PROSPECTUS

Bahri البحري

The National Shipping Company of Saudi Arabia

A Saudi Joint Stock Company with Commercial Registration No. 1010026026 dated 01/12/1399H (corresponding to 22/10/1979G)

Relating to the proposed merger of the fleets and operations of The National Shipping Company of Saudi Arabia and Vela International Marine Limited.

The National Shipping Company of Saudi Arabia ("Bahri" or the "Company") was established by Royal Decree No. M/5 dated 12/02/1398H (corresponding to 22/01/1978G) as a Joint Stock Company in Saudi Arabia with commercial registration number 1010026026 dated 01/12/1399H (corresponding to 22/10/1979G) and an initial share capital of SAR 500,000,000, consisting of 5,000,000 shares with a nominal value of SAR 100 per share. On 10/08/1402H (corresponding to 02/06/1982G), the share capital of the Company was increased to SAR 2,000,000,000, consisting of 20,000,000 shares with a nominal value of SAR 100 per share. On 29/01/1419H (corresponding to 25/05/1998G), the share capital of the Company was divided into 40,000,000 shares with the value of SAR 50 per share. Pursuant to Resolution No. 40 of the Council of Ministers dated 27/02/1427H (corresponding to 27/03/2006G), the nominal value per share was reduced from SAR 50 per share to SAR 10 per share and accordingly the number of shares in the Company increased from 40,000,000 shares with the value of SAR 50 per share to 200,000,000 shares with the value of SAR 10 per share. On 12/03/1427H (corresponding to 10/04/2006G), the share capital of the Company was increased through the capitalisation of retained earnings to SAR 2,250,000,000, consisting of 225,000,000 shares with a nominal value of SAR 10 per share. Last, on 04/11/1427H (corresponding to 25/11/2006G), the share capital of the Company was increased through a rights issue to SAR 3,150,000,000, consisting of 315,000,000 Shares with a nominal value of SAR 10 per share. As at the date of this prospectus (the "**Prospectus**"), the share capital of the Company is SAR 3,150,000,000 consisting of 315,000,000 shares with a nominal value of SAR 10 each (each a "**Share**" and collectively, the "**Shares**"), all of which are fully paid.

The Company and Vela International Marine Limited ("**Vela**"), a wholly-owned subsidiary of the Saudi Arabian Oil Company ("**Saudi Aramco**"), entered into a business and asset purchase agreement dated 19/12/1433H (corresponding to 4/11/2012G) as amended (the "**BAPA**") relating to the merger of Vela's entire fleet of vessels (comprising 14 double-hull very large crude carriers (or VLCC), a single-hull floating storage VLCC, one Aframax tanker and four product tankers (together, the "**Vela Vessels**"), along with certain assets relating to such Vela Vessels including vessel IT systems, historical equipment and maintenance data and certain books and records (together with the Vela Vessels, the "**Target Assets**") and operations related to these vessels with the Company, as well as the entry by the Company into a contract of affreightment (the "**Contract of Affreightment**") and a time charter agreement (the "**Time Charter Agreement**", together with the Contract of Affreightment, the "**Shipping Agreements**") with certain subsidiaries of Saudi Aramco (together with Saudi Aramco, the "**Saudi Aramco Group**") (the "**Transaction**"). Under the terms of the Transaction, the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group which are shipped from certain locations that Saudi Aramco uses to ship Crude Oil in accordance with the terms of the Contract of Affreightment. The Contract of Affreightment is a long-term arrangement with Bolanter Corporation N.V. ("**Bolanter**"), a wholly-owned subsidiary of Saudi Aramco. As such, the Contract of Affreightment has an initial term of 10 years, terminable by either party giving not less than five years' notice at any time after the fifth anniversary of the agreement becoming effective (which will be the date that the first Vela VLCC is delivered to the Company pursuant to the BAPA). Under the terms of the Time Charter Agreement, Saudi Aramco Products Trading Company ("**SAPTC**"), a wholly-owned subsidiary of Saudi Aramco, will hire the four product tankers, the Aframax tanker and the floating storage VLCC (forming part of the Target Assets) from the Company for a minimum period of five years (or, in the case of the floating storage VLCC, until 31 December 2016 as further explained in Section 12.1.2.3 "Summary of the principal terms of the Time-Charter Agreement"). In addition, Vela's vessel-based personnel and a number of shore-based personnel will transfer to the Company or its subsidiaries. Under the terms of the Transaction, the Company will pay a total consideration of an amount equal to SAR 4,875,000,000 (equivalent to US$1,300,000,000) to Vela. This will be satisfied by the Company (i) issuing 78,750,000 new Shares to be adjusted, in certain circumstances, to ensure that such shares represent 20 per cent. of the issued share capital of the Company on a fully diluted basis, as further explained in Section 1.2 "The Transaction" (the "**Adjustment**") (the "**Consideration Shares**") at an agreed price of SAR 22.25 per new Share to Saudi Aramco Development Company ("**SADC**"), a wholly-owned subsidiary of Saudi Aramco, with an aggregate value equal to SAR 1,752,187,500 (equivalent to US$467,250,000) and (ii) making a cash payment to Vela of an amount equal to SAR 3,122,812,500 (equivalent to US$832,750,000) (the "**Cash Consideration**").

Following approval from the Capital Market Authority of Saudi Arabia (the "**CMA**" or the "**Authority**") in relation to the publication of this Prospectus and the receipt of the relevant approvals from the Ministry of Commerce and Industry (the "**MOCI**"), the Company will hold an extraordinary general assembly meeting ("**Transaction EGM**") to approve, amongst other things, (i) an increase in the Company's share capital from SAR 3,150,000,000 to SAR 3,937,500,000 subject to the Adjustment through the issuance of the Consideration Shares (the "**Capital Increase**"); (ii) the Transaction; and (iii) certain amendments to the Company's By-Laws.

Following careful and thorough consideration of the terms of the Transaction and the Transaction EGM Resolution, the Board of Directors by meeting number 7/12, held on 29/11/1433H (corresponding to 15/10/2012G) unanimously authorised the Chairman and CEO of the Company to finalise and approve the Transaction and sign all documents relating to the Transaction. Based on this authorisation from the Board, the Chairman and CEO signed the Transaction Agreements on 19/12/1433H (corresponding to 4/11/2012G). All the members of the Board believe that the Transaction is in the best interests of the Company and the shareholders of the Company (the "Shareholders") as a whole and should contribute to the Company's future success by improving the commercial and financial position of the Company and fulfilling its strategy of growth with the potential of long-term value creation for the Shareholders. Accordingly, the Board unanimously recommends that all Shareholders vote in favour of the Transaction EGM Resolution to be proposed at the Transaction EGM to approve the Transaction (which are described further in Section 1.15 "Extraordinary General Meeting").

The Company has one class of shares. Each holder of Shares (a "**Shareholder**") with at least 10 Shares has the right to attend and vote at a general assembly (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights.

An application has been made to the CMA for the admission of the Consideration Shares to the Official List, all supporting documents required by the CMA have been supplied and, subject to the Transaction EGM Resolution being passed at the Transaction EGM, all relevant approvals pertaining to this Prospectus and the Transaction, including the approval of the Supreme Council for Petroleum and Mineral Affairs of Saudi Arabia (the "**SCPMA**"), have been granted.

The "Important Notice" and Section 2 "Risk Factors" should be considered carefully prior to making a decision whether to vote in favour of or against the Transaction EGM Resolution.

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt as to the contents of this Prospectus or the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker or other appropriate independent financial advisor duly authorised by the CMA.

Financial Advisor J.P.Morgan

Bahri البحري

Important Notice

This Prospectus contains detailed information relating to the Company, the Transaction, the Target Assets, the Shipping Agreements and the Consideration Shares. The purpose of this Prospectus is to provide Shareholders with information on the Transaction and the related Capital Increase in order to assist them in deciding whether or not to vote in favour of the related Transaction EGM Resolution relating to the approval of the Transaction and the related Capital Increase. When shareholder votes are collected at the Transaction EGM for the purposes of approving the Transaction EGM Resolution, Shareholders will be deemed to have voted solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company or by visiting the websites of the Company (www.bahri.sa) and the CMA (www.cma.org.sa).

J.P. Morgan Saudi Arabia Limited ("**JPMSA**" or the "**Financial Advisor**") has been appointed by the Company to act as its sole financial advisor in connection with the issuance and admission of the Consideration Shares to the Official List. JPMSA, which is authorised and regulated in Saudi Arabia by the CMA, is acting exclusively as financial advisor to the Company for the purposes of the issuance and admission of the Consideration Shares to the Official List and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of JPMSA nor for giving advice in relation to the Transaction or any matter or arrangement referred to in this Prospectus.

This Prospectus includes information given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page (v), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, a substantial portion of the information in this Prospectus which is relevant to the market and industry in which the Company operates is derived from external sources, and while neither the Company nor any of the Company's advisors, whose names appear in this Prospectus (the "**Advisors**"), has any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company, the value of the Target Assets, the Shipping Agreements and the Shares may be adversely affected by future developments in inflation, interest rates, taxation or other economic, political and other factors, over which the Company has no control (see Section 2 "Risk Factors"). Neither the delivery of this Prospectus nor any oral or written information in relation to the Company, the Target Assets, the Shipping Agreements or the Shares is intended to be, or should be construed as or relied upon in any way as, a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the CMA or the Advisors to vote in favour of the Transaction EGM Resolution. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making a voting decision, each recipient of this Prospectus (including each Eligible Shareholder) is responsible for obtaining independent professional advice in relation to the Transaction and must rely on its own examination of the Company, the Target Assets and the Shipping Agreements and the appropriateness of both the proposed Transaction and the information herein with regard to the recipient's individual objectives, financial situation and needs.

The distribution of this Prospectus in any country other than Saudi Arabia is expressly prohibited. The Company and the Financial Advisor require recipients of this Prospectus to inform themselves about and to observe all such legal or regulatory restrictions in this regard.

The increase of the Company's share capital through the issuance of the Consideration Shares is subject to obtaining the approval of Shareholders. Shareholders should understand that if the Transaction EGM Resolution is not approved, the Transaction will not proceed in which case this Prospectus will immediately become void and have no further effect. If this is the case, the Company will notify Shareholders accordingly.

Industry and Market Data

In this Prospectus, information and data on the shipping industry has been obtained or derived from (i) market research on the shipping industry conducted on behalf of the Company by McQuilling Services, LLC ("**McQuilling**"), an independent consulting firm specialising in the shipping industry, and (ii) publicly available information in respect of the shipping industry.

The Company believes that third-party information and data included in this Prospectus, including the information obtained or derived from the market research in respect of the shipping industry conducted by McQuilling, is reliable and has no reason to believe that such information is materially inaccurate, but none of the Company, the Directors or the Advisors have independently verified such information and data, and no guarantee can be provided as to its accuracy or completeness.

Neither McQuilling, nor any of its affiliates, shareholders, directors or their relatives hold any shareholding or any interest in the Company. McQuilling has given and not withdrawn its written consent to the use of the information supplied by it to the Company in the manner and format set out in this Prospectus, and the Directors believe that this information, these sources and these estimates are authentic and have no cause to believe that their findings are materially inaccurate.

Financial and Statistical Information

The financial statements audited by PricewaterhouseCoopers LLP for the financial years ended 31 December 2011G and the financial statements audited by BDO Dr. Mohamed Al-Amri & Co for the financial year ended 31 December 2012G and the financial statements audited by Ernst & Young Riyadh for the financial year ended 31 December 2013G are each incorporated in Section 15 "Financial Statements" and have been prepared in conformity with the Generally Accepted Accounting Principles published by the Saudi Organization for Certified Public Accountants ("**SOCPA**"). The Company publishes its financial statements in Saudi Arabian Riyals.

The financial and statistical information contained in this Prospectus is subject to rounding. Accordingly, where numbers have been rounded up or down, percentages may not add up to 100%.

Where statistical information has been sourced for publication in this Prospectus, the Company believes that the information represents the latest information available from the relevant particular source.

All references to riyal and SAR refer to Saudi Arabian Riyal, which is the legal currency for the time being of Saudi Arabia. All references in this document to U.S. dollars, US$ and $ refer to United States dollars, which is the legal currency for the time being of the United States of America.

The riyal has been pegged to the U.S. dollar since November 1986. The current midpoint between the official buying and selling rates for the riyal is at a fixed rate of SAR 3.75 = US$1.00. This rate has been used to translate all SAR amounts into U.S. dollar amounts and vice versa in this document.

Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be", or the negative thereof or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see Section 2 "Risk Factors"). Should any one or more of the risks or uncertainties materialise or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary prospectus to the CMA if at any time after this Prospectus has been published and before the listing of the Consideration Shares, the Company becomes aware that: (i) there has been a significant change in any material information contained in this Prospectus or any document required by the Listing Rules; or (ii) additional significant matters have become known which would have been required to be included in this Prospectus.

Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the foregoing and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Voting Shareholders should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Definitions and Abbreviations

For an explanation of certain defined terms and abbreviations, please see "Definitions and Abbreviations" on page xii.

Corporate Directory

Board of Directors

Name	Nationality	Position	Status	Independence	Direct or indirect Share ownership immediately after the Transaction
Abdulrahman Mohammad Al-Mofadhi*	Saudi	Chairman	Non-executive	Non-Independent	N.A.
Mohommed Abdulaziz Al-Sarhan	Saudi	Vice-Chairman	Non-executive	Independent	202,000
Esam Hamad Al-Mubarak*	Saudi	Member	Non-executive	Non-Independent	80,000
Abdulaziz Abdulrahman Al-Modaimigh	Saudi	Member	Non-executive	Independent	7,507,815
Saleh Abdullah Al Debasi*	Saudi	Member	Non-executive	Non-Independent	2,500
Farraj Mansour Abothenain	Saudi	Member	Non-executive	Independent	25,000
Abdullah Ali Al-Ajaji	Saudi	Member	Non-executive	Independent	N.A.

Source: Company as of 30/5/1435H corresponding to 31/3/2014G

* These Directors were appointed by Public Investment Fund, which is a major shareholder in the Company.

Registered Office

The National Shipping Company of Saudi Arabia
Bahri Building #569
Sitteen Street, Malaz Area
P.O. Box 8931
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Tel: +966 (11) 478 5454
Fax: +966 (11) 477 8036
www.bahri.sa
investorrelations@bahri.sa

Company Representatives

Abdulrahman Mohammad Al-Mofadhi
The National Shipping Company of Saudi Arabia
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Fax: +966 (11) 477 8036
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Saleh Al-Jasser
The National Shipping Company of Saudi Arabia
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Tel: +966 (11) 478 5454
Fax: +966 (11) 477 8036
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Board of Directors' Secretary

Ahmed Sulaiman Al Eiden
The National Shipping Company of Saudi Arabia
Bahri Building #569
Sitteen Street, Malaz Area
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Tel: +966 (11) 478 5454
Fax: +966 (11) 477 8036
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Share Registrar

The Saudi Stock Exchange (Tadawul)
Abraj Attuwenya
700 King Fahad Road
P.O. Box 60612
Riyadh 11555
Kingdom of Saudi Arabia
Tel: +966 (11) 218 9999
Fax: +966 (11) 218 1220
www.tadawul.com.sa
webinfo@tadawul.com.sa

Advisors

Financial Advisor to Bahri

J.P. Morgan Saudi Arabia Limited
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Saudi Legal Advisor to Bahri

Clifford Chance Law Firm
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International Legal Advisor to Bahri

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bahri@cliffordchance.com
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Auditors to Bahri for the financial year ended 31 December 2013

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Auditors to Bahri for the financial year ended 31 December 2012

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Auditors to Bahri for the financial years ended 31 December 2011

PricewaterhouseCoopers

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Financial Diligence Advisor

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Market Consultant

McQuilling Services, LLC

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Principal Commercial Banking Relationships
Banque Saudi Fransi Mather Street Riyadh Kingdom of Saudi Arabia Tel: +966 (11) 2899999 Fax: +966 (11) 4042311 Email: mailto:communications@alfransi.com.sa www.alfransi.com.sa
National Commercial Bank PO Box 3555 Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 (11) 299 9515 Fax: +966 (11) 299 9592 Email: alahli@alahli.com www.alahli.com
SABB Head Office - Service Delivery P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia Tel: 800 -124 - 8888 (Toll free within KSA); +966 (11)- 440-8888 (overseas) Fax: +966 (11) 276 4356 sabb@sabb.com www.sabb.com
Samba Financial Group P. O. Box 833 Riyadh 11421 Kingdom of Saudi Arabia Tel: +966 (11) 477 4770 Fax: + 966 (11) 479 9402 CustomerCare@samba.com www.samba.com

Note: The above advisors have given and, as at the date of this Prospectus, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Prospectus, and do not themselves, their employees or their employees' relatives have any shareholding or interest of any kind in the Company.

