<b>(41,518)</b>	<b>(45,622)</b>
	<b>89,319</b>	<b>148,584</b>
Investment in Murabaha and short-term deposits	<b>1,105,131</b>	<b>778,824</b>
Amounts restricted by banks	<b>(27,583)</b>	<b>(5,768)</b>
	<b>1,077,548</b>	<b>773,056</b>
<b>Cash and cash equivalents end of the period</b>	<b>1,166,867</b>	<b>921,640</b>

**4. BAREBOAT LEASE RECEIVABLE**

The Bareboat arrangement entered between NCC and Odfjell related to sale of tankers 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 Bareboat lease receivable balance as of March 31, 2009 is summarized as follows:-

Description	Amount
Future minimum lease payments	<b>619,639</b>
Un-guaranteed residual value at the end of lease term	<b>247,875</b>
Unearned income	<b>(438,274)</b>
Net Bareboat lease receivable balance	<b>429,240</b>

The above amount is classified as under:

Description	Amount
Current	<b>5,633</b>
Non-current	<b>423,607</b>
Total Bareboat lease receivable balance	<b>429,240</b>

**5. INVESTMENTS IN AFFILIATES**

**a. Petredec Ltd.:**

Petredec Ltd. ("Petredec") was incorporated on February 20, 1980 under the laws of Bermuda. Petredec 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 has signed an agreement on February 22, 2005 to acquire 30.3% share of the capital of Petredec for total amount of SR 187.5 million (equivalent to US\$ 50 million).

(A Saudi Joint Stock Company)  
**Notes to the Interim Consolidated Financial Statements**  
For the three month period ended March 31, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

Difference between the net investment value and the value of the net assets acquired was considered as goodwill (Note No. 2-h-2).

Petreddec financial year starts on September 01 and ends on August 31 of each Gregorian year. The Company's share in Petreddec net profit achieved SR 48.5 million up to January 31, 2009 (January 31, 2008: SR 6.3 million net Loss), 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 founder member. It was established by a ministerial decision No. (1299) dated 11/05/1427H. An investment of SR 20 million was made for the ownership of fully paid 2,000,000 shares representing 10% of the share capital. Also, an amount of SR 1.2 million was paid until March 31, 2009 representing the Company's share in establishing and developing costs.

**6. SHIPS UNDER CONSTRUCTION AND OTHERS**

The balance of ships under construction represents all payments made in connection with ship construction contracts of new VLCCs, amounts incurred for the construction of the Company's new building and payments made by NCC (a subsidiary) under signed contracts for constructing new chemical tankers.

The Company's new VLCC, "Kahla" construction was completed on March 12, 2009 and expected to be deployed in the spot market in April 2009, at which time the vessel will be transferred from the ships under construction to fixed assets.

The Company's capital commitments to shipyards for constructing new VLCCs amounted to SR 0.50 billion as of March 31, 2009 (2008: SR 1.71 billion) and SR 1.83 billion as of March 31, 2009 (2008: SR 2.72 billion) for constructing chemical tankers.

**7. MURABAHA FINANCING AND LOANS**

**Break down of Murabaha and loans are listed below at March 31:**

<b>2009</b>						
Financing	Parent Company	%	Subsidiaries	%	Total	%
Murabaha Finance	1,653,725	77%	1,761,834	80%	3,415,559	78%
Commercial Loans	290,163	13%	---	---	290,163	7%
Public Investment Fund Loans	210,750	11%	435,750	20%	646,500	15%
TOTAL	2,154,638	100%	2,197,584	100%	4,352,222	100%

<b>2008</b>						
Financing	Parent Company	%	Subsidiaries	%	Total	%
Murabaha Finance	686,310	54%	1,011,836	70%	1,698,146	63%
Commercial Loans	327,064	26%	---	---	327,064	12%
Public Investment Fund Loans	248,250	20%	435,750	30%	684,000	25%
TOTAL	1,261,624	100%	1,447,586	100%	2,709,210	100%

**8. ZAKAT AND INCOME TAXES**

**The Company's zakat and tax status**

The Company submitted the zakat returns for all fiscal years up to 2007 and paid the zakat due according to these returns. The Company finalized its zakat status with the DZIT up to 1988, and its tax status up to 1995. The Company has not yet received the zakat assessment from the DZIT for the years 2001 to 2008.

The Company pays withholding tax amounts imposed on payments to non-resident parties to the DZIT on time as per tax regulations. The Company has not yet received the tax assessment from the DZIT for the years 2001 to 2004. Sufficient provisions were created to meet tax claims that might arise for the years for which assessments have not been received.

The Company filed appeals against decisions no. (11, 12, 14) of 1427H for the years from 1989 to 2000 relating to additional zakat claims of SR 48.9 million against the Company. Sufficient provisions were created to meet these zakat claims, and the Company also submitted a bank guarantee for the total claims for the appeals to be accepted. The appeals are still pending as of the date of these interim consolidated financial statements.

