

**THE NATIONAL SHIPPING COMPANY  
OF SAUDI ARABIA**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**  
For the six month period ended June 30, 2009  
and independent **accountants' review report**

**THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA**  
(A Saudi Joint Stock Company)  
**Interim Consolidated Financial Statements**  
As of June 30, 2009  
and independent **accountants' review report**

<b><u>Contents</u></b>	<b><u>Page</u></b>
Independent accountants' review report	2
Interim consolidated balance sheet	3
Interim consolidated income statement	4
Interim consolidated statement of cash flows	5
Notes to the interim consolidated financial statements	6 - 16

**INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT**

July 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 June 30, 2009 and the related interim consolidated statements of income for the three-month and six-month periods ended June 30, 2009, and the interim consolidated statement of cash flows for the six-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 standards established 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. 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.

Based on our 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 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)

	Notes	June 30	
		2009	2008
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash in hand and at banks	3	142,057	121,530
Investments in Murabaha and short-term deposits		502,155	640,638
Trade receivables and other debit balances, net		137,074	212,682
Prepaid expenses		87,585	67,989
Bareboat lease receivable, net	4	9,666	---
Agents' current accounts, receivables		14,489	25,480
Inventories		101,767	75,965
Investments held to maturity		77,905	---
Investments held for trading		14,553	---
Investments available for sale		---	75,000
Accrued bunker subsidy, net		41,563	37,207
Incomplete voyages		5,975	---
<b>Total current assets</b>		<b>1,134,789</b>	<b>1,256,491</b>
<b>Non-current assets:</b>			
Investment in government bonds		604	604
Bareboat lease receivable, net	4	417,891	---
Investments available for sale		27,245	62,258
Investments in affiliates and other	5	311,250	233,295
Deferred charges, net		81,315	150,229
Fixed assets, net		5,986,021	4,836,498
Goodwill		119,177	119,177
Ships under construction and other	6	1,978,430	2,182,094
<b>Total non-current assets</b>		<b>8,921,933</b>	<b>7,584,155</b>
<b>Total assets</b>		<b>10,056,722</b>	<b>8,840,646</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable and other credit balances		271,215	282,764
Current portion of Murabaha financing and long-term loans	7	226,645	401,870
Unclaimed dividends		31,300	25,805
Agents' current accounts, payables		471	1,621
Provision for zakat and tax	8	168,642	159,171
Incomplete voyages		---	20,432
<b>Total current liabilities</b>		<b>698,273</b>	<b>891,663</b>
<b>Non-current liabilities:</b>			
Murabaha financing and long-term loans	7	4,266,416	3,054,807
Obligation from fluctuations in swap fair market value for loan commission rates	9	3,583	382
Tax obligation provision	8	2,000	6,000
Employees' end of service benefits provision		30,131	29,159
<b>Total non-current liabilities</b>		<b>4,302,130</b>	<b>3,090,348</b>
<b>Total liabilities</b>		<b>5,000,403</b>	<b>3,982,011</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		266,694	202,993
Retained earnings		937,732	836,928
Hedging reserve for loans commission	9	(3,583)	(382)
Unrealized gain (loss) from available for sale investments		2,017	(13,670)
<b>Total shareholders' equity</b>		<b>4,877,276</b>	<b>4,700,285</b>
Minority interest		179,043	158,350
<b>Total equity</b>		<b>5,056,319</b>	<b>4,858,635</b>
<b>Total liabilities and equity</b>		<b>10,056,722</b>	<b>8,840,646</b>

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)