Expected Timetable for the Transaction

Event	Timeline
1) Actions required in relation to the Transaction EGM	
MOCI's approval to convene the Transaction EGM	The Company will apply to MOCI to convene the Transaction EGM shortly after obtaining the CMA's approval on the Prospectus
Invitation of Transaction EGM to be sent to Shareholders to approve the Transaction EGM Resolution	Upon MOCI's approval to convene the Transaction EGM and the agenda for such EGM
Documentation available for inspection at the Company's registered office	First Business Day following the day on which the Invitation of the Transaction EGM has been published, until the last Business Day before the date of the Transaction EGM (Sunday to Thursday between 9 a.m. and 5 p.m. (excluding public holidays in Saudi Arabia))
Electronic Voting Period	Within the four days preceding the Transaction EGM and until 11 am on the day of the Transaction EGM
The Transaction EGM (to vote on the Transaction EGM Resolution)	At least 25 days following the publication of the Invitation of the Transaction EGM
Announcement by the Company of the results of the Transaction EGM (or, if the Transaction EGM was not quorate, the announcement of such fact)	First Business Day following the date of the Transaction EGM
a) In the event that the Transaction EGM is not quorate, the following actions will be undertaken:	
MOCI's approval to convene a second EGM	The Company will apply to MOCI to convene the second EGM within 10 days of the date of the first EGM
Invitation of the second EGM to be sent to Shareholders to approve the Transaction EGM Resolution	Upon MOCI's approval to convene the second EGM
The Company's second EGM	Within 10 days following the publication of the invitation of the second EGM
Announcement by the Company of the results of the second EGM	First Business Day following the date of the second EGM
2) Actions required following the Transaction EGM	
Publication of the EGM resolution and amendments to the By-Laws in the Official Gazette	Within a week from the date of approving the Transaction EGM Resolution
First Completion which is the completion of the transfer of the legal ownership of the first of the Vela Vessels (comprising at least one VLCC) by Vela to the Company	The date that the first of the Vela Vessels (comprising at least one VLCC) is transferred by Vela to the Company which will occur upon the satisfaction (or waiver (by either Vela or the Company depending on the relevant First Completion Condition)) of all the First Completion Conditions and completion of all related actions and, in any event, by no later than the Longstop Date (for further details, see section 12.1.1.1 "Summary of the principal terms of the BAPA")
The Contract of Affreightment and the Time Charter Agreement become effective	The date that the first Vela VLCC is delivered to the Company pursuant to the BAPA in accordance with the terms of the respective agreement, which is expected to be on or shortly after First Completion

Subsequent Completions	As soon as reasonably practicable following First Completion, each Vela Vessel will be transferred to the Company (or its nominee) at different times over approximately six months
Final Consideration Share Vessel Transfer Date	The date on which the legal ownership of the Final Consideration Share Vessel, which together with the Vela Vessels that were transferred to the Company before it in aggregate meets the value of the Consideration Shares, is transferred to the Company
Approval from MOCI of the updated Commercial Registration Certificate	The Company shall make an application to MOCI as soon as possible after the Final Consideration Share Vessel Transfer Date
Issuance and registration of the Consideration Shares in the name of SADC	To be completed following the Final Consideration Share Vessel Transfer Date but no later than the Consideration Share Longstop Date
Admission of the Consideration Shares to listing on the Official List and to trading on Tadawul	To be completed following the Final Consideration Share Vessel Transfer Date but no later than the Consideration Share Longstop Date
Final Completion	The transfer of the legal ownership of the last of the Vela Vessels which is expected to be completed within approximately six months from First Completion

The above timetable and dates therein are approximations based on the Company's expectation as at the date of this Prospectus. The actual dates will be communicated through local press announcements and on the Tadawul website http:www.tadawul.com.sa closer to the date of the Transaction EGM.

Definitions and Abbreviations

The following sets out certain definitions and abbreviations used in this Prospectus.

Defined Term or Abbreviation	Meaning
Accumulative Voting Method	A voting method (as specified in the Corporate Governance Regulations) in relation to the appointment of Board members at the General Assembly. This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. He/she has the right to use all of his/her voting rights for one nominee or to divide his/her voting rights between his/her selected nominees without any duplication of these votes. This method increases the chances for minority shareholders to appoint their representatives to the Board through the right to accumulate votes for one nominee.
Adjustment	The adjustment to the number of Consideration Shares to be issued to SADC in the event of a Share Capital Reorganisation so as to ensure that the Consideration Shares (as adjusted) represent 20 per cent. of the issued share capital of the Company on a fully diluted basis.
Admission	Admission of the Consideration Shares to the Official List and the admission of the Consideration Shares to trading on the Exchange in accordance with Article 19 of the Listing Rules.
Advisors	The Company's advisors in relation to the Transaction.
AED	Dirham, the lawful currency of the United Arab Emirates.

Defined Term or Abbreviation	Meaning
Aframax tanker	A vessel that is smaller in size than a VLCC and is usually used for medium to short haul crude oil transportation with a DWT range of 75,000 to 120,000 metric tons.
Agreed Price	SAR 22.25.
Agreed Vessel Value	The agreed value of each Vela Vessel as set out in Section 1.4 ("The Target Assets").
Amended NSF	The amended form of the Norwegian Shipbrokers' Association Memorandum of Agreement for the Sale and Purchase of Ships, known as the Norwegian Sale Form 2012G (which is an industry accepted standard form document used to transfer title to second-hand vessels) entered into by Vela and the Company on 19/12/1433H (corresponding to 4/11/2012G) in respect of each Vela Vessel, as further described in Section 12.1, "Summary of Material Agreements".
Auditors	The auditors retained by the Company to issue and deliver the Interim Auditors Certificates and the Final Auditors Certificate.
Authority or CMA	The Capital Market Authority of the Kingdom of Saudi Arabia.
Bahri Chairman Letter	A letter from the Company to Vela executed by the Chairman of the Company and delivered on the transfer of each Consideration Share Vessel confirming and undertaking to deliver to SADC by no later than the Consideration Share Longstop Date, the relevant number of Consideration Shares the value of which corresponds to the value of such Consideration Share Vessel.
Bahri Group	Bahri, NSCSA (America) Inc., MidEast Ship Management Limited JLT, Bahri Dry Bulk Company LLC and National Chemical Carriers Co. Ltd.
Banking Day	A day (other than a public holiday in Dubai, United Arab Emirates) on which banks are open for the transaction of normal business in London and solely for the purposes of any party making a payment (other than release from escrow) to another party on delivery in United States Dollars, New York, but not otherwise.
BAPA	The agreement for the sale and purchase of certain business and assets of Vela entered into between the Company and Vela on 19/12/1433H (corresponding to 4/11/2012G), as amended on each of 03/09/1434H (corresponding to 11/07/2013G), 25/12/1434H (corresponding to 30/10/2013G), 28/2/1435H (corresponding to 31/12/2013G), 30/5/1435H (corresponding to 31/3/2014G) and 14/6/1435H (corresponding to 14/4/2014G) as further described in Section 12.1, "Summary of Material Agreements".
Bareboat charter	An agreement wherein the charterer "leases» the bare hull and machinery of the vessel, usually for an extended period of time, frequently for the life of the vessel, at an agreed periodic hire payment rate.
Board or Board of Directors	The board of directors of the Company.
Bolanter	Bolanter Corporation N.V., a wholly-owned subsidiary of Saudi Aramco.
Business Day	A day (other than Friday or Saturday) on which banks in Riyadh (and for the purposes of (i) Vela or the Company making a payment to the other in US$, banks in New York, and (ii) any payments into or out of escrow under the Cash Escrow Agreement, banks in both London and New York, but in each case not otherwise) are open for the transaction of normal banking business.

Defined Term or Abbreviation	Meaning
By-Laws	The by-laws of the Company, which are summarised in Section 11 "Summary of the Company's By-Laws".
CAGR	Compound Annual Growth Rate.
Capital Increase	The increase in the share capital of the Company from SAR 3,150,000,000 to SAR 3,937,500,000 by the creation and issue of the Consideration Shares.
Cash Consideration	An amount equal to SAR 3,122,812,500 (equivalent to US$832,750,000).
Cash Escrow Agent	J.P. Morgan Chase Bank, N.A., London Branch.
Cash Escrow Agreement	The agreement to be entered into between Vela, the Company and the Cash Escrow Agent not later than 30 days prior to First Completion.
CCP	Council of Competition Protection in Saudi Arabia.
CEO	The Chief Executive Officer of the Company.
CFO	The Chief Financial Officer of the Company.
Chairman	The Chairman of the Board.
Classification Society	A non-governmental organisation that establishes and maintains technical standards for the construction and operation of ships and offshore structures (such as Lloyds' register of shipping).
Commercial Registration Certificate	The commercial registration of the Company which is issued pursuant to the Commercial Registration Law.
Companies Regulations or Companies Law	The Companies' Law issued under Royal Decree No. M/6 dated 22/3/1385H, as amended.
Company or Bahri	The National Shipping Company of Saudi Arabia, a Saudi Joint Stock Company.
Competing Business	The business of owning, operating and/or chartering VLCCs for the carriage of Crude Oil produced in the Kingdom.
Completion	Completion of the transfer by Vela of the legal ownership of a Vela Vessel to the Company. For the avoidance of doubt, Final Completion is the transfer of legal ownership of the last of the Vela Vessels by Vela to the Company.
Consideration	An amount equal to SAR 4,875,000,000 (equivalent to US$1,300,000,000) representing the total consideration to be paid by the Company to Vela under the Transaction, which also reflects the Company's assessment of the value of the Shipping Agreements to the Company.
Consideration Shares	78,750,000 new Shares (subject to Adjustment), representing 20 per cent. of the increased issued share capital of the Company after the Capital Increase (on a fully diluted basis) to be issued at an agreed price of SAR 22.25 per share to SADC, with an aggregate value equal to SAR 1,752,187,500 (equivalent to US$467,250,000).
Consideration Shares Delivery Date	The date on which SADC is entered into the Company's automated share register maintained by Tadawul as the holder of the Consideration Shares.
Consideration Shares Longstop Date	The date falling ten Business Days after the Final Consideration Share Vessel Transfer Date.

Defined Term or Abbreviation	Meaning
Consideration Share Vessel(s)	The Vela Vessel(s) transferred on First Completion and subsequent Completions the value of which, in aggregate, meets the value of the Consideration Shares.
Consideration Share Vessel Transfer Date	The date of transfer of legal ownership of a Consideration Share Vessel to the Company.
Contract of Affreightment	The contract of affreightment entered into on 19/12/1433H (corresponding to 4/11/2012G) as amended on 14/6/1435H (corresponding to 14/4/2014G) by the Company and Bolanter to take effect on the date of First Completion, as further described in Section 12.1, "Summary of Material Agreements".
Corporate Governance Regulations	The Corporate Governance Regulations, issued by the CMA's board pursuant to its Resolution No. 1/212/2006 dated 21/10/1427H (corresponding to 12/11/2006G), as amended.
Crude Oil	Arabian heavy, Arabian medium, Arabian light, Arabian extra light or Arabian super light crude oil.
Current Board Term	From 29/2/1435H (corresponding to 1/1/2014G) to 2/4/1438H (corresponding to 31/12/2016G).
Delivered Basis	The sale of cargo on terms that require the seller to arrange for carriage by sea to their place of delivery.
Directors or members of the Board	The members of the board of directors of the Company.
Dividend Record Date	The record date for the Company to determine which Shareholders are eligible to receive the payment of any annual dividend declared by the Company in respect of any financial year.
Dry-docking	The removal of a vessel from the water for inspection and/or repair.
DWT	Is the measure of a vessel's carrying capacity being the number of tons of cargo, stores, bunkers, water ballast, fresh water, crew, passengers and baggage that a vessel can transport. This is measured by the difference in tons between (a) the vessel's lightship displacement (i.e. the weight of the vessel as built including boiler water, lubricating oil and its cooling water system)and (b) the vessel's fully loaded displacement such that the vessel's Plimsoll line (a measure used in the shipping industry to denote the legal limit to which a vessel can be loaded) is at the waterline.
Eligible Shareholder	Registered holder(s) of Shares as at the Record Date.
Emergency Fleet	The fleet referred to in Section 2.1.12 "Risks related to Shareholder and regulatory approvals".
Environmental Contamination Event	The circumstances where a vessel owned or operated by the Bahri Group or the Vela Group is involved in an incident related to the shipping of oil, other hydrocarbons or hydrocarbon derivatives, which causes or is likely to cause damage to the environment or result in the contaminating party incurring prevention and/or cleanup costs and results in (i) total liabilities whose value exceeds an amount equal to SAR 562,500,000 (equivalent to US$150,000,000); or (ii) material commercial impairment of the contaminating party or one of its group companies.
Exchange	The Saudi Stock Exchange.
Execution Date	19/12/1433H (corresponding to 4/11/2012G).

Defined Term or Abbreviation	Meaning
Extraordinary General Assembly or EGM	The extraordinary general assembly meeting of the Company as further described in Section 9 "Shares and Shareholders".
Final Auditors Certificate	The certificate to be issued by the Auditors and delivered to the Company after the Final Consideration Share Vessel Transfer Date confirming that the Company has received title to all of the Consideration Share Vessels with a value equal to their respective Agreed Vessel Values.
Financial Advisor	J.P. Morgan Saudi Arabia Limited.
First Completion	The completion of the transfer of the legal ownership of the first of the Vela Vessels (comprising at least one VLCC) by Vela to the Company which is expected to take place following the satisfaction or waiver of the First Completion Conditions, including the Transaction EGM to be convened for the purposes of passing the Transaction EGM Resolution.
First Completion Conditions	Refers to the conditions precedent to First Completion as set out in the BAPA, a summary of which is at Section 1.8 "Conditions to First Completion".
First Completion Date	The date on which First Completion occurs which is expected to take place as soon as reasonably practicable following the Transaction EGM and, in any event, no later than the Longstop Date.
Final Completion	The completion of the transfer of legal ownership of the last of the Vela Vessels by Vela to the Company, at which time the Transaction will have fully completed.
Final Completion Date	The date on which Final Completion occurs.
Final Consideration Share Vessel	The last of the Vela Vessels which comprise the Consideration Share Vessels whose Agreed Vessel Value shall be paid for, in the event that the Consideration Shares that have not already been allocated to a Consideration Share Vessel is less than the Agreed Vessel Value of such vessel, by the Company partly through such Consideration Shares and partly through a portion of the Cash Consideration.
Final Consideration Share Vessel Transfer Date	The date on which the legal ownership of the Final Consideration Share Vessel is transferred to the Company.
FOB	Free-on-board basis of shipments where the seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer or consignee pays costs of marine freight transport, insurance, unloading and transportation from the arrival port to the final destination.
Force Majeure Event	An event over which neither the Company nor Vela have any control (such as, amongst other things, any regional conflict, any act of war, any act of terrorism, declaration of emergency or martial law, an act of god, earthquake, tsunami or natural disaster of any nature or other calamity, major damage or breakdown of terminals, plant, machinery and equipment, interruption of power or water supply, legal or governmental acts, order, restrictions or interference, labour actions or labour disputes of whatsoever nature, embargo, blockade and quarantine) which has a material adverse effect on (i) their ability to perform their obligations under the BAPA and/or the relevant Amended NSFs; or (ii) those Vela Vessels which have not been transferred to the Company as at the date of such event but excluding (a) an Environmental Contamination Event; and (b) an inability of the Company to fund or deliver all or any part of the Consideration (including an inability to deliver the Consideration Shares as a result of the action or inaction of any third party involved in such process).