The Company also filed appeals against decisions no. (13, 15) of 1427H for the years from 1996 to 2000 relating to additional tax claims of SR 5.8 million. Sufficient provisions were created to meet these tax claims, and the Company also submitted a bank guarantee for the total claims for the appeals to be accepted. The appeals are still pending as of the date of these interim consolidated financial statements.

**The subsidiary (NCC) zakat and tax status**

The National Chemical Carriers Company Ltd. (NCC) submitted the zakat returns for all fiscal years up to 2007 and paid the zakat due according to these returns. The Company has received the zakat and tax assessments for the years 1991 to 2004 which include additional claims amounting to SR 84.6 million out of which NCC paid SR 28.4 millions. NCC filed appeals against some items in these assessments and their treatments. The appeals are still pending with the DZIT.

Zakat assessments are prepared separately for the Company and its subsidiary.

**9. HEDGING RESERVE FOR LOAN COMMISSIONS**

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. The net cash flow difference between the hedged rate and the prevailing market rate as of March 31, 2009 amounted to SR 4.5 million.

**10. SEGMENT INFORMATION**

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

	<b>2009</b>		
	<b>Operating revenues</b>	<b>Operating expenses</b>	<b>Gross operating income</b>
Crude Oil Transportation	<b>259,728</b>	<b>(161,436)</b>	<b>98,292</b>
Petrochemical Transportation	<b>98,589</b>	<b>(70,381)</b>	<b>28,208</b>
General Cargo Transportation (Liner)	<b>110,982</b>	<b>(118,974)</b>	<b>(7,992)</b>
<b>Total</b>	<b>469,299</b>	<b>(350,791)</b>	<b>118,508</b>

**Notes to the Interim Consolidated Financial Statements**  
For the three month period ended March 31, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

	<b>2008</b>		
	Operating revenues	Operating expenses	Gross operating income
Crude Oil Transportation	<b>301,792</b>	<b>(133,282)</b>	<b>168,510</b>
Petrochemical Transportation	<b>136,573</b>	<b>(108,668)</b>	<b>27,905</b>
General Cargo Transportation (Liner)	<b>146,083</b>	<b>(116,211)</b>	<b>29,872</b>
<b>Total</b>	<b>584,448</b>	<b>(358,161)</b>	<b>226,287</b>

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

	<b>2009</b>				
	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Shared Assets and Liabilities *	Total
<b>Assets</b>	<b>5,321,348</b>	<b>3,161,175</b>	<b>270,967</b>	<b>1,534,172</b>	<b>10,287,662</b>
<b>Liabilities</b>	<b>2,255,847</b>	<b>2,301,753</b>	<b>83,071</b>	<b>709,128</b>	<b>5,349,799</b>

	<b>2008</b>				
	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Shared Assets and Liabilities *	Total
<b>Assets</b>	4,347,468	2,302,975	282,147	1,291,888	8,224,478
<b>Liabilities</b>	1,375,137	1,522,910	139,644	207,506	3,245,197

\* Shared assets and liabilities represent amounts which can not be determined for a specific segment such as cash, deposits, governmental development bonds, unclaimed dividends and payments, etc.

## **11. OTHER INCOME, NET**

Other income, net includes SR 30 million gain on sale of NCC three tankers (NCC Arar, NCC Asir & NCC Baha) and SR 5.81 million representing income from investments in Murabaha for the three month period ended March 31, 2009 (2008: includes SR 6.2 million).

## **12. EARNINGS PER SHARE AND DIVIDENDS**

Earnings per share was calculated based on the weighted average number of shares outstanding during the three month period ended March 31, 2009 and 2008 totaling to 315 million shares.

The earning (loss) per share from non-operating income (loss) is SR 0.18 for the period ended March 31, 2009 (2008 loss: SR 0.09).

The Board of Directors, in the meeting held on 01/12/1429H (29/11/2008), proposed to the General Assembly for the approval of dividends at rate of 15% of capital equal to SR 1.5 per share for 2008.

The General Assembly approved the dividends on March 30, 2009 and the distribution started on April 14, 2009.

**13. COMMITMENTS AND CONTINGENCIES**

The Company has issued letters of guarantee of SR 52.2 million which include two guarantees of SR 8 million and SR 41.6 million, respectively, in favor of the DZIT related to zakat, taxes and penalties imposed by the Appeals Committee as explained in Note 8. These guarantees were issued against restricted cash, Murabaha, and short-term deposits of SR 5.48 million.

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 to build Very Large Crude Carriers and chemical carriers.

**14. RECLASSIFICATION**

Certain amounts previously reported in 2008 interim consolidated financial statements have been reclassified to conform to current period presentation.

\*\*\*\*\*