	Notes	For the three months ended June 30		For the six months ended June 30	
		2009	2008	2009	2008
Operating revenues	10	361,279	627,519	830,578	1,211,967
Operating expenses	10-11	(259,484)	(392,893)	(610,275)	(751,054)
<b>Gross operating income</b>	10	<b>101,795</b>	<b>234,626</b>	<b>220,303</b>	<b>460,913</b>
General and administrative expenses		(21,574)	(24,445)	(46,497)	(47,999)
<b>Operating income</b>		<b>80,221</b>	<b>210,181</b>	<b>173,806</b>	<b>412,914</b>
Company's share in profit (loss) of affiliates, net	5	28,258	954	76,778	(5,301)
Finance charges		(20,910)	(26,049)	(44,823)	(56,860)
Other income, net	12	18,608	5,644	54,047	14,155
<b>Profit before bunker subsidy, zakat, tax and minority interest</b>		<b>106,177</b>	<b>190,730</b>	<b>259,808</b>	<b>364,908</b>
Bunker subsidy		17,362	19,066	34,194	29,034
<b>Profit before zakat, tax and minority interest</b>		<b>123,539</b>	<b>209,796</b>	<b>294,002</b>	<b>393,942</b>
Zakat provision	8	(8,457)	(7,225)	(18,256)	(14,183)
Tax provision	8	(261)	(1,657)	(1,079)	(3,437)
<b>Profit before minority interest</b>		<b>114,821</b>	<b>200,914</b>	<b>274,667</b>	<b>376,322</b>
Minority interest in consolidated subsidiaries' net profit		(7,171)	(2,363)	(15,968)	(4,660)
<b>Net profit for the period</b>		<b>107,650</b>	<b>198,551</b>	<b>258,699</b>	<b>371,662</b>
<b>Earnings per share from operating income (SR)</b>	2-s	<b>0.25</b>	<b>0.67</b>	<b>0.55</b>	<b>1.31</b>
<b>Earnings per share from net profit for the period (SR)</b>	2-s	<b>0.34</b>	<b>0.63</b>	<b>0.82</b>	<b>1.18</b>

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)

	Notes	For the six months ended June 30	
		2009	2008
<b>Cash flows from operating activities:</b>			
Net profit for the period		258,699	371,662
<b>Adjustments to reconcile net profit to net cash provided by operating activities:</b>			
Depreciation		136,470	126,785
Amortization of deferred charges		40,349	32,707
Gain from investment - held for trading		(1,968)	---
Company's share in dividends from investment - held for trading		(173)	---
Company's share in (profit) loss of affiliates, net		(76,778)	5,301
Gain from sale of fixed assets		(30,048)	(68)
Minority interest in consolidated subsidiaries' net profit		15,968	4,660
Provision for zakat and tax		19,335	17,620
Employees' end of service benefits provision		1,267	2,157
<b>Changes in operating assets and liabilities:</b>			
Trade receivables and other debit balances, net		44,332	(20,916)
Prepaid expenses		(22,462)	(19,143)
Agents' current accounts, receivables		3,326	(11,313)
Inventories		(34,851)	12,664
Accrued bunker subsidy, net		8,408	4,645
Accounts payable and other credit balances		(32,564)	(36,846)
Agents' current account, payables		(2,964)	(1,138)
Zakat and tax paid		(35,779)	(5,400)
Incomplete voyages		(13,359)	(7,973)
<b>Net cash provided by operating activities</b>		<b>277,208</b>	<b>475,404</b>
<b>Cash flows from investing activities:</b>			
Investments in Murabaha and short-term deposits		14,679	3,985
Bareboat lease receivable		2,168	---
Investments available for sale		---	(14,537)
Investments in affiliates and other		---	(5,000)
Dividends from affiliates		5,284	---
Additions of fixed assets		(950,309)	(329,137)
Proceeds from sale of fixed assets		87,051	357
Ships under construction and other		99,173	(920,007)
Deferred charges		(6,633)	(36,690)
<b>Net cash used in investing activities</b>		<b>(748,587)</b>	<b>(1,301,029)</b>
<b>Cash flows from financing activities:</b>			
Murabaha financing and long-term loans		1,253,068	1,141,631
Repayments against long-term and short-term loans		(766,560)	(119,094)
Dividends paid		(464,630)	(307,632)
<b>Net cash provided by financing activities</b>		<b>21,878</b>	<b>714,905</b>
<b>Net change in cash and cash equivalents during the period</b>		<b>(449,501)</b>	<b>(110,720)</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>609,660</b>	<b>740,577</b>
<b>Non- Cash Items :</b>			
Bareboat lease receivable against sale of fixed assets	4	429,725	---
Unrealized (gain) loss from available for sale investments		(808)	15,788

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 six month period ended June 30, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

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**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 June 30, 2009 and 2008.