Defined Term or Abbreviation	Meaning
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly (as applicable).
Government	Government of the KSA.
Interim Auditors Certificates	The certificates to be issued by the Auditors and delivered to the Company after the transfer of each Consideration Share Vessel (other than the Final Consideration Share Vessel) confirming that, in each case, the Company has received title to the relevant Consideration Share Vessel with a value equal to its Agreed Vessel Value.
KSA or Kingdom or Saudi Arabia	The Kingdom of Saudi Arabia.
Listing Rules	The Listing Rules issued by the board of the CMA pursuant to its resolution number 3-11-2004 dated 20/8/1425H (corresponding to 4/10/2004G), as amended pursuant to the resolution of the board of the CMA number 1-4-2012 dated 28/2/1433H (corresponding to 22/1/2012G) and further amended by resolution number 1-36-2012 dated 11/1/1434H (corresponding to 25/11/2012G).
London Tanker Broker Panel	An independent and impartial body which provides a variety of shipping rate assessments on a fee-paying basis for individual oil companies, traders, tanker operators and other interests worldwide.
Long-Haul Voyages	A voyage where a VLCC carrying Crude Oil, during its laden leg, covers a Worldscale distance of more than 1,500 nautical miles between the relevant ports/lightening locations
Longstop Date	4/10/1435H (corresponding to 31/7/2014G), or such later date as the Company and Vela may agree in writing, subject to the occurrence of an Environmental Contamination Event or a Force Majeure Event and the consequences thereof as set out in the BAPA (as further described in Section 12.1, "Summary of Material Agreements").
LPG	Liquefied petroleum gas.
Major Oil Company	Total Oil Trading S.A., Exxon Mobil Corporation, Royal Dutch Shell plc, BP plc, Chevron Corporation, Statoil ASA, Repsol YPF, S.A., ConocoPhillips, Eni S.p.A. or Valero Energy Corporation or any of their respective affiliates.
Material Adverse Change	Any material adverse change in or affecting (i) in respect of the Bahri Group, the business, assets, liabilities, condition (financial or otherwise), prospects and/or results of operations of the Bahri Group taken as a whole or any Bahri Group company, or (ii) in respect of Vela, the business, assets, liabilities, or the condition of, the Target Assets (taken as a whole), in each case having a value in excess of an amount equal to SAR 562,500,000 (equivalent to US$150,000,000), but (in (i) or (ii)) excluding in all such cases any event, circumstance or change resulting from: any Force Majeure Event or any Environmental Contamination Event; or any change: (i) in political or economic developments or changes in laws, regulations or accounting practices in or affecting the Kingdom; (ii) generally affecting stock markets, interest rates, exchange rates, commodity prices in or affecting the Kingdom; (iii) in market conditions generally affecting the shipping industry in or affecting the Kingdom; or (iv) to other general economic conditions in or affecting the Kingdom.

Defined Term or Abbreviation	Meaning
Mideast	Mideast Ship Management JLT Limited, a wholly-owned subsidiary of the Company incorporated in Dubai, UAE.
Ministry	The Ministry of Petroleum and Mineral Resources of the Kingdom.
MOCI	The Ministry of Commerce and Industry.
MOU	The non-binding memorandum of understanding entered into between the Company and Saudi Aramco on 7/8/1433H (corresponding to 27/6/2012G), setting out certain terms of the Transaction, including certain terms of the BAPA and the Shipping Agreements.
National Champion	The company that will be responsible for maintaining the Emergency Fleet and assuming the National Shipping Obligations.
National Petroleum Association scale	A benchmark to determine the classification of an oil product as either a clean or dirty grade, with the number one representing the cleanest grade and the number nine representing the dirtiest grade.
National Shipping Obligations	The obligations defined as such in Section 2.1.12 "Risks related to Shareholder and regulatory approvals".
NCC	National Chemical Carriers, a subsidiary of the Company incorporated in Saudi Arabia as a limited liability company.
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules.
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the By-Laws.
Public Investment Fund	The Public Investment Fund in Saudi Arabia established by Royal Decree No. M/24, dated 25/06/1391H (corresponding to 17/08/1971G).
Record Date	The close of trading on the Tadawul on the day of the Transaction EGM or any adjournment thereof.
Relationship Agreement	The relationship agreement entered into between Saudi Aramco and the Company on 19/12/1433H (corresponding to 4/11/2012G) which provides for, amongst other things, certain exclusivity arrangements between, and the potential for future collaboration in other lines of business, where feasible, between, the Company and the Saudi Aramco Group as further described in Section 12.1, "Summary of Material Agreements".
Relevant Date	The date on which the Financial Advisor presented its valuation analysis to the Board which is 29/11/1433H (corresponding to 15/10/2012G).
RoCon	A hybrid vessel combining the features of a RoRo as well as a container vessel.
RoRo	A roll-on/roll-off vessel designed to carry wheeled cargo such as automobiles, trucks, semi-trailer trucks, trailers or muffy trailers that are driven on and off the vessel on their own wheels.
SADC	Saudi Aramco Development Company, a wholly-owned subsidiary of Saudi Aramco, incorporated in Saudi Arabia on 16/7/1434H (corresponding to 26 May 2013G) with commercial registration number 2052002216.
SAGIA	Saudi Arabian General Investment Authority.

Defined Term or Abbreviation	Meaning
SAIMCO	Saudi Aramco Investment Management Company, a wholly-owned subsidiary of Saudi Aramco.
SAPTC	Saudi Aramco Products Trading Company, a wholly-owned member of the Saudi Aramco Group.
SAR	Saudi Arabian Riyal, the lawful currency of Saudi Arabia.
Saudi Aramco	Saudi Arabian Oil Company.
Saudi Aramco Group	Saudi Aramco and its subsidiaries from time to time.
SCPMA	The Supreme Council for Petroleum and Minerals Affairs of Saudi Arabia.
SCPMA Permission	The SCPMA having provided a member of the Saudi Aramco Group with its written approval, endorsement or concurrence to or of the Transaction.
Secondment Agreement	The secondment agreement entered into between the Company and Saudi Aramco on 19/12/1433H (corresponding to 4/11/2012G), pursuant to which certain shore-based employees of the Saudi Aramco Group may be seconded to the Bahri Group, as further described in Section 12.1, "Summary of Material Agreements".
Securities	(a) Shares; (b) any other class of shares of the Company carrying voting rights; and (c) any securities or instruments of the Company carrying conversion or subscription rights into (a) or (b) above.
Secretary	The secretary of the Board.
Senior Officers	Those officers of the Company identified in Section 6.4 "Senior Management".
Services Agreement	The services agreement entered into between Vela and the Company on 19/12/1433H (corresponding to 4/11/2012G) as amended on 14/6/1435H (corresponding to 14/4/2014G) pursuant to which the vessel-based employees and certain shore-based employees of Vela will be offered employment by the Bahri Group, as further described in Section 12.1, "Summary of Material Agreements".
Share Capital Reorganisation	A variation in the Company's issued share capital on or following the Execution Date, including without limitation, pursuant to any issuance of Securities (whether in connection with any capitalisation issue, rights issue or placement or the exercise of any option or warrant or otherwise), sub-division, reduction, purchase, merger or otherwise or any alteration of the rights attached to any part of the Securities.
Shareholders	Registered holders of the Shares.
Shares	Ordinary shares with a nominal value of SAR 10 each in the capital of the Company.
Shipping Agreements	The Contract of Affreightment and the Time Charter Agreement.
SOCPA	Saudi Organization for Certified Public Accountants.
Spot Charter or spot charter	A trip charter or voyage charter from a load port to a discharge port.

Defined Term or Abbreviation	Meaning
Tadawul	Saudi Exchange Company including the automated system for trading shares on the Exchange.
Target Assets	14 double-hull VLCCs, one single-hull floating-storage VLCC, four product tankers and one Aframax tanker along with everything belonging to such vessels, including: certain vessel IT systems on such vessels; the historical equipment and maintenance data contained on each such vessel's software (but excluding any rights or title to such software); and the books and records (including, without limitation, documents of title, manuals and trading certificates) relating to such vessels as more fully described in Section 1.4 "The Target Assets".
Time Charter	An agreement wherein the charterer has the full use of the vessel and its crew for a specified period of time, within a specified trading range.
Time Charter Agreement	The agreement for the time charter of certain Vela Vessels (being the four product tankers, the Aframax tanker and the single-hull floating storage VLCC) upon their delivery to the Company, by SAPTC for a specified period of time entered into between the Company and SAPTC on 19/12/1433H (corresponding to 4/11/2012G), to take effect on First Completion, as further described in Section 12.1, "Summary of Material Agreements".
Ton Mile	A measuring unit of freight transportation equivalent to a ton of freight moved one mile.
Transaction	The merger of the Target Assets and related operations of Vela with the Company together with the other transactions described in the Transaction Agreements.
Transaction Agreements	The BAPA, the Relationship Agreement, the Services Agreement, the Secondment Agreement, the Contract of Affreightment, the Time Charter Agreement and the Amended NSFs, each as described further in Section 12.1 "Summary of Material Agreements".
Transaction EGM	The EGM at which Shareholders as at the Record Date will be asked to vote in favour of, or against, the Transaction EGM Resolution.
Transaction EGM Resolution	The resolution of the Company which Shareholders (as at the Record Date) will be asked to vote in favour of, or against, at the Transaction EGM relating to: (a) the Transaction; (b) the Capital Increase; (c) the issuance of the Consideration Shares by the Company and the payment of the Cash Consideration by the Company in exchange for the transfer of the Target Assets; (d) changes to the By-Laws as summarised in Section 1.16 "Summary of Changes to the Company's By-Laws"; and (e) the adoption of the amended By-Laws as further described in Section 1.15 "Extraordinary General Meeting", which will be part of the agenda for the Transaction EGM to be approved by MOCI following publication of this Prospectus.
Transferring Employees	The employees of Vela who will transfer from Vela to the Bahri Group as part of the Transaction.

Defined Term or Abbreviation	Meaning
Vela	Vela Marine International Limited, a wholly-owned subsidiary of Saudi Aramco.
Vela Group	Vela and its subsidiaries from time to time.
Vela Vessel or Vela Vessels	Each of the vessels that comprises the Target Assets.
Vice Chairman	The vice chairman of the Company's Board.
VLCC	A very large crude carrier with a DWT range of 200,000 to 319,999 metric tons.

Summary of the Transaction and proposed Capital Increase

This summary of the Transaction and proposed Capital Increase is intended to give a summary of the key features of the Transaction and the Capital Increase. As such, it does not contain all of the information that may be important to Shareholders in order for them to vote on the Transaction EGM Resolution to be proposed at the Transaction EGM to approve the Transaction. Accordingly, this summary must be read as an introduction to the Transaction only, and recipients of this Prospectus are advised to read the Prospectus in its entirety and any decision to vote on the Transaction EGM Resolution to be proposed at the Transaction EGM to approve the Transaction should be based on a consideration of this Prospectus as a whole. It is also important to consider the "Important Notice" and section 2 "Risk Factors" carefully prior to deciding to vote in favour of, or against, the Transaction EGM Resolution to be proposed at the Transaction EGM.

The Company	The National Shipping Company of Saudi Arabia (Bahri), a Saudi Joint Stock Company with Commercial Registration No. 1010026026, established by Royal Decree No. M/5 dated 12/02/1398H (corresponding to 22/01/1978G) and is engaged in the field of maritime transportation. For further details of the Company's activities see Section 1.1, "The Company" and Section 5.7, "Overview of Bahri's Business Activities".
The Company's mission and overall strategy	The Company's mission is to be a leading maritime services provider applying best practices to run a world-class fleet, whilst building mutually beneficial relationships with all stakeholders and its overall strategy is to expand the Company's business through the expansion of the fleet and optimal use of resources, amongst other things, with a view to enhancing its competitive edge in the global markets (for further details, see Section 5.4, "Mission and Strategy").
The Company's key strengths and competitive advantages	The Company believes that its key strengths and advantages lie in its qualified and experienced senior management, its state-of-the art fleet and its focus on the safety of its personnel on board the vessels. Please see Section 5.9, "Competitive Advantages" for further details.
Existing Share Capital of the Company	SAR 3,150,000,000
Total Number of Issued Shares	315,000,000 Shares that have been admitted to listing on the Official List and to trading on Tadawul.
Nominal Value of each Issued Share	SAR 10
Number of Consideration Shares to be Issued	78,750,000 Shares (subject to the Adjustment) (for further details, see section 12.1.1.1 ("Summary of the principal terms of the BAPA"))

Nominal Value of each Consideration Share	SAR 10
Value attributed to each Consideration Share	SAR 22.25
Premium applicable to each Consideration Share	SAR 12.25
Total Value of the Consideration Shares	Equal to SAR 1,752,187,500 (equivalent to US$ 467,250,000)
Total premium applicable to all of the Consideration Shares	Based on a nominal value of SAR 10 per Consideration Share the premium relating to all of the Consideration Shares will be an amount equal to SAR 964,687,500 (equivalent to US$ 257,229,413)
Total Increase in Capital	SAR 787,500,000
Total Number of Issued Shares immediately following the Capital Increase	393,750,000 Shares (subject to the Adjustment)
Share Capital of the Company immediately following the Capital Increase	SAR 3,937,500,000 (subject to the Adjustment)
Percentage of Consideration Shares to the total number of Issued Shares before and immediately after the Capital Increase	The Consideration Shares would have represented 25 per cent. of the Company's existing share capital prior to the Capital Increase (had they been issued at that time) and will represent 20 per cent. of the increased issued share capital of the Company following the Capital Increase (on a fully diluted basis).
Type of Shares to be Issued	Ordinary Shares
Transaction	The Transaction involves the merger of the Target Assets and related operations of Vela with the Company as well as the entry by the Company into the Shipping Agreements which provide the Company with exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group (which member, as at the date of this Prospectus, is Bolanter) that are shipped from certain locations that Saudi Aramco uses to ship Crude Oil in accordance with the terms of the Contract of Affreightment. In addition, the Transaction will also involve the transfer of certain vessel-based personnel and shore-based personnel of Vela to the Bahri Group.

Exclusive Shipping Arrangements	The Transaction also involves the entry by the Company into exclusive shipping arrangements through the Contract of Affreightment. Under the terms of the Transaction, the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group (which, as at the date of this Prospectus, is Bolanter) that are shipped from certain locations that Saudi Aramco uses to ship Crude Oil in accordance with the terms of the Contract of Affreightment. The exclusivity arrangement does not apply to Crude Oil cargoes sold by any member of the Saudi Aramco Group which are not on a Delivered Basis. The Contract of Affreightment is a long-term arrangement with Bolanter, which is a wholly-owned subsidiary of Saudi Aramco. As such, the Contract of Affreightment has an initial term of 10 years, terminable by either party giving not less than five years' notice at any time after the fifth anniversary of the agreement becoming effective (which will be the date the first Vela VLCC is delivered to the Company pursuant to the BAPA). Under the Contract of Affreightment, the Company will receive a minimum guaranteed rate for the provision of such shipping services from Bolanter where Long-Haul Voyages are performed by Company-owned vessels in order to reduce the exposure of the Company to shipping rate volatility, particularly when shipping rates fall below such minimum guaranteed rate. Conversely, when shipping rates exceed an agreed threshold, the Company is required to reimburse a proportion of such excess to Bolanter for any payment it has previously received pursuant to the minimum guaranteed rate mechanism, limited to the amounts it so received. The Company believes that the disclosure of the actual minimum guaranteed rate and the agreed threshold rate in this Prospectus would not be in the best interests of the Company or its Shareholders as such information is highly commercially sensitive and could detrimentally affect the Company's competitive position in the shipping market because the disclosure of such rates may (a) have a negative impact on the Company's existing customers (including the Major Oil Companies) who may decide to do business with other shipping companies if the Company is unable to offer them similar rates; and (b) set a benchmark for the Company when entering into long- term shipping contracts in the future thereby preventing it from benefitting from an increase in the market shipping rates. As at the date of this Prospectus, Saudi Aramco uses Vela, its wholly owned subsidiary, as its shipping arm to deliver Crude Oil sold on a Delivered Basis. In addition, the Saudi Aramco Group will also be required to time-charter in the four product tankers, the Aframax tanker and the single-hull floating storage VLCC (forming part of the Target Assets) from the Company for a minimum period of five years (except in the case of the floating-storage VLCC, whose time-charter period will be at least until 20/3/1437H (corresponding to 31/12/2016G) or longer (as further explained in Section 12.1.2.3 "Summary of the principal terms of the Time-Charter Agreement").
Target Assets	The Target Assets comprise 14 double-hull VLCCs a single hull floating storage VLCC, one Aframax tanker and four product tankers (representing Vela's entire fleet) along with certain related assets. For further details, see Section 1.4, "The Target Assets".
Transfer of Legal Ownership of the Vela Vessels	The transfer of the legal ownership of the Vela Vessels from Vela to the Company is a complicated and protracted process that requires careful planning and execution and is subject to commercial and practical considerations, including, among others, the efficient operation of the Vela Vessels and completion of essential pre-delivery inspections. Consequently, the completion of the transfer of legal ownership of each Vela Vessel will take place on a staggered basis whereby each Vela Vessel is expected to be transferred to the Company (or its nominee) at different times over approximately six months starting with First Completion.