The Company owns fifteen 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 nine are operated in spot market which includes one new VLCC, name “Ghazal” received on July 3, 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 Ltd. Co. “Subsidiary” owns thirteen chemical tankers, out of which three were leased to Odfjell Company (“Odfjell”) on January 30, 2009 under a bareboat capital lease arrangement (see Note 4), three are directly chartered to “Odfjell” Company, six are chartered to the International Shipping and Transport 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”, a Norwegian Company, on June 15, 2009 to establish a company in Dubai, (United Arab Emirates) 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 will commence operations in the beginning of 2010 with 15 vessels with total capacity of approximately 660,000 tons, which is expected to grow to 31 vessels with 1.4 millions tons over the next three years.

Also in January 2009, the Subsidiary sold three of its old tankers (see Note 12).

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:

**The National Shipping Company of Saudi Arabia**  
(A Saudi Joint Stock Company)  
**Notes to the Interim Consolidated Financial Statements**  
For the six month period ended June 30, 2009 (Unaudited)  
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Name	Activity	Location	Date of incorporation	Ownership %2009	Ownership %2008
<b><u>Consolidated Subsidiaries:</u></b>					
National Shipping Company of Saudi Arabia (America) Inc.	Company's ships' agent	USA	1991	<b>100 %</b>	100 %
Mideast Ship Management Ltd.	Ship management	Dubai	1996	<b>100 %</b>	100 %
National Chemical Carriers Ltd. Co. (NCC)	Petrochemicals transportation	Riyadh	1990	<b>80 %</b>	80 %
<b><u>Non-consolidated affiliates:</u></b>					
Petredec Ltd.	Liquefied petroleum gas transportation	Bermuda	1980	<b>30.3 %</b>	30.3 %
Arabian United Float Glass Co.	Glass manufacturing & trading	Riyadh	2006	<b>10%</b>	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 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, 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.

**The National Shipping Company of Saudi Arabia**  
(A Saudi Joint Stock Company)  
**Notes to the Interim Consolidated Financial Statements**  
For the six month period ended June 30, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

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**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 other:**

Investment in affiliates in which the Company has significant influence, but no control, 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 bonds:**

Investments in government 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 in financial instruments 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.

**The National Shipping Company of Saudi Arabia**  
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**Notes to the Interim Consolidated Financial Statements**  
For the six month period ended June 30, 2009 (Unaudited)  
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• 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 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.

**g) Inventories**

Inventories represent 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. RoRos' equipment are depreciated over a period of fifteen years.

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

Buildings & improvements	From 5 to 33.3%	Motor vehicles	From 20 to 25%
Containers & trailers	From 8.33 to 20%	Computers equipment	From 15 to 25%
Furniture & fixture	10%	Container yard	From 10 to 25%
Tools and office equipment	From 2.5 to 25%	Other	From 7 to 15%

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**Notes to the Interim Consolidated Financial Statements**  
For the six month period ended June 30, 2009 (Unaudited)  
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**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.

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. Impairment losses recognized on intangible assets are not reversible.

**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.

**The National Shipping Company of Saudi Arabia**  
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**Notes to the Interim Consolidated Financial Statements**  
For the six month period ended June 30, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

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***o) Borrowing costs***

Borrowings are recognized at the proceeds received, net of transactions costs incurred. 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 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 and are charged to interim consolidated income statement.

***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 Company 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.

**The National Shipping Company of Saudi Arabia**  
(A Saudi Joint Stock Company)  
**Notes to the Interim Consolidated Financial Statements**  
For the six month period ended June 30, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2009 represent cash in hand and at banks, Murabaha and short-term deposits, out of which SR 5.49 million (2008: SR 5.82 million) 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 29.1 million as of June 30, 2009 (2008: SR 15.78 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 June 30 comprises the following:

	<b>2009</b>	<b>2008</b>
Cash in hand and at banks	<u>142,057</u>	<u>121,530</u>
Amounts restricted by banks	<u>(19,998)</u>	<u>(15,775)</u>
	<u>122,059</u>	<u>105,755</u>
Investment in Murabaha and short-term deposits	<u>502,155</u>	<u>640,638</u>
Amounts restricted by banks	<u>(14,554)</u>	<u>(5,816)</u>
	<u>487,601</u>	<u>634,822</u>
Cash and cash equivalents end of the period	<u>609,660</u>	<u>740,577</u>

**4. BAREBOAT LEASE RECEIVABLE**

The Bareboat arrangement entered between NCC and Odfjell during 2009 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 receivables balance as of June 30, 2009 is summarized as follows:-

<b>Description</b>	<b>Amount</b>
Future minimum lease payments	<u>605,817</u>
Un-guaranteed residual value at the end of lease term	<u>247,875</u>
Unearned income	<u>(426,135)</u>
Net Bareboat lease receivable balance	<u>427,557</u>

The above amount is classified as under:

<b>Description</b>	<b>Amount</b>
Current	<u>9,666</u>
Non-current	<u>417,891</u>
Total Bareboat lease receivable balance	<u>427,557</u>

**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).

**The National Shipping Company of Saudi Arabia**  
(A Saudi Joint Stock Company)  
**Notes to the Interim Consolidated Financial Statements**  
For the six month period ended June 30, 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 76.8 million up to April 30, 2009 (April 30, 2008: SR 4.09 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 June 30, 2009 representing the Company's share in establishing and developing costs.

**6. SHIPS UNDER CONSTRUCTION AND OTHER**

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 VLCCs, "Kahla" & "Dorra" construction was completed on March 12, 2009 and May 06, 2009, respectively which were deployed on the spot market on April 24 and June 4, 2009, respectively, and were transferred from the ships under construction to fixed assets.

The Company's capital commitments to shipyards for constructing new VLCCs amounted to SR 0.18 billion as of June 30, 2009 (2008: SR 1.44 billion) and SR 1.87 billion as of June 30, 2009 (2008: SR 2.2 billion) for constructing chemical tankers.

**7. MURABAHA FINANCING AND LOANS**

**Break down of Murabaha and loans are listed below at June 30:**

<b>2009</b>						
Financing	Parent Company	%	Subsidiaries	%	Total	%
Murabaha Finance	1,048,353	46%	1,760,837	80%	2,809,190	63%
Commercial Loans	276,346	12%	---	---	276,346	6%
Public Investment Fund "Murabaha Finance"	779,775	34%	---	---	779,775	17%
Public Investment Fund loans "conventional"	192,000	8%	435,750	20%	627,750	14%
<b>TOTAL</b>	<b>2,296,474</b>	<b>100%</b>	<b>2,196,587</b>	<b>100%</b>	<b>4,493,061</b>	<b>100%</b>
<b>2008</b>						
Financing	Parent Company	%	Subsidiaries	%	Total	%
Murabaha Finance	898,090	62%	1,580,091	78%	2,478,181	72%
Commercial Loans	313,246	22%	---	---	313,246	9%
Public Investment Fund loans "conventional"	229,500	16%	435,750	22%	665,250	19%
<b>TOTAL</b>	<b>1,440,836</b>	<b>100%</b>	<b>2,015,841</b>	<b>100%</b>	<b>3,456,677</b>	<b>100%</b>

**The National Shipping Company of Saudi Arabia**  
(A Saudi Joint Stock Company)  
**Notes to the Interim Consolidated Financial Statements**  
For the six month period ended June 30, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

**8. ZAKAT AND INCOME TAXES**

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

The Company finalized its zakat status with the DZIT up to 1988, and its withholding tax status up to 1995. The Company submitted the zakat returns for all fiscal years up to 2007 and paid the zakat due according to these returns. The Company has not received zakat assessments from the DZIT for the years 2001 up to 2007. The Company pays regularly the withholding on payments to non-resident parties and has not received the final assessments for the years 2001 up to 2004.

The Company appealed zakat assessments issued by DZIT for the years 1989 up to 2000 and the tax assessments for the years 1996 up to 2000. Higher Appeal Committee issued decisions # (924,925,926,927,928) in the year 1430H and the Company received the final amended assessment issued by DZIT in accordance with the said decisions. The Company has previously established provision against these appeals in the amount of SR 50.5 million, whereas the final assessments by the DZIT amounted to only SR 38.5 million resulting in excess provision of SR 12 million which was written-back to other income.

**NCC zakat and tax status**

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 years 1991 to 2004 which include additional claims amounting to SR 84.6 million out of which NCC paid SR 28.4 million. NCC filed appeals against some items in these assessments and their treatments. The appeals are still pending with the DZIT.

Also, during the three month period ended June 30, 2009 NCC paid withholding taxes due from January 2005 up to May 2009 in the amount of SR 8.1 million.

Zakat returns are prepared separately for the Company and the 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.