Consideration for the Target Assets and the Shipping Agreements	The Company will pay a total Consideration of an amount equal to SAR 4,875,000,000 (equivalent to US$1,300,000,000) for the Target Assets, which also reflects the Company's assessment of the value of the Shipping Agreements to the Company. The Consideration will comprise the Company (i) issuing the Consideration Shares to SADC the number of which is 78,750,000 (subject to the Adjustment, if required) and the value attributable to which is fixed, by reference to the Agreed Price, at an amount equal to SAR 1,752,187,500 (equivalent to US$467,250,000). The Consideration Shares will be issued by way of increasing the Company's share capital from SAR 3,150,000,000 to SAR 3,937,500,000 (the number of shares to be issued may be adjusted, in certain circumstances, to ensure that such shares at all times up until the Final Completion Date represent 20 per cent. of the issued share capital of the Company on a fully diluted basis); and (ii) paying the Cash Consideration of an amount equal to SAR 3,122,812,500 (equivalent to US$832,750,000) to Vela. The Consideration will initially be satisfied by the Company issuing the Consideration Shares to SADC. Following the Final Consideration Share Vessel Transfer Date, the balance of the Consideration will be satisfied by the Company paying the Cash Consideration to Vela at such times when the legal ownership of the remaining Vela Vessels transfer to the Company (as more fully explained below). For further details, see Section 1.6 "The Consideration Shares".
Consideration Shares	The Consideration Shares will be issued and registered in the name of SADC, a wholly-owned subsidiary of Saudi Aramco, by the Consideration Shares Longstop Date. Pursuant to the BAPA, Vela has directed the Company to issue the Consideration Shares to SADC, a wholly-owned subsidiary of Saudi Aramco which is incorporated in Saudi Arabia. For further details see Section 1.6, "The Consideration Shares".
Dividends	Pursuant to the BAPA, the Company and Vela have agreed certain contractual arrangements relating to the payment of any dividends to SADC which are declared by the Company for a financial year in which the legal ownership of a Consideration Share Vessel is transferred by Vela to the Company. For further details, please see Section 12.1.1.1 ("Summary of the principal terms of the BAPA").
Rights associated with the Consideration Shares	The Consideration Shares will carry the same rights and obligations as all other existing Shares in accordance with the Companies Law and the By-Laws.
Cash Consideration and Cash Escrow Arrangements	The Cash Consideration to be paid by the Company to Vela will be made on a staggered basis upon the delivery of each Vela Vessel following the Consideration Shares Delivery Date. Accordingly, the Company and Vela have entered into a Cash Escrow Agreement with J.P. Morgan Chase Bank, N.A., London Branch (as escrow agent). The Company will transfer an amount of the Cash Consideration that is equal to the value of the relevant Vela Vessel (plus an additional amount equal to the estimated value of any bunker fuels and/or lubricants on such vessel), to be transferred to the Company, to a bank account with the Cash Escrow Agent no later than three Business Days after Vela has given five days' notice to the Company of the date on which Vela expects transfer of the relevant Vela Vessel to the Company to take place. Upon the transfer of the relevant Vela Vessel to the Company, the Company and Vela shall jointly instruct the Cash Escrow Agent to release such amount to Vela.

Employee and Secondee Arrangements	Under the Transaction, as at the date of this Prospectus, the Company has offered contracts of employment to 409 Vela employees (317 vessel-based and 92 shore-based) of whom 387 employees (296 vessel-based and 91 shore-based) accepted such offer and 22 employees (21 vessel-based and 1 shore-based) rejected the offer. The Vela employees who accepted the offer of employment are expected to transfer to the Bahri Group in a phased manner in order to ensure a smooth integration of the Vela Vessels into the Company's existing fleet of vessels. In addition, the Transaction also provides for the secondment of certain shore-based employees of members of the Saudi Aramco Group to the Bahri Group for the provision of technical assistance to the Company in relation to the Target Assets. For further details see Section 1.11 "Employment Arrangements". The Company and Vela have targeted completing the transfer of all the Target Assets to the Company within 180 days from the First Completion Date
Changes to the Board of the Company	Pursuant to the BAPA, SADC will have the right to appoint two representatives to the Board, with effect on and from the Consideration Shares Delivery Date. Thus, Shareholders will be asked to approve certain amendments to the By-Laws including, amongst other things, increasing the Board size from seven to nine and giving SADC the right to appoint two members to the Board. Another proposed amendment to the By-Laws will be the election of all members to the Board by the General Assembly through the Accumulative Voting Method, which shall become effective upon the expiry of the term of the Board of Directors on 31 December 2016. For further details see Section 1.14 "Changes to the Board of Directors following the Transaction". The proposed amendments to the By-Laws including this change to the Board will be part of the agenda for the Transaction EGM.
Key Agreements relating to the Transaction	The key agreements in relation to the Transaction are: • the BAPA; • the Relationship Agreement; • the Services Agreement; • the Secondment Agreement; • the Contract of Affreightment; • the Time Charter Agreement; and • the Amended NSFs, each of which is further described in Section 12.1 "Summary of Material Agreements".
Financing Arrangements	The Company entered into a non-binding term sheet for a SAR 3,182,812,500 murabaha bridge facility (the "Murabaha Bridge Facility") on 9/4/1434H (corresponding to 19/2/2013G) with each of J.P. Morgan Chase Bank N.A. (Riyadh branch), Samba Financial Group and The Saudi British Bank (SABB) to fund all of the Cash Consideration as well as the costs incurred by the Company in relation to the Transaction (the "Term Sheet"). The Company plans to repay the Murabaha Bridge Facility through either the issuance of a sukuk or by entering into a new Sharia compliant long- term financing facility. For further details, see Section 1.13 "Financing Arrangements".
Expected Final Completion Date	Approximately six months from the First Completion Date.

Rationale for the Transaction	The Company believes that the Transaction should allow it to build on its market-leading position and represents a transformational step for the Company. The Transaction should provide the Company with a stronger financial and commercial position and should significantly expand the Company's business thereby enhancing its market-leading position in the marine transportation sector. In addition, the expanded fleet should allow the Company more flexibility to serve its customers better. The Company will have the benefit of certain exclusivity arrangements under the Contract of Affreightment (as described under "Exclusive Shipping Arrangements" above), which the Company believes should significantly increase its revenues. Under the Contract of Affreightment, the Company will receive a minimum guaranteed rate from Bolanter for the provision of such shipping services where Long-Haul voyages are performed by Company owned vessels in order to reduce the exposure of the Company to shipping rate volatility, particularly when shipping rates fall below such minimum guaranteed rate. Conversely, when shipping rates exceed an agreed threshold, the Company is required to reimburse a proportion of such excess to Bolanter for any payment it has previously received pursuant to the minimum guaranteed rate mechanism, limited to the amounts it so received. The Company believes that the disclosure of the actual minimum guaranteed rate and the agreed threshold rate in this Prospectus would not be in the best interests of the Company or its Shareholders as such information is highly commercially sensitive and could detrimentally affect the Company's competitive position in the shipping market because the disclosure of such rates may (a) have a negative impact on the Company's existing customers (including the Major Oil Companies) who may decide to do business with other shipping companies if the Company is unable to offer them similar rates; and (b) set a benchmark for the Company when entering into long- term shipping contracts in the future thereby preventing it from benefitting from an increase in the market shipping rates. The Company believes that following the Transaction there is the opportunity for the Company to discuss, where commercially feasible, the possibility of further co-operation with the Saudi Aramco Group in other lines of business which may open up future growth opportunities. For further details see Section 1.3, "Rationale for the Transaction".
Listing of Shares	An application has been made to the CMA for the admission of the Consideration Shares to listing on the Official List and to trading on the Exchange along with all other supporting documents requested by the CMA.
Risk Factors	There are certain risks relating to the Transaction and the Capital Increase. These risks can be generally categorised into: (i) risks related to the Company's operations; (ii) risks related to the Target Assets and the Shipping Agreements; (iii) risks related to the Transaction; and (iv) political and regulatory risks. These risks should be considered carefully prior to making a voting decision in respect of the Transaction. For further details, see Section 2 "Risk Factors".
Overview of the market	An overview of the shipping industry and tanker market is set out at Section 4 "Market Overview".

Costs	The Company expects that the total costs associated with the Transaction and the related Capital Increase will be approximately SAR 51,000,000 (equivalent to US$13,600,000). Around 40% of this amount relates to the costs incurred by the Company in respect of entering into the necessary financing arrangements to fund the Cash Consideration (Section 1.13 "Financing Arrangements") while the remaining relates to the fees of the financial advisers, legal advisors to the Company, reporting accountants, media and public relations consultants and fees paid to J.P. Morgan Chase Bank, N.A., London Branch as the Cash Escrow Agent in relation to the Cash Consideration, marketing expenses, printing and distribution expenses and other related expenses.
The Principal Procedures Required to Complete the Transaction	Some of the key steps required to proceed towards First Completion include the approval from MOCI to convene the Transaction EGM, the Transaction (and the related Capital Increase) being approved at the Transaction EGM and the satisfaction or the waiver of any other First Completion Conditions on or by the First Completion Date. First Completion is to occur by no later than the Longstop Date which is 4/10/1435H (corresponding to 31/7/2014G), subject to certain conditions. Following First Completion, the Consideration Share Vessels will be transferred to the Company on a staggered basis with the Consideration Shares being issued and registered in the name of SADC by the Consideration Shares Longstop Date and the consideration for the remaining Vela Vessels transferred to the Company after the Final Consideration Share Vessel Transfer Date being satisfied through the Cash Consideration. Final Completion (which signifies the completion of the Transaction) is currently expected to be completed within approximately six months from First Completion. For further details, see Section 1.17 "Next Steps to complete the Transaction".

SHAREHOLDING STRUCTURE

Shareholding Structure prior to and immediately after Final Completion

The following table summarises the shareholding structure of the Company prior to the Execution Date and immediately after Final Completion (assuming no Shares other than the Consideration Shares are issued between such dates):

Shareholder		Pre-Transaction				Post-Transaction	
	Shares	Capital (SAR)	Percentage	Number of Consideration Shares	Shares	Capital (SAR)	Percentage
Public Investment Fund	88,808,202	888,082,020	28.19%	nil	88,808,202	888,082,020	22.55%
SADC	nil	nil	nil	78,750,000	78,750,000	787,500,000	20.00%
Public	218,163,648	2,181,636,480	69.26%	nil	218,163,648	2,181,636,480	55.41%
Directors* and Senior Officers	8,028,150	80,281,500	2.55%	nil	8,028,150	80,281,500	2.04%
Total	315,000,000	3,150,000,000	100%	78,750,000	393,750,000	3,937,500,000	100.00%

Source: Company as of 30/5/1435H corresponding to 31/3/2014G

* The shareholding of each of the Directors is set out on page (v) of this Prospectus.

** Subject to the Adjustment, if required.

An overview of the substantial Shareholders in the Company is set out in Section 9 "Shares and Shareholders".

As of 31/3/2014G, SAIMCO owned 1,016,359 shares in the Company, equivalent to a shareholding of 0.32%. Saudi Aramco provided a confirmation on 27/6/1435H (corresponding to 27/4/2014G) that SAIMCO and SADC are both wholly-owned subsidiaries of Saudi Aramco. Furthermore, SAIMCO has provided a written confirmation to the Company on 27/6/1435H (corresponding to 27/4/2014G) that SAIMCO will not vote at the Transaction EGM. Furthermore, Saudi Aramco provided a confirmation on 6/6/1434H (corresponding to 16/4/2013G) that, as at the date of this Prospectus, apart from SAIMCO's shareholding in the Company (mentioned above) neither it nor any member of the Saudi Aramco Group has any direct or indirect interest in the Company.

Board's Recommendation to the Shareholders in respect of the Transaction

Following careful and thorough consideration of the terms of the Transaction and the Transaction EGM Resolution, the Board of Directors by meeting number 7/12, held on 29/11/1433H (corresponding to 15/10/2012G) unanimously authorised the Chairman and CEO of the Company to finalise and approve the Transaction and sign all documents relating to the Transaction. Based on this authorisation from the Board, the Chairman and CEO entered into the Transaction Agreements on 19/12/1433H (corresponding to 4/11/2012G). All the members of the Board believe that the Transaction is in the best interests of the Company and the Shareholders as a whole and should contribute to the Company's future success by improving the commercial and financial position of the Company and fulfilling its strategy of growth with the potential of long-term value creation for the Shareholders. Accordingly, the Board unanimously recommends that all Shareholders vote in favour of the Transaction EGM Resolution to be proposed at the Transaction EGM to approve the Transaction (which are described further in Section 1.15 "Extraordinary General Meeting").

Questions and Answers regarding the Transaction

The questions and answers set out in this Section are intended to be in general terms only and, as such, recipients of this Prospectus should refer to the entire Prospectus for full details of the Transaction and the related Capital Increase. If any recipient is in any doubt as to what action it should take, it is recommended to seek independent financial and legal advice immediately.

1. What is the purpose of publishing this Prospectus?

The Listing Rules require a prospectus to be published when a company listed on Tadawul increases its share capital by greater than 10 per cent. in any 12 month period. Under the terms of the Transaction, the Company is proposing to increase its share capital from SAR 3,150,000,000 to SAR 3,937,500,000 through the issuance of the Consideration Shares to Saudi Aramco Development Company ("**SADC**"), a wholly-owned subsidiary of Saudi Aramco. Upon issue, the Consideration Shares will represent 20 per cent. of the issued share capital of the Company. Therefore, this Prospectus has been published in order to satisfy the requirements of the Listing Rules.

2. How will this Prospectus assist a Shareholder?

This Prospectus should provide Shareholders with sufficient information on the Transaction in order to assist them to consider whether or not to vote in favour of the Transaction EGM Resolution relating to the approval of the Transaction.

3. What does the Transaction involve?

The Transaction involves the merger of Vela's entire fleet of vessels and operations related to these vessels with the Company. This comprises 14 double-hull VLCCs, a single-hull floating storage VLCC, one Aframax tanker, four product tankers and the vessel IT systems on such vessels, the maintenance data contained on each such vessel's software and all other items owned by Vela which are on board each such vessel. In addition, the Transaction contemplates the transfer by Vela of certain vessel-based and certain of its shore-based personnel to the Bahri Group and involves the entry by the Company into ongoing commercial shipping agreements with the Saudi Aramco Group providing for certain exclusivity arrangements between the Company and the Saudi Aramco Group as further described under "Why does the Company want to enter into the Transaction?" below. The Company and Saudi Aramco have also agreed to discuss, where commercially feasible, the possibility of further co-operation in their chemicals, dry-bulk, terminals and logistics lines of business which may present future growth opportunities for the Company.

4. Why does the Company want to enter into the Transaction?

The Transaction represents a transformational step for the Company which should provide it with a stronger financial and commercial position and significantly expand the Company's business. The Company expects that the scale of expansion of the Company's fleet should virtually double the Company's transported cargo volumes and the carriage of Crude Oil pursuant to the terms of the Contract of Affreightment should enhance the Company's leading position in the global market of crude oil transportation.

Under the terms of the Transaction, the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group (which, as at the date of this Prospectus, is Bolanter) that are shipped from certain locations that Saudi Aramco uses to ship Crude Oil in accordance with the terms of the Contract of Affreightment. The exclusivity arrangement under the Contract of Affreightment does not apply to Crude-Oil cargoes sold by any member of the Saudi Aramco Group on terms that do not require Saudi Aramco or Bolanter to nominate a carrying vessel or arrange carriage. The Contract of Affreightment is a long-term arrangement between the Company and Bolanter, a wholly-owned subsidiary of Saudi Aramco. As such, the Contract of Affreightment has an initial term of 10 years, terminable by either party giving not less than five years' notice at any time after the fifth anniversary of the Contract of Affreightment becoming effective (which will be the date the first Vela VLCC is delivered to the Company pursuant to the BAPA). Under the Contract of Affreightment, the Company will receive a minimum guaranteed rate from Bolanter, for the provision of such shipping services where Long-Haul Voyages are performed by Company owned vessels, which will reduce the exposure of the Company to shipping rate volatility, particularly when shipping rates fall below such minimum guaranteed rate. Conversely, when shipping rates exceed an agreed threshold, the Company is required to reimburse a proportion of such excess to Bolanter for any payment it has previously received pursuant to the minimum guaranteed rate mechanism, limited to the amounts it so received. The Company believes that the disclosure of the actual minimum guaranteed rate and the agreed threshold rate in this Prospectus would not be in the best interests of the Company or its Shareholders as such information is highly commercially sensitive and could detrimentally affect the Company's competitive position in the shipping market because the disclosure of such rates may (a) have a negative impact on the Company's existing customers (including the Major Oil Companies) who may decide to do business with other shipping companies if the Company is unable to offer them similar rates; and (b) set a benchmark for the Company when entering into long- term shipping contracts in the future thereby preventing it from benefitting from an increase in the market shipping rates. This long-term exclusivity arrangement also provides the Company with the opportunity to enter into the short to medium term charter-in market in order to service its obligations under such arrangement rather than spot charter vessels on a voyage to voyage basis. The Company may receive better rates by chartering-in vessels on a short to medium term basis than on a voyage to voyage basis and also be less exposed to spot market rates which may vary greatly. This could potentially reduce the costs for the Company thereby increasing profitability.

The Transaction will also involve the Company time-chartering out the four product tankers, the Aframax tanker and the single-hull floating storage VLCC (forming part of the Target Assets) to a subsidiary of Saudi Aramco for a minimum period of five years (except in the case of the floating-storage VLCC, whose time-charter period is expected to be until 20/3/1437H (corresponding to 31/12/2016G) or longer (as further explained in Section 12.1.2.3 "Summary of the principal terms of the Time-Charter Agreement")).

5. What is the total consideration payable by the Company under the Transaction?

Under the terms of the Transaction, the Company will pay the Consideration of an amount equal to SAR 4,875,000,000 (equivalent to US$1,300,000,000) for the Target Assets, which also reflects the Company's assessment of the value of the Shipping Agreements to the Company. It is proposed that the Consideration will be satisfied by the Company: (i) issuing the Consideration Shares the number of which is 78,750,000 and the value attributable to which is fixed, by reference to an agreed price of SAR 22.25 per new Share, at an amount equal to SAR 1,752,187,500 (equivalent to US$467,250,000). The Consideration Shares will be issued by way of increasing the Company's share capital from SAR 3,150,000,000 to SAR 3,937,500,000 (the number of shares to be issued may be adjusted, in certain circumstances, to ensure that such shares at all times up until the Final Completion Date represent 20 per cent. of the issued share capital of the Company on a fully diluted basis); and (ii) paying the Cash Consideration of an amount equal to SAR 3,122,812,500 (equivalent to US$832,750,000).

6. How was the Consideration calculated?

The amount of the Consideration was negotiated and agreed with Vela over many months and was based on the Company's assessment of the value of the Target Assets and the Shipping Agreements. The Board of Directors appointed JPMSA (as the Company's Financial Advisor) to assist the Company in this process by preparing a valuation analysis on the Target Assets and the Shipping Agreements based upon, among other things, the Company's business plan and projections relating to its business, incorporating the Target Assets and Shipping Agreements and the prevailing economic, market and other conditions in each case at the time of the analysis.

7. How will the Consideration Shares be issued?

The completion of the transfer of legal ownership of each of the Vela Vessels from Vela to the Company is a complicated and protracted process and is subject to various commercial and practical considerations and completion of essential pre-delivery inspections. Accordingly, the Company and Vela have agreed that the transfer of the legal ownership of each Vela Vessel will take place on a staggered basis whereby each Vela Vessel is expected to be transferred to the Company (or its nominee) over approximately six months starting with First Completion. In accordance with this staggered basis of delivery of the Vela Vessels, the Company and Vela have agreed that upon the transfer of each Consideration Share Vessel to the Company (excluding the Final Consideration Share Vessel), the Auditors will issue an Interim Auditors Certificate to the Company (a copy of which will be provided to Vela) and the Company will provide Vela with a Bahri Chairman Letter in relation to such Consideration Share Vessel. In relation to the Final Consideration Share Vessel Transfer Date, the Auditors will issue the Final Auditors Certificate to the Company (a copy of which will be provided to Vela) and the Company will provide Vela with a Bahri Chairman Letter in relation to such vessel subsequent to which the Company will update its

Commercial Registration Certificate with MOCI and take all necessary steps to issue the Consideration Shares to SADC and register such shares on the Company's automated share register with Tadawul before the Consideration Shares Longstop Date.

8. How will the Cash Consideration be funded?

The Company entered into a non-binding term sheet for a SAR 3,182,812,500 murabaha bridge facility (the "**Murabaha Bridge Facility**") on 9/4/1434H (corresponding to 19/2/2013G) with each of J.P. Morgan Chase Bank N.A. (Riyadh branch), Samba Financial Group and The Saudi British Bank to fund all of the Cash Consideration as well as the costs incurred by the Company in relation to the Transaction (the "**Term Sheet**"). The Company plans to repay the Murabaha Bridge Facility through either the issuance of a sukuk or by entering into a new Sharia compliant long- term financing facility. For further details, see Section 1.13 "Financing Arrangements".

9. Who is the current owner of the Target Assets and will they play a role in the Company upon completion of the Transaction?

The Target Assets are currently owned by Vela, a wholly-owned subsidiary of Saudi Aramco that is incorporated in Liberia. Vela is engaged in the carriage of crude oil and refined products for the Saudi Aramco Group. Under the terms of the Transaction, the Consideration Shares will be issued and registered in the name of SADC, a wholly-owned subsidiary of Saudi Aramco that is incorporated in Saudi Arabia. Consequently, Saudi Aramco will (through SADC) hold a 20 per cent. shareholding in the Company and will, through SADC, be able to elect representatives to the Board of the Company. In addition, Vela's vessel-based personnel and a number of shore-based personnel will transfer to the Bahri Group who will continue to play a role in operating the Vela Vessels. Vela will have no involvement in the operations of the Company following completion of the Transaction.

10. Will there be any change in the management of the Company following the Transaction?

There will be changes to the composition of the Board of Directors as described below, and under the Companies Law and the By-Laws, the Board of Directors has the overall responsibility for the management of the Company. As such, it has the power to monitor the performance of the executive management of the Company and, where appropriate, to make changes thereto. Pursuant to certain proposed amendments to the Company's By-Laws which are to be approved at the Transaction EGM, the size of the Board will be increased from seven to nine members and SADC (pursuant to the BAPA) will have the right to appoint two members to the Board with effect on and from the Consideration Shares Delivery Date. Another proposed amendment to the By-Laws is that no shareholder will have the right under the By-Laws to appoint a board member and the election of all members to the Board will be by the General Assembly through the Accumulative Voting Method, which shall become effective upon the expiry of the term of the Board of Directors on 31 December 2016. For further details see Section 1.14 "Changes to the Board of Directors following the Transaction".

11. What are the views of the Board of Directors as to the Transaction?

Following careful and thorough consideration of the terms of the Transaction and the Transaction EGM Resolution, all the members of the Board of Directors believe that the Transaction is in the best interests of the Company. The Directors believe that the Transaction will contribute to the Company's future success by improving the commercial and financial position of the Company and furthering its strategy of managed growth and potential long-term value creation for the Shareholders. Accordingly, the Board unanimously recommends that all Shareholders vote in favour of the Transaction EGM Resolution to be proposed at the Transaction EGM to approve the Transaction.

12. Will the Transaction affect my shareholding in the Company?

Following the completion of the Transaction, SADC will own 20 per cent. of the Shares in the Company. Whilst the number of Shares held by each Shareholder will not change, the percentage ownership that those Shares represent in the Company will reduce and therefore each Shareholder's ownership interest in the Company will be diluted on a pro-rated basis resulting in a corresponding dilution in the voting power of each Shareholder. Accordingly, as at the date of this Prospectus, the existing Shareholders hold 100 per cent. of the issued share capital of the Company but following the completion of the Transaction, the existing Shareholders will hold 80 per cent. of the issued share capital of the Company and the remaining 20 per cent. will be held by SADC.

By way of example, a Shareholder who currently holds 10,000 Shares will have an ownership interest of approximately 0.0032 per cent. in the Company's share capital. Following completion of the Transaction, such Shareholder would continue to hold 10,000 Shares but because the total share capital of the Company will have increased from SAR 3,150,000,000 to SAR 3,937,500,000 through the issuance of Consideration Shares, his 10,000 Shares will now represent an ownership interest of approximately 0.0025 per cent. in the Company's share capital which will result in a reduction of his voting rights, for example at the Company's General Assembly, by 20 per cent.

13. Will it be possible to purchase new Shares as part of the Transaction?

No, the Consideration Shares are only being issued to SADC in return for the Target Assets which comprise Vela's entire fleet of vessels (comprising 14 double-hull VLCCs, a single-hull floating storage VLCC, one Aframax tanker and four product tankers), including the vessel IT systems, the maintenance data contained on each such vessel's software and all other items owned by Vela which are on board each such vessel. Shareholders and investors may, however, buy and sell Shares on the Exchange in the usual manner.

14. How many votes are required at the Transaction EGM in order to approve the Transaction and the related Capital Increase?

The Shareholders are required to vote in favour of each item set out in the Transaction EGM Resolution for it to be approved and thereby to complete the Transaction. Accordingly, even if one of the items set out in the Transaction EGM Resolution were not approved at the Transaction EGM, the Transaction EGM Resolution will not have been passed and therefore it will not be possible to complete the Transaction.

As the Transaction EGM Resolution includes an approval to increase the Company's share capital, it must be passed by at least 75 per cent. of the Shares represented at the Transaction EGM. For further details, see Annex 1, "Form of the Invitation for the Transaction EGM" for a list of the items that will be put to the Shareholders at the Transaction EGM.

The quorum for a valid Transaction EGM will be the attendance, either in person or by proxy at the Transaction EGM or via the remote voting facility, of such number of Shareholders holding at least 50 per cent. of the Shares in issue. In the event this quorum requirement is not met, the quorum for a valid second EGM will be the attendance, either in person or by proxy at the second EGM or via the remote voting facility, of such number of Shareholders holding at least 25 per cent. of the Shares in issue.

15. What is required to complete the Transaction?

The key steps required to complete the Transaction include:

- approval from MOCI to convene the Transaction EGM and the agenda for such EGM which will set out the Transaction EGM Resolution which will include the proposed amendments to the By-Laws;
- • convening the Transaction EGM and approving the Transaction EGM Resolution;
- First Completion having occurred;
- subsequent Completions(in relation to the Consideration Share Vessels) having occurred until and including the Final Consideration Share Vessel Transfer Date;
- approval from MOCI of the updated Commercial Registration Certificate of the Company;
- the issuance and registration of the Consideration Shares in the name of SADC;
- the admission of the Consideration Shares to listing and to trading on Tadawul; and
- further Completions (in relation to the Vela Vessels other than the Consideration Share Vessels) having occurred, culminating with Final Completion which signifies the completion of the Transaction.

For further details, see Section 1.17 "Next Steps to complete the Transaction".

16. When is the Transaction expected to complete?

The Company and Vela have agreed that the transfer of each Target Asset is to take place on a staggered basis to the Company (or its nominee) over approximately six months from First Completion.

17. Does this transaction increase the Company's exposure to the VLCC segment? How does Bahri become more diversified?

The ongoing exclusivity arrangements under the Shipping Agreements with the Saudi Aramco Group should mitigate the Company's increased exposure to the VLCC segment and thereby should provide greater stability in earnings. This is particularly the case because the Company will receive a minimum guaranteed rate for the provision of such shipping services under the Contract of Affreightment (for further details, see Section 12.1.2.2 "Summary of the principal terms of the Contract of Affreightment"). The Company will continue with its strategic and growth plans for its other business segments. The Transaction also provides for greater cooperation between the Company and the Saudi Aramco Group in their various lines of business, which should enable the Company to further diversify its business model.

18. What will happen if one of the vessels is not transferred to the Company?

Where the legal ownership of one of the Vela Vessels is not transferred from Vela to the Company within the approximate six month period referred to in question 16 above for reasons other than a Force Majeure Event or damage to such Vela Vessel, the party who is not responsible for such delay shall be entitled to make a claim against the other party for breach of such other party's obligations under the BAPA.

Where the BAPA is terminated after First Completion but before Vela has transferred sufficient vessels equal to the value of the Consideration Shares, the Company will issue such number of Consideration Shares to SADC corresponding to the value of the Vela Vessels that have been transferred to the

Company before such termination. In such circumstances, the Shipping Agreements would, however, continue to be effective.

19. How does the Transaction affect the Company's joint venture partners?

The Transaction should not impact the Company's existing joint ventures in any material manner. The Company places a strong emphasis on strengthening its relationships with its joint-venture partners as well as its customers and suppliers and will continue to ensure a high degree of reliability and standards of service to its customers.

20. Will this Transaction impact the Company's dividend policy?

The Company's dividend policy is decided by the Board of Directors and is based on many different factors (for further details, see Section 10 "Dividend Policy"). Currently, there is no change expected to the dividend policy.

21. How can shareholders vote at an EGM?

Shareholders may vote: (i) by attending the Transaction EGM in person; (ii) by appointing another Shareholder, who is not a board member or employee of the Company, to attend the EGM and vote as a proxy; or (iii) by using the remote voting facility. For further information, see Section 1.15 "Extraordinary General Meeting".

22. What will happen if I do not vote?

The Board strongly recommends that all Shareholders who are eligible to vote, exercise their right and participate in the Company's decision making process. The successful completion of the Transaction is key to the long-term strategy of the Company. If the Company does not receive the approval of its Shareholders to proceed with the Transaction, the Board believes that the Company would have lost a valuable opportunity to cement its position as a market leader in the maritime transportation sector.

23. Who is responsible for answering any questions in relation to the Transaction?

Please email the Company's designated email address: investorrelations@bahri.sa. For legal reasons, the Company will only be able to reply to clarifications requested in relation to the information in this Prospectus and will not be able to give advice on the merits of the Transaction or otherwise or to provide financial, tax, legal or investment advice.

Summary of Financial Information

The selected financial information presented below should be read together with the audited financial statements for the financial years ended 31 December 2011G, 2012G and 2013G including, in each case, the notes thereto, each of which are included in Section 15 "Financial Statements". Certain figures have been reclassified to conform to consistent presentation for each of the financial years.

Key financial highlights (SAR '000)

	For the financial years ended 31 December		
	2011	2012	2013
Total revenues	1,991,084	2,464,628	2,846,698
Cost of revenues – net of bunker subsidy	(1,687,966)	(1,927,779)	(2,250,255)
Gross operating income	303,118	536,849	596,443
General and administrative expenses	(73,605)	(83,063)	(94,150)
Net income	287,768	503,993	752,262
Financial condition			
Current assets	1,042,280	1,143,109	1,426,842
Non-current assets	9,580,931	9,919,449	10,569,686
Total assets	10,623,211	11,062,558	11,996,528
Current liabilities	944,248	1,006,117	1,355,052
Total liabilities	5,267,274	5,336,813	5,809,105
Shareholders' equity and minority interest	5,355,937	5,725,745	6,187,423
Key indicators			
Gross profit margin	15.20%	21.78%	20.95%
Net profit margin	14.50%	20.45%	26.43%
Cash generated from/ (used in) operating activities	398,319	686,594	640,130
Cash from/ (used in) investing activities	(1,439,497)	(658,474)	(765,240)
Cash from/ (used in) financing activities	340,649	(92,474)	74,210
Net cash flows	(700,529)	(64,354)	(50,900)
Current ratio (x)	1.10	1.14	1.05
Total liabilities to total assets	0.50	0.48	0.48
Total liabilities to total equity	0.98	0.93	0.94
Return on equity	5.37%	8.80%	12.16%
Return on assets	2.71%	4.60%	6.27%
Revenue growth rate	-2.87%	23.78%	15.50%
Earnings growth rate	-30.64%	75.14%	49.26%

Source: Audited financial statements for years ended 31 December 2011G, 2012G and 2013G

Pro Forma Consolidated Balance Sheet as at 1 January 2014

The following unaudited pro-forma Consolidated Balance Sheet has been prepared to show the effects of the merger of the fleets, related assets and operations of Vela with Bahri ('**the Transaction**') as if this had occurred on 1 January 2014. It has been prepared in accordance with SOCPA, for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the actual post Transaction position.