**10. SEGMENT INFORMATION**

a) The following schedule illustrates the distribution of the Company's activities according to the operational segments for the six month period ended June 30:

	<b>2009</b>		
	<b>Operating revenues</b>	<b>Operating expenses</b>	<b>Gross operating income</b>
Crude Oil Transportation	<b>481,196</b>	<b>(316,396)</b>	<b>164,800</b>
Petrochemical Transportation	<b>173,235</b>	<b>(96,632)</b>	<b>76,603</b>
General Cargo Transportation (Liner)	<b>176,147</b>	<b>(197,247)</b>	<b>(21,100)</b>
<b>Total</b>	<b>830,578</b>	<b>(610,275)</b>	<b>220,303</b>
	<b>2008</b>		
	<b>Operating revenues</b>	<b>Operating expenses</b>	<b>Gross operating income</b>
Crude Oil Transportation	<b>618,583</b>	<b>(283,616)</b>	<b>334,967</b>
Petrochemical Transportation	<b>284,345</b>	<b>(229,465)</b>	<b>54,880</b>
General Cargo Transportation (Liner)	<b>309,039</b>	<b>(237,973)</b>	<b>71,066</b>
<b>Total</b>	<b>1,211,967</b>	<b>(751,054)</b>	<b>460,913</b>

**The National Shipping Company of Saudi Arabia**  
(A Saudi Joint Stock Company)  
**Notes to the Interim Consolidated Financial Statements**  
For the six month period ended June 30, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

- b) The following schedule illustrates the distribution of the Company's assets and liabilities according to the operational segments as of June 30:

<b>2009</b>					
	<b>Crude Oil Transportation</b>	<b>Petrochemical Transportation</b>	<b>General Cargo Transportation (Liner)</b>	<b>Shared Assets and Liabilities *</b>	<b>Total</b>
<b>Assets</b>	5,631,293	3,186,176	258,769	980,484	10,056,722
<b>Liabilities</b>	2,423,823	2,290,893	61,250	224,437	5,000,403

  

<b>2008</b>					
	<b>Crude Oil Transportation</b>	<b>Petrochemical Transportation</b>	<b>General Cargo Transportation (Liner)</b>	<b>Shared Assets and Liabilities *</b>	<b>Total</b>
<b>Assets</b>	4,517,961	2,871,879	289,154	1,161,652	8,840,646
<b>Liabilities</b>	1,530,587	2,079,863	111,257	260,304	3,982,011

\* 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. OPERATING EXPENSES REDUCTION**

NCC reached an agreement on certain amendments to charter agreements with a charter with retrospective application. This resulted in a reduction of operating expenses.

The reduction in operating expenses was determined at SR 13,234,468 for the period from January 1, 2008 to December 31, 2008 and SR 7,330,500 for the six month period ended June 30, 2009. Such reduction was credited against operating expenses in the three month period ended June 30, 2009.

**12. OTHER INCOME, NET**

Other income, net includes SR 30 million gain on sale of NCC three tankers (NCC Arar, NCC Asir & NCC Baha), SR 2.1 million representing income from investments in financial instruments, SR 12 million of reversed excess zakat and tax provision and SR 7.6 million representing income from investments in Murabaha deposits for the six month period ended June 30, 2009 (2008: includes SR 10.85 million).

**13. EARNINGS PER SHARE AND DIVIDENDS**

Earnings per share was calculated based on the weighted average number of shares outstanding during the periods ended June 30, 2009 and 2008 totaling to 315 million shares.

The earning (loss) per share from non-operating income (loss) is as follows: -

<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
SR 0.09	SR (0.04)	SR 0.27	SR (0.13)

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 was completed on April 14, 2009.

**The National Shipping Company of Saudi Arabia**  
(A Saudi Joint Stock Company)  
**Notes to the Interim Consolidated Financial Statements**  
For the six month period ended June 30, 2009 (Unaudited)  
(In Thousands Saudi Riyals)

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**14. 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 5.49 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 VLCCs and chemical carriers.

**15. RECLASSIFICATION**

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

**16. SUBSEQUENT EVENTS**

The Company received on July 3, 2009 one new VLCC (Ghazal) from Hyundai Samho Heavy Industries (HSHI) at Mokpo – South Korea.

This is the fifth vessel in a series of six VLCCs that the Company contracted to build in March 2006 amounting to approximately SR 460 million per vessel.

The Construction of the remaining VLCC is under process and the Company expects to receive it during September 2009 (See Note 6).

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