	Adjustments (SAR '000)				
	Bahri[1] SAR '000	Vela[2]	Consideration[2,3]	Net proceeds of bridge loan financing [4]	Unaudited Proforma net assets[5]
ASSETS					
Current assets					
Cash in hand and at banks	106,525	--	(3,122,812)	3,122,812	106,525
Investments in Murabaha and short-term deposits	237,940	--	--	--	237,940
Trade receivables, net	608,623	--	--	--	608,623
Prepaid expenses and other receivables	79,616	--	--	--	79,616
Bareboat lease receivable, net	15,256	--	--	--	15,256
Agents' current accounts	27,523	--	--	--	27,523
Inventories	223,023	--	--	--	223,023
Accrued bunker subsidy, net	123,880	--	--	--	123,880
Incomplete voyages	4,456	--	--	--	4,456
Total current assets	1,426,842	--	(3,122,812)	3,122,812	1,426,842
Non-current assets					
Bareboat lease receivable, net	379,423	--	--	--	379,423
Investments held to maturity	40,587	--	--	--	40,587
Investments available for sale	14,399	--	--	--	14,399
Investments in associated companies	841,985	--	--	--	841,985
Deferred dry-docking cost, net	104,672	--	--	--	104,672
Fixed assets, net	8,512,152	3,652,500	--	--	12,164,652
Ships under construction and other	676,468	--	--	--	676,468

	Adjustments (SAR '000)				
	Bahri[1] SAR '000	Vela[2]	Consideration[2,3]	Net proceeds of bridge loan financing [4]	Unaudited Proforma net assets[5]
Intangible assets	--	1,222,500	--	--	1,222,500
Total non-current assets	10,569,686	4,875,000	--	--	15,444,686
Total assets	11,996,528	4,875,000	(3,122,812)	3,122,812	16,871,528
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accruals	282,765	--	--	--	282,765
Current portion of Murabaha financing and long-term loans	564,292	--	--	--	564,292
Short term Murabaha financing	337,000	--	--	3,122,812	3,459,812
Unclaimed dividends	32,088	--	--	--	32,088
Provision for Zakat and tax	138,907	--	--	--	138,907
Total current liabilities	1,355,052	--	--	3,122,812	4,477,864
Non-current liabilities					
Murabaha financing and long-term loans	4,376,589	--	--	--	4,376,589
Employees' end of service benefits	46,760	--	--	--	46,760
Other liabilities	30,704	--	--	--	30,704
Total non-current liabilities	4,454,053	--	--	--	4,454,053
Total liabilities	5,809,105	--	--	3,122,812	8,931,917
Share capital	3,150,000	--	787,500	--	3,937,500
Share premium	--	--	964,688	--	964,688
Statutory reserve	998,060	--	--	--	998,060
Retained earnings	1,697,784	--	--	--	1,697,784
Proposed dividends	--	--	--	--	--
Unrealized losses from available for sale investments	(115)	--	--	--	(115)

	Adjustments (SAR '000)				
	Bahri[1] SAR '000	Vela[2]	Consideration[2,3]	Net proceeds of bridge loan financing [4]	Unaudited Proforma net assets[5]
Total shareholders' equity	5,845,729	--	1,752,188	--	7,597,917
Non-controlling interests	341,694	--	--	--	341,694
Total equity	6,187,423	--	1,752,188	--	7,939,611
Total liabilities and equity	11,996,528	--	1,752,188	3,122,812	16,871,528

Notes

1. The net assets of Bahri are extracted without material adjustment from the historical financial statements set out in Section 15 "Financial Statements" of this document as at 31 December 2013.
2. The business and assets of Vela have been acquired for a Consideration of an amount equal to SAR 4.875bn (equivalent to U.S.$ 1.3bn). The total Consideration comprises SAR 78.75m Consideration shares and cash Consideration of SAR 3,122,812,500 (equivalent to US$832,750,000). The fair value of the Consideration shares issued is calculated to be an amount equal to SAR 1,752,187,500 (equivalent to US$467,250,000) being SAR 22.25 per Consideration share. Based on a par value of SAR10 per share a share premium of SAR 964,688,500 would be recognised.
3. Of the total Consideration of an amount equal to SAR 4.875bn (equivalent to U.S.$ 1.3bn), an amount equal to SAR 3.653bn (equivalent to U.S.$ 0.974bn) is allocated to tangible assets and an amount equal to SAR 1.222bn (equivalent to U.S.$ 0.326bn) is allocated to intangible assets. The principal components of the tangible and intangible assets acquired are the Vela Vessels and the entry by the Company into Shipping Agreements respectively.
4. The Company has entered into a non binding term sheet Murabaha bridge facility (the "Murabaha Bridge Facility") on 9/4/1434H (corresponding to 19/2/2013) with each of JP Morgan Chase Bank N.A. (Riyadh branch), Samba Financial Group and The Saudi British Bank to fund all of the Cash Consideration as well as the costs incurred by the Company in relation to the Transaction ("the Term Sheet"). See section 2.7 "The Cash Consideration" and Section 13.2.2 "Finance Agreements" of this Prospectus for further information. The net proceeds of the bridge loan financing receivable by the Company is SAR 3,122,812,500.
5. No account has been taken for any changes in the trading and financial position of the Company since 31 December 2013.

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1. Overview of the Transaction

This overview of the Transaction is intended to give a summary of the key features of the Transaction. As such, it does not contain all of the information that may be important to Shareholders in order for them to vote on the Transaction EGM Resolution to be proposed at the Transaction EGM to approve the Transaction. Accordingly, this summary must be read as an introduction to the Transaction only, and recipients of this Prospectus are advised to read the Prospectus in its entirety and any decision to vote on the Transaction EGM Resolution to be proposed at the Transaction EGM to approve the Transaction should be based on a consideration of this Prospectus as a whole.

1 - 1 The Company

The Company was established in 1978G and began shipping operations with a fleet of two multi-purpose vessels in 1981G and increased the fleet to six vessels in 1983G. It has since grown to become one of the largest shipping companies in the world and occupies a highly respected position in the shipping industry. Starting with the carriage of general cargoes, the Company expanded into various sectors, including chemical and dry bulk transportation. In 1996, the Company also expanded into oil and gas transportation with the acquisition of a fleet of very large crude carriers (or VLCCs). The Company currently owns 17 VLCCs, making it one of the top 10 VLCC operators and owners[1] in the world (measured by number of VLCCs).

1 - 2 The Transaction

On 7/8/1433H (corresponding to 27/6/2012G), the Company and Saudi Aramco entered into the non-binding MOU setting out certain terms of the Transaction, including certain terms of the BAPA and the Shipping Agreements. The MOU was subject to a number of conditions, including the Company and Saudi Aramco carrying out a commercial, financial and legal due diligence exercise on the Target Assets and the Company respectively.

On 19/12/1433H (corresponding to 4/11/2012G), the Company and Vela entered into an agreement (as amended on 03/09/1434H (corresponding to 11/07/2013G), 25/12/1434H (corresponding to 30/10/2013G), 28/2/1435H (corresponding to 31/12/2013G), 30/5/1435H (corresponding to 31/3/2014G) and 14/6/1435H (corresponding to 14/4/2014G) (the "**BAPA**") for the merger of Vela's entire fleet of vessels comprising the Target Assets and operations related to these Target Assets with the Company as well as the entry by the Company into the Shipping Agreements. In addition, a number of Vela's vessel-based personnel and shore-based personnel will transfer to the Bahri Group.

Under the Transaction, the Company entered into the Shipping Agreements with certain members of the Saudi Aramco Group. In accordance with the terms of the Contract of Affreightment, the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group (which, as at the date of this Prospectus, is Bolanter) that are shipped from certain locations that Saudi Aramco uses to ship Crude Oil. The exclusivity arrangement under the Contract of Affreightment does not apply to Crude-Oil cargoes sold by any member of the Saudi Aramco Group which are not on a Delivered Basis. The Contract of Affreightment is a long-term arrangement between the Company and Bolanter, a wholly-owned subsidiary of Saudi Aramco. As such, the Contract of Affreightment has an initial term of 10 years, terminable by either party giving not less than five years' notice at any time after the fifth anniversary of the agreement becoming effective (which will be the date the first Vela VLCC is delivered to the Company pursuant to the BAPA). Under the Contract of Affreightment, the Company will receive a minimum guaranteed rate from Bolanter for the provision of such shipping services where Long-Haul Voyages are performed by Company owned

1 McQuilling market study on the shipping tanker industry dated November 2012, page 21.

vessels in order to reduce the exposure of the Company to shipping rate volatility, particularly when shipping rates fall below such minimum guaranteed rate. Conversely, when shipping rates exceed an agreed threshold, the Company is required to reimburse a proportion of such excess to Bolanter for any payment it has previously received pursuant to the minimum guaranteed rate mechanism, limited to the amounts it so received. The Company believes that the disclosure of the actual minimum guaranteed rate and the agreed threshold rate in this Prospectus would not be in the best interests of the Company or its Shareholders as such information is highly commercially sensitive and could detrimentally affect the Company's competitive position in the shipping market because the disclosure of such rates may (a) have a negative impact on the Company's existing customers (including the Major Oil Companies) who may decide to do business with other shipping companies if the Company is unable to offer them similar rates; and (b) set a benchmark for the Company when entering into long- term shipping contracts in the future thereby preventing it from benefitting from an increase in the market shipping rates.

In addition, under the Time Charter Agreement, SAPTC, a wholly-owned subsidiary of Saudi Aramco, undertakes to time-charter from the Company the Aframax tanker, the four product tankers and the single-hull floating storage VLCC (forming part of the Target Assets) for the transportation of Crude Oil and related cargoes for an initial term of five years (except in the case of the single-hull floating-storage VLCC, whose time-charter period is subject to the requirement for its Dry-docking, but is expected to be until 20/3/1437H (corresponding to 31/12/2016G) or longer (as further explained in Section 12.1.2.3 "Summary of the principal terms of the Time-Charter Agreement")).

The Transaction also presents the opportunity for increased co-operation between the Company and the Saudi Aramco Group. Under the Relationship Agreement, Saudi Aramco and the Company have agreed to discuss, where commercially feasible, the possibility of further co-operation in their chemicals, dry-bulk, terminals and logistics lines of business. For further details see Sections 1.9 and 1.10 "The Shipping Agreements" and "Relationship with Saudi Aramco".

Under the terms of the Transaction, the Company will pay the Consideration of an amount equal to SAR 4,875,000,000 (equivalent to US$1,300,000,000) for the Target Assets, which also reflects the Company's assessment of the value of the Shipping Agreements to the Company. The Consideration will comprise the Company:

- issuing the Consideration Shares to SADC, the value attributable to which is fixed, by reference to the Agreed Price, at an amount equal to SAR 1,752,187,500 (equivalent to US$467,250,000); and
- paying the Cash Consideration to Vela of an amount equal to SAR 3,122,812,500 (equivalent to US$832,750,000).

Vela has directed the Company to issue the Consideration Shares to SADC, a wholly-owned subsidiary of Saudi Aramco which is incorporated in Saudi Arabia. For further information on SADC and Vela, see Section 7 "Overview of Vela and Saudi Aramco Development Company".

The Consideration will initially be satisfied by the Company issuing the Consideration Shares to SADC. Following the Final Consideration Share Vessel Transfer Date, the balance of the Consideration will be satisfied by the Company paying the Cash Consideration to Vela on the basis described below.

The Consideration will be adjusted or reduced, as the case may be, in the event of there being a total loss of a Vela Vessel or where there is an agreed defect in a Vela Vessel which is not repaired, prior to the transfer of the legal ownership of such Vela Vessel to the Company. To the extent that the Company (i) approves or undertakes a Share Capital Reorganisation between the Execution Date and the Consideration Shares Delivery Date for any purpose, the Company undertakes to issue such additional number of Shares to SADC on the Consideration Shares Delivery Date so as to ensure that, on such date, the number of Shares held by SADC represents 20 per cent. of the entire issued share capital of the Company on a fully diluted basis or (ii) undertakes a Share Capital Reorganisation between the Consideration Shares Delivery Date and the Final Completion Date to raise finance for the Bahri Group or re-finance any existing financing of the Bahri Group or reduce the overall debt levels of the Bahri Group, in each such case in order to meet its obligations to pay the Cash Consideration, the Company will issue such additional number of shares in the Company to SADC (without SADC or Vela being required to make any additional payment) so as to ensure that, immediately following such Share Capital Reorganisation, the number of Shares held by SADC represent 20 per cent. of the entire issued share capital of the Company (as at such date), on a fully diluted basis. In addition, at each Completion, the Company will also pay for any bunker fuels (in the case of the VLCCs, except the floating storage VLCC) and lubricants (in the case of each Vela Vessel) on board the relevant Vela Vessel at that time at certain reference rates agreed between Vela and the Company. The Consideration does not include the price of such bunker fuels and lubricants. As such, the Company will make the necessary payment(s) for them in cash to Vela at the time of the transfer of such Vela Vessel to the Company.

The completion of the transfer of legal ownership of each of the Target Assets from Vela to the Company is a complicated and protracted process that requires careful planning and execution. The exact timing of each Completion is subject to commercial and practical considerations, including, among others, completion of essential pre-delivery inspections and the requirement that each of the Vela Vessels be at a safe berth or anchorage in a place determined pursuant to the BAPA, or at such other place as agreed between the Company and Vela, and without cargo at the time of physical delivery to the Company. Accordingly, the Company and Vela have agreed that the transfer of the legal ownership of each Vela Vessel will take place on a staggered basis whereby each Vela Vessel is expected to be transferred to the Company over approximately six months starting with First Completion.

The Company expects that the Transaction will allow it to build on its market-leading position and that it represents a transformational step for the Company. The Transaction will provide the Company with a stronger financial and commercial position and will significantly expand the Company's business thereby enhancing its market-leading position in the marine transportation sector.

First Completion is subject to a number of conditions precedent, including certain regulatory approvals and approval by the Company's Shareholders (for further details, see Section 1.8 "Conditions to First Completion").

1 - 3 Rationale for the Transaction

As noted above, the Board is of the opinion that the Transaction represents a transformational step for the Company. More specifically, set out below are the key reasons for the Company entering into the Transaction:

1 - 3 - 1 Expanded fleet

The merger of the Vela Vessels with the Company's existing VLCC fleet presents a significant opportunity for the Company to expand its VLCC fleet. Under the terms of the Transaction, the Company will receive a modern fleet of 14 VLCCs and one floating storage VLCC, one Aframax tanker and four product tankers, increasing the Company's fleet of VLCCs to 31. The expanded VLCC fleet will make the Company one of the top five VLCC operators in the world (measured by a number of VLCCs)[2] and the Company's expectation is that the carriage of Crude Oil pursuant to the Contract of Affreightment should make the Company one of the leading shipping companies in the world for crude oil transportation.

The larger pool of vessels that the Company will have access to following Final Completion will also increase the scale of the pricing benefits for the Company. The Board is of the opinion that the increased fleet should provide the Company more flexibility to employ its fleet to serve both the Saudi Aramco

2 McQuilling market study on the shipping tanker industry dated November 2012, page 21.

Group as well as existing and new customers thereby giving the Company more options to price its services in a competitive manner.

1 - 3 - 2 Increased revenues

In accordance with the terms of the Relationship Agreement and the Contract of Affreightment, the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group which Saudi Aramco nominates to control the carriage of Crude Oil from time to time (which member, as at the date of this Prospectus, is Bolanter) that are shipped from certain locations that Saudi Aramco uses to ship Crude Oil (for further details, see Section 12.1, "Summary of Material Agreements"). The Contract of Affreightment is a long-term arrangement between the Company and Bolanter, a wholly-owned subsidiary of Saudi Aramco. As such, the Contract of Affreightment has an initial term of 10 years, terminable by either party giving not less than five years' notice at any time after the fifth anniversary of the agreement becoming effective (which will be the date the first Vela VLCC is delivered to the Company pursuant to the BAPA).

Under the Contract of Affreightment, the Company will receive a minimum guaranteed rate from Bolanter, for the provision of such shipping services where Long-Haul Voyages are performed by Company owned vessels in order to reduce the exposure of the Company to shipping rate volatility, particularly when shipping rates fall below such minimum guaranteed rate. Conversely, when shipping rates exceed an agreed threshold, the Company is required to reimburse a proportion of such excess to Bolanter for any payment it has previously received pursuant to the minimum guaranteed rate mechanism, limited to the amounts it so received. In addition, pursuant to the Time Charter Agreement, SAPTC, a wholly-owned subsidiary of Saudi Aramco, undertakes to time-charter from the Company the four product tankers, the Aframax tanker and the single-hull floating storage VLCC (forming part of the Target Assets) for the transportation of Crude Oil and related cargoes for an initial term of five years (except in the case of the floating-storage VLCC, whose time-charter period is subject to the requirement for its Dry-docking, but is expected to be until 20/3/1437H (corresponding to 31/12/2016G) or longer) (as further explained in Section 12.1.2.3 "Summary of the principal terms of the Time-Charter Agreement"). The Board is of the opinion that these long-term exclusivity arrangements should significantly increase its revenues starting from the first financial year following Final Completion.

As at the date of this Prospectus, Saudi Aramco uses Vela, its wholly owned subsidiary, as its shipping arm to deliver Crude Oil sold on a Delivered Basis.

1 - 3 - 3 Increased Operational Efficiency

The Board is of the opinion that that the increased size of its fleet should provide it with greater flexibility in terms of availability of vessels and that this, coupled with its proven expertise in ship management, should allow the Company to provide a greater level of service and more reliability to all of its customers.

1 - 3 - 4 Value creation for Shareholders

The Board is of the opinion that the Transaction presents the opportunity for long-term value creation for Shareholders. The Company believes that the expansion of the Company's VLCC fleet, combined with the exclusivity arrangements with the Saudi Aramco Group described above and the increased opportunities for future collaboration with the Saudi Aramco Group under the Relationship Agreement, where commercially feasible, should allow the Company to grow over an extended period with the added benefit of a guaranteed minimum rate for the provision of shipping services under the exclusivity arrangements as described above (for further details, see Section 12.1, "Summary of Material Agreements"). The Board of Directors also believe that this should help maintain the Company's balanced and strong credit profile.

1 - 3 - 5 Relationship with the Saudi Aramco Group

The Transaction presents opportunities for increased co-operation between the Company and the Saudi Aramco Group. Under the Relationship Agreement, Saudi Aramco and the Company have agreed, where commercially feasible, to discuss the possibility of further co-operation in their chemicals, dry-bulk, terminals and logistics lines of business. Furthermore, SADC, a wholly-owned subsidiary of Saudi Aramco, will hold 20 per cent. of the issued share capital of the Company, on a fully diluted basis. Saudi Aramco, through SADC, intends to be a long-term strategic investor in the Company, which is expected to be beneficial for the Company.

1 - 3 - 6 Aspirations to support development in the Kingdom

1 - 3 - 6 - 1 Support the growing needs of the Kingdom

Following Final Completion, the Board is of the opinion that it should be better positioned to support the Kingdom's growing petroleum, chemical and manufacturing industries which depend on maritime shipping as a major means of import and export. The Company believes that its increased fleet should provide these important sectors with increased transportation services that should positively affect the Kingdom's prosperity.

1 - 3 - 6 - 2 Development of Maritime Industry in the Kingdom

Following Final Completion, the Company hopes to be in a position to contribute to the development of the maritime industry in the Kingdom. For example, such contributions may include:

- increased levels of Saudization of seagoing personnel;
- support of maritime education in the Kingdom;
- development of a national ship registry;
- the creation of a national maritime industry shipping organisation;
- improved utilisation of maintenance and repair facilities within the Kingdom; and
- increased investment in ship maintenance services and other support services in the Kingdom.

Such aspirations complement the Company's strategy and corporate values, as further set out in Section 5.4 "Mission and Strategy".

1 - 4 The Target Assets

As briefly stated above, the assets to be merged with the Company under the Transaction are:

- 14 double-hull VLCCs and one floating storage single hull VLCC. VLCCs are vessels used to transport unrefined crude oil. The floating storage VLCC is a single hull VLCC modified to operate as a floating storage unit.
- Four product tankers and one Aframax tanker. Aframax tankers are medium size product tankers for the transportation of clean petroleum products from refineries to points near consuming markets.

Full details of the Vela Vessels that are being merged with the Company's fleet are set out below:

Table 1-1: List of Vela Vessels[3]

	Name	Agreed Value[4] (SAR)	DWT (MT)	Year Built	Flag
		Double Hull VLCCs			
1.	CAPRICORN STAR	194,587,500	317.129	2003	Liberia
2.	ARIES STAR	194,587,500	317.129	2003	Liberia
3.	PISCES STAR	176,062,500	317.129	2002	Liberia
4.	LEO STAR	171,412,500	317.129	2002	Liberia
5.	ALBUTAIN STAR	323,700,000	319.428	2008	Liberia
6.	SIRIUS STAR	323,700,000	319.428	2008	Liberia
7.	VEGA STAR	323,700,000	319.428	2008	Liberia
8.	ALMIZAN STAR	323,700,000	319.428	2008	Liberia
9.	JANAH STAR	335,287,500	319.428	2008	Liberia
10.	SAIPH STAR	344,550,000	318.000	2009	Liberia
11.	ANTARES STAR	379,837,500	318.000	2010	Liberia
12.	VIRGO STAR	379,837,500	318.000	2010	Liberia
13.	MATAR STAR	379,837,500	318.000	2010	Liberia
14.	HOMAM STAR	379,837,500	318.000	2010	Liberia
		Floating Storage Single Hull VLCC			
15.	ALPHARD STAR	97,875,000	301.862	1995	Liberia
		Product Tankers			
16.	ZAURAK STAR	114,637,500	49.000	2006	Liberia
1.	ALTARF STAR	114,637,500	49.000	2006	Liberia
2.	ALNASL STAR	108,262,500	49.000	2005	Liberia
3.	ALTAIR STAR	108,262,500	49.000	2005	Liberia
		Aframax Tanker			
4.	ALDEBARAN STAR	100,687,500	97.000	2003	Liberia
	Total	SAR 4,875,000,000			

Source: Company

- In addition, the Company will also receive the vessel IT systems onboard the Vela Vessels, maintenance records, books and records relating to these vessels as well as any other equipment owned by Vela which is necessary for the operation of these vessels.
- Finally, the Company, as at the date of this Prospectus, has offered contracts of employment to 409 Vela employees (317 vessel-based and 92 shore-based) of whom 387 employees (296 vessel-based and 91 shore-based) accepted such offer and 22 employees (21 vessel-based and 1 shore-based) rejected the offer (for further details, see Section 12.1, "Summary of Material Agreements").

3 According to current market standards, the average lifespan of vessels is about 25 years.

4 The value allocated to each of the Vela Vessels also takes into account the Company's assessment of the value of the Shipping Agreements to the Company.

1 - 5 The Capital Increase

The Company will satisfy part of the Consideration by issuing the Consideration Shares to SADC, the aggregate value of which is fixed, by reference to the Agreed Price, at an amount equal to SAR 1,752,187,500 (equivalent to US$467,250,000). This will require the Company to undertake the Capital Increase which will need to be approved by the Shareholders at the Transaction EGM (for further details, see Section 1.15 "Extraordinary General Meeting"). Following the issuance of the Consideration Shares, SADC will hold 20 per cent. of the entire issued share capital of the Company on a fully diluted basis.

To the extent that the Company (i) approves or undertakes a Share Capital Reorganisation between the Execution Date and the Consideration Shares Delivery Date for any purpose, the Company undertakes to issue such additional number of Shares to SADC on the Consideration Shares Delivery Date so as to ensure that, on such date, the number of Shares held by SADC represents 20 per cent. of the entire issued share capital of the Company on a fully diluted basis or (ii) undertakes a Share Capital Reorganisation between the Consideration Shares Delivery Date and the Final Completion Date in connection with any financing or re-financing undertaken in respect of the Company or to reduce the debt of the Bahri Group, in each case in order to meet its obligations to pay the Cash Consideration, the Company shall issue such additional number of shares in the Company to SADC (without SADC or Vela being required to make any additional payment) so as to ensure that, at the date that such Share Capital Reorganisation becomes effective, the number of Shares held by SADC represents 20 per cent. of the Company's issued share capital (as at such date), on a fully diluted basis.

1 - 6 The Consideration Shares

The completion of the transfer of legal ownership of each of the Vela Vessels from Vela to the Company is a complicated and protracted process and is subject to various commercial and practical considerations and completion of essential pre-delivery inspections. Accordingly, the Company and Vela have agreed that the transfer of the legal ownership of each Vela Vessel will take place on a staggered basis whereby each Vela Vessel is expected to be transferred to the Company (or its nominee) over approximately six months starting with First Completion. In accordance with such staggered basis of delivery of the Vela Vessels, the Company and Vela have agreed that upon the transfer of each Consideration Share Vessel to the Company (excluding the Final Consideration Share Vessel), the Auditors will issue an Interim Auditors Certificate to the Company (a copy of which will be provided to Vela) and the Company will provide Vela with a Bahri Chairman Letter in relation to such Consideration Share Vessel. In relation to the Final Consideration Share Vessel Transfer Date, the Auditors will issue the Final Auditors Certificate to the Company (a copy of which will be provided to Vela) and the Company will provide Vela with a Bahri Chairman Letter in relation to such vessel subsequent to which the Company will update its Commercial Registration Certificate with MOCI and take all necessary steps to issue the Consideration Shares to SADC and register such shares on the Company's automated share register with Tadawul before the Consideration Shares Longstop Date.

Pursuant to the BAPA, the Company and Vela have agreed certain contractual arrangements relating to the payment of any dividends to SADC which are declared by the Company for a financial year in which the legal ownership of a Consideration Share Vessel is transferred by Vela to the Company. For further details, please see Section 12.1.1.1 ("Summary of the principal terms of the BAPA").

1 - 7 The Cash Consideration

In relation to the Cash Consideration to be paid by the Company to Vela for the Target Assets, the Company, Vela and the Cash Escrow Agent will enter into a Cash Escrow Agreement. Under this Cash Escrow Agreement, the Company will transfer an amount of the Cash Consideration corresponding to the value of the relevant Vela Vessel (plus, in respect of the Vela Vessels that are not subject to the Time Charter Agreement, an amount equal to any bunker fuels and, in respect of all Vela Vessels, lubricants on such vessel) to a bank account with the Cash Escrow Agent no later than three Business Days after Vela has given five days' notice to the Company of the date on which Vela expects transfer of the relevant Vela Vessel to take place. Upon the transfer of the relevant Vela Vessel to the Company, the Company and Vela shall jointly instruct the Cash Escrow Agent to release such amount to Vela.

1 - 8 Conditions to First Completion

First Completion (and thereby the Transaction) is subject to the satisfaction or waiver of the First Completion Conditions. The following table sets out the First Completion Conditions that have been satisfied or, if applicable, waived (by either Vela or the Company depending on the relevant First Completion Condition), and the First Completion Conditions that are still to be satisfied by First Completion, including those that can only be satisfied if certain events have not occurred by First Completion. For further details, see Section 12.1.1.1 "Summary of the principal terms of the BAPA".

First Completion Conditions that have been satisfied, or if applicable, waived		
First Completion Conditions	**Status**	**Date of satisfaction/waiver**
The Transaction Agreements being duly executed	The relevant parties to each of the Transaction Agreements have duly executed them.	The Transaction Agreements were executed on 19/12/1433H (corresponding to 4/11/2012G) and the Company and Vela amended the BAPA on 3/09/1434H (corresponding to11/07/2013G), 25/12/1434H (corresponding to 30/10/2013G), 28/2/1435H (corresponding to 31/12/2013G), 30/5/1435H (corresponding to 31/3/2014G) and 14/6/1435H (corresponding to 14/4/2014G), the Services Agreement on 14/6/1435H (corresponding to14/4/2014G) and the Contract of Affreightment on 14/6/1435H (corresponding to 14/4/2014G).
The valuation of the Target Assets stated in the valuation report prepared by the Financial Advisor not being lower than the Consideration	The valuation report prepared by the Financial Advisor valued the Target Assets and the Shipping Agreements between US$1,300 million and US$1,700 million, which is not lower than the Consideration. For further details, see Section 3 (Valuation Analysis).	The valuation report was executed by the Financial Advisor on 29/11/1434H (corresponding to 15/10/2012G).
Approval from the CMA of the publication of this Prospectus	This Prospectus has been approved by the CMA.	The CMA approved this Prospectus before its publication.
Vela and the Company having agreed on the identity of at least 90 per cent. of the employees to be transferred to the Company under the terms of the Services Agreement	Vela and the Company jointly agreed on the identity of the relevant Vela employees and the Company made offers of employment to them.	The Company offered contracts of employment to 409 Vela employees (317 vessel-based and 92 shore-based) of whom 387 employees (296 vessel-based and 91 shore-based) accepted such offer and 22 employees (21 vessel-based and 1 shore-based) rejected the offer.

First Completion Conditions that have been satisfied, or if applicable, waived		
First Completion Conditions	**Status**	**Date of satisfaction/waiver**
Receipt of any required clearance or waiver of such requirements in relation to the Transaction from the CCP	The Company applied to the CCP on 24/3/1434H (corresponding to 15/1/2013G) for getting the required clearance in relation to the Transaction. The application set out a summary of the Transaction Agreements and other details requested by the CCP including, information on Saudi Aramco, SADC and Vela.	The CCP provided its clearance in relation to the Transaction on 24/3/1434H (corresponding to 5/2/2013G).
Receipt of the SCPMA Permission and, if required by the SCPMA, the entry by the Company into documents issued by the SCPMA setting out the terms on which the SCPMA Permission has been granted	Saudi Aramco has advised the Company that the SCPMA has provided its approval of the Transaction as reflected in the agreements previously approved by the management and Boards of Directors of the parties to the Transaction which were submitted to the SCPMA by Saudi Aramco. Consequently, there is no requirement for the entry by the Company into any additional documents issued by the SCPMA. For further details, see Section 1.8.1.1 "Approval from the SCPMA".	The SCPMA Permission was received on 10/6/1435H (corresponding to 10/4/2014G).
Receipt of all necessary consents from third parties being: a. Receipt from Haydock Holdings Limited (a company incorporated in the British Virgin Islands) of a consent and waiver in relation to the rights of Haydock Holdings Limited relating to change of control, under the shareholders' agreement entered into with the Company, in respect of Petredec Limited, which is one of the Bahri Group companies (for further details, see section 5.8.4 "Petredec"); and b. Receipt from the facility agent of a waiver and evidence of termination in relation to a facility agreement entered into by the Company dated 3 September 2002. The facility agreement terminated in December 2013G.	The consent, the waiver and the evidence of termination referred to in the column opposite have all been requested and received by the Company.	All third party consents have been received as at the date of this Prospectus.

First Completion Conditions that are still to be satisfied by First Completion and will need to be satisfied by no later than the Longstop Date (or such later date as agreed between the Company and Vela)		
First Completion Conditions	**Steps to be taken**	**Expected timeline**
The Cash Escrow Agreement being duly executed	The relevant parties to the Cash Escrow Agreement to execute it.	It is expected that the Cash Escrow Agreement will be executed before convening the Transaction EGM.

First Completion Conditions that are still to be satisfied by First Completion and will need to be satisfied by no later than the Longstop Date (or such later date as agreed between the Company and Vela)		
First Completion Conditions	**Steps to be taken**	**Expected timeline**
Evidence satisfactory to Vela of the Company's ability to fund the Cash Consideration	The Company and the relevant banks to execute the definitive agreements relating to a SAR 3,182,812,500 murabaha bridge facility to fund the Cash Consideration and the costs associated with the Transaction. For further details, see Section 1.13 "Financing Arrangements".	The term sheet for the murabaha bridge facility was signed on 9/4/1434H (corresponding to 19/2/2013G). The definitive agreements relating to this bridge facility are expected to be executed immediately after the Transaction EGM and the Company will make an announcement on or shortly after it is entered into by the parties.
Approval from MOCI to convene the Transaction EGM and the agenda for such EGM which will set out the Transaction EGM Resolution which will include the proposed amendments to the By-Laws	The Company will make an application to MOCI for the approval.	The application to MOCI is expected to be made approximately 30 days before the date of the Transaction EGM. It is expected that MOCI's approval would be received shortly after the publication of this Prospectus.
The approval of the Transaction EGM Resolution by the Shareholders	The Company will convene the Transaction EGM in accordance with the By-Laws and the Companies Law, and will publish the notice of the Transaction EGM in the Saudi Arabian Official Gazette and one Arabic language daily newspaper published in Riyadh.	The Company will invite its Shareholders to attend the Transaction EGM upon receiving MOCI's approval to convene the Transaction EGM. The Transaction EGM will be held at least 25 days following the publication of the invitation.

The following is a list of those First Completion Conditions that relate to certain events that should not occur prior to First Completion and which will be satisfied only by the non-occurrence of such events prior to First completion:
• no Material Adverse Change having occurred;
• a firm intention to make an offer to acquire control of the Company not having been announced by any person;
• no fact, matter or circumstance having arisen that would give rise to a breach of certain core warranties given by Vela and the Company to each other under the BAPA which would in either case constitute a Material Adverse Change and which has not been remedied by the party responsible within 30 days (if capable of remedy) to the reasonable satisfaction of the other party; and
• no Environmental Contamination Event having occurred since the Execution Date or, if a Environmental Contamination Event has occurred with the sole effect being the material commercial impairment of the contaminating party or a member of its group, such event having been resolved by First Completion to the extent that there are no encumbrances arising from such event over a vessel belonging to such contaminating party.

1 - 8 - 1 Approval from the SCPMA

As noted above, one of the key First Completion Conditions was obtaining the SCPMA Permission.

The SCPMA's function is to determine the Kingdom's policies and strategies for petroleum, gas and other hydrocarbon materials in light of national interests of the Kingdom, including in cases of national emergencies. The SCPMA Permission was required because, under the terms of the BAPA, the Company will become the National Champion responsible for maintaining a fleet of vessels with a minimum tonnage in order to transport crude oil to support national transportation priorities in times of national emergency in the Kingdom.

In accordance with the terms of the BAPA, the SCPMA Permission was obtained on 10/6/1435H (corresponding to 10/4/2014G) for the transfer of Vela's entire fleet of vessels to the Company and for the Company to assume the National Shipping Obligations.

1 - 9 The Shipping Agreements

Contract of Affreightment and Time Charter Agreement

The Company believes that the Shipping Agreements present long-term benefits to the Bahri Group, both in terms of increased revenues and value creation for Shareholders.

For further details of these shipping agreements, see Section 12.1, "Summary of Material Agreements".

1 - 10 Relationship with Saudi Aramco

To complement the exclusivity arrangements under the Shipping Agreements, Saudi Aramco and the Company also entered into the Relationship Agreement on 19/12/1433H (corresponding to 4/11/2012G). The Relationship Agreement requires Saudi Aramco to support the exclusivity arrangements whereby:

- the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group which are shipped from certain locations that Saudi Aramco uses to ship Crude Oil in accordance with the terms of the Contract of Affreightment. For further details please see Section 12.1, "Summary of Material Agreements"; and
- for any non-VLCC cargo of Crude Oil produced in Saudi Arabia that satisfy certain criteria, Saudi Aramco's relevant nominee will notify the Company of such provision for non-VLCC cargo on a non-exclusive basis so that the Company can make an offer to carry such cargo.
- The Relationship Agreement also requires Saudi Aramco to supply bunker fuels, where reasonably possible, to any vessel that is wholly owned by the Bahri Group or any vessel that is Bareboat chartered by the Bahri Group. However, no Saudi Aramco Group company shall be under any obligations to offer bunker fuels to a Bahri Group company if such action would result in such Saudi Aramco Group company not being able to satisfy its commitments to, and the needs of, any other Saudi Aramco Group company, or such action would or is reasonably likely to result in Saudi Aramco or the relevant Saudi Aramco Group company being in breach of any pre-existing contractual arrangement with a third party, or any applicable law

The Company and Saudi Aramco have also agreed to discuss, where commercially feasible, the possibility of further cooperation between them in respect of other lines of business, including, but not limited to, chemicals, drybulk, terminals, logistics and offshore support services.

1 - 11 Employment Arrangements

Services Agreement

As part of the Transaction, the Company and Vela also entered into the Services Agreement on 19/12/1433H (corresponding to 4/11/2012G) as amended on 14/6/1435H (corresponding to 14/4/2014G), under which the Company is obliged to offer contracts of employment to certain Vela employees (both vessel-based and shore-based) on the same terms and conditions (including remuneration and allowances, such as for accommodation) as such employees had under the terms of their employment with Vela to ensure a smooth and seamless integration of the Vela Vessels into the Company's existing fleet of vessels.

As at the date of this Prospectus, the Company has offered contracts of employment to 409 Vela employees (317 vessel-based and 92 shore-based) of whom 387 employees (296 vessel-based and 91 shore-based) accepted such offer and 22 employees (21 vessel-based and 1 shore-based) rejected the offer.

The relevant vessel-based employees who accepted the Company's offer of employment will transfer to the Company at the same time as the transfer of the relevant Vela Vessel which they crew. The relevant shore-based employees who accepted the Company's offer of employment will transfer to the Company on a staggered basis to be agreed between Vela and the Company, such that each of Vela's and the Company's respective continuing operations are sufficiently manned.

Secondment Agreement

The Company also entered into the Secondment Agreement with Saudi Aramco on 19/12/1433H (corresponding to 4/11/2012G) for the secondment of certain shore-based employees to the Company from the Saudi Aramco Group for the provision of technical assistance to the Company in relation to the Target Assets. Either the Company or Saudi Aramco may propose a secondment on the basis of their requirements, and, if they agree that a secondment is appropriate, will agree the identity of the secondee, the services to be provided, the secondment period and location, and the billing rate payable by the Company to Saudi Aramco. The Company will be required to pay a fee to Saudi Aramco for the relevant secondee which is based on the equivalent remuneration that an employee of the Company would receive at the same job level and with an equivalent seniority.

(For further details of these agreements, see Section 12.1, "Summary of Material Agreements".)

1 - 12 Key Transaction Agreements

The following table provides an overview of the principal terms of the key Transaction Agreements. For a more detailed summary of the Transaction Agreements, see Section 12.1.1 "Summary of the Transaction Documents":

BAPA	
Description and Parties	An agreement between the Company and Vela for the merger of Vela's entire fleet of vessels and operations related to these vessels with the Company.
Key terms	The BAPA sets out various First Completion Conditions which need to be satisfied before First Completion (for further details, see Section 1.8 "Conditions to First Completion") Vela and the Company give various warranties, relating to the Vela Vessels and the Company respectively, to each other under the BAPA Vela has undertaken not to compete with the Bahri Group in the business of owning, operating and/or chartering VLCCs for the carriage of Crude Oil produced in the Kingdom until the termination of the Contract of Affreightment, except in certain limited circumstances (for further details, see Section 12.1.1 "Summary of the Transaction Documents"). Vela has also undertaken not to approach or solicit any employees transferred to the Bahri Group pursuant to the Services Agreement for a period of two years from the date of transfer of any such employee to the Bahri Group The total aggregate liability of (i) Vela and SADC and (ii) the Company for claims in relation to certain key warranties is an amount equal to SAR 4,875,000,000 (equivalent to US$1,300,000,000). In respect of any other warranty claims under the BAPA the total aggregate liability of (i) Vela and SADC, and (ii) the Company is, respectively, an amount equal to SAR 562,500,000 (equivalent to US$150,000,000).

BAPA	
Duration	• The BAPA can be terminated in a limited set of circumstances before First Completion, including: • by mutual agreement of Vela and the Company; • automatically if a Force Majeure Event has occurred and is continuing more than 90 days; and • automatically if First Completion has not occurred by the Longstop Date which is 4/10/1435H (corresponding to 31/7/2014G) (or such later date as agreed by Vela and the Company). After First Completion, the BAPA may only be terminated if a Force Majeure Event is continuing for more than 90 days.
Contract of Affreightment	
Description and Parties	An agreement between the Company and Bolanter for the provision by the Company of tonnage and shipping services by the Company on an exclusive basis to Bolanter for the transportation of certain VLCC sized Crude Oil cargoes produced in the Kingdom of Saudi Arabia and shipped on a Delivered Basis.
Key terms	The Contract of Affreightment provides the Company the benefit of certain exclusivity arrangements whereby: • the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group which are shipped from certain locations that Saudi Aramco uses to ship Crude Oil (for further details, see Section 12.1.1 "Summary of the Transaction Documents"); and • for non-VLCC-sized cargoes of Crude Oil produced in Saudi Arabia that satisfy certain criteria, Saudi Aramco's relevant nominee will notify the Company of such non-VLCC-sized cargoes so that the Company can make an offer to carry such cargo The Company will receive a minimum guaranteed rate for the provision of such shipping services from Bolanter where Long-Haul Voyages are performed by Company-owned vessels in order to reduce the exposure of the Company to shipping rate volatility, particularly when shipping rates fall below such minimum guaranteed rate. Conversely, when shipping rates exceed an agreed threshold, the Company is required to reimburse a proportion of such excess to Bolanter for any payment it has previously received pursuant to the minimum guaranteed rate mechanism, limited to the amounts it so received.
Duration	The Contract of Affreightment has an initial term of 10 years and may be terminated by either party giving not less than five years' notice at any time after the fifth anniversary of the agreement becoming effective (which will be the date the first Vela VLCC is delivered to the Company pursuant to the BAPA).
Time Charter Agreement	
Description and Parties	An agreement between the Company and SAPTC under which SAPTC undertakes to time-charter from the Company the four product tankers, the single-hull floating-storage VLCC and the Aframax tanker, which form part of the Vela Vessels.
Key terms	SAPTC is required to time-charter the relevant Vela Vessels from the Company for a minimum period of five years (except in the case of the floating-storage VLCC, whose time-charter period is expected to be until 20/3/1437H (corresponding to 31/12/2016G) or longer (as further explained in Section 12.1.2.3 "Summary of the principal terms of the Time-Charter Agreement")).
Duration	Time charter period for each product tanker is five years from the time such tanker is delivered into time charter. The time-charter period will be renewed for an additional five years, unless terminated by either party by giving written notice no less than nine months prior to the expiry of the original term The single-hull floating-storage VLCC shall be time chartered until 31 December 2016. However, if Dry-docking is required by the Classification Society, such term may be adjusted in accordance with the Time Charter Agreement.
Relationship Agreement	

BAPA	
Description and Parties	An agreement between the Company and Saudi Aramco which governs the relationship and mutual rights and obligations between the Company and Saudi Aramco.
Key terms	The Relationship Agreement complements the exclusivity arrangements under the Contract of Affreightment and provides that the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group which are shipped from certain locations that Saudi Aramco uses to ship Crude Oil in accordance with the terms of the Contract of Affreightment The Saudi Aramco Group also undertakes not compete with the Bahri Group in the business of owning, operating and/or chartering VLCCs for the carriage of Crude Oil produced in the Kingdom except in certain limited circumstances(for further details, see Section 12.1.1 "Summary of the Transaction Documents").
Duration	The Relationship Agreement is effective from the time that the First Completion Conditions have either been satisfied or waived by either Vela and/or the Company (as the case may be) in accordance with the BAPA. The Relationship Agreement will automatically terminate upon the earlier of the termination of the BAPA prior to the First Completion Date and the termination of the Contract of Affreightment.
Services Agreement	
Description and Parties	An agreement between Vela and the Company for the identification and transfer of the employment of certain shore based and vessel based employees of Vela to the Bahri Group.
Key terms	The Company is obliged to make an offer of employment to each Transferring Employee on the same terms and conditions (including remuneration and allowances, such as for accommodation) as Vela had provided. If any Transferring Employee does not accept an offer of employment from the Company, he will remain an employee of Vela.
Duration	The Services Agreement is effective from the Execution Date until the earliest of the termination of the BAPA, the Final Completion Date and the date falling 365 days after the First Completion Date. Vela and the Company may also terminate the agreement with immediate effect by mutual consent at any time.
Secondment Agreement	
Description and Parties	An agreement between Saudi Aramco and the Company for the secondment of certain shore-based personnel of the Saudi Aramco Group to the Bahri Group to fill certain positions relating to the Target Assets and the business of the Bahri Group
Key terms	Either the Company or Saudi Aramco may propose a secondment on the basis of their requirements, and, if they agree that a secondment is appropriate, will agree the identity of the secondee, the services to be provided, the secondment period and location, and the billing rate payable by the Company to Saudi Aramco.
Duration	The Secondment Agreement will become effective on the First Completion Date and will be effective for five years from that date (unless Saudi Aramco and the Company agree to extend such term) or, if earlier, until termination of the BAPA Saudi Aramco and the Company may also terminate the Secondment Agreement by mutual consent. In addition, either the Company or Saudi Aramco may terminate the Secondment Agreement if the other party commits a material breach, which it does not remedy within a 30 day period.
Amended NSFs	
Description and Parties	A separate agreement between the Company and Vela for each of the Vela Vessels based on the Norwegian Shipbrokers' Association Memorandum of Agreement for the sale and purchase of the Vela Vessels

BAPA	
Key terms	The portion of the Consideration in relation to each Vela Vessel is payable to Vela, in accordance with the BAPA. If the relevant Vela Vessel has defects in relation to its rudder, propeller, bottom or underwater parts below the deepest load line which will affect the class of such Vela Vessel (as determined by the Classification Society), each Amended NSF requires Vela to repair such defects or to agree with the Company a reduction in the Consideration payable in respect of the relevant Vela Vessel Under such Amended NSF, the relevant Vela Vessel shall be delivered free of cargo and stowaways and with her class maintained free of any conditions or recommendations plus (subject to certain exceptions) a class certificate valid for not less than six months following delivery.
Duration	The Amended NSFs have no fixed duration. However, their continued validity will be based upon the BAPA not being terminated.

1 - 13 Financing Arrangements

The Company entered into a non-binding term sheet for a SAR 3,182,812,500 murabaha bridge facility (the "**Murabaha Bridge Facility**") on 9/4/1434H (corresponding to 19/2/2013G) with each of J.P. Morgan Chase Bank N.A. (Riyadh branch), Samba Financial Group and The Saudi British Bank (the "**Lenders**") to fund all of the Cash Consideration as well as the costs incurred by the Company in relation to the Transaction (the "**Term Sheet**").

Pursuant to the Term Sheet, the final maturity date of the Murabaha Bridge Facility is expected to be the 12 months from the date of signing the definitive facility agreement. The Company plans to repay the Murabaha Bridge Facility through either the issuance of a sukuk or by entering into a new Sharia compliant long- term financing facility. The Company will provide security in favour of the Lenders which is expected to include, amongst other things, mortgages over the Vela Vessels (following their transfer to the Company) and an assignment of all receivables due to the Company under the Shipping Agreements. The definitive facility agreement is expected to contain conditions precedent for the utilisation of this facility as well as various undertakings and covenants to which the Company will be subject to, all of which are expected to be in line with market practice for facilities of this nature. For further information, see Section 12.2 "Legal Information relating to the Company". The Company is in the process of finalising the definitive facility agreements and will make an announcement on or shortly after it is entered into by the parties which is expected to occur immediately after the Transaction EGM.

1 - 14 Changes to the Board of Directors following the Transaction

1 - 14 - 1 The current Board of Directors

The Company is currently managed by a Board comprising seven members, three of whom are nominated by the Government (represented by the Public Investment Fund). The remaining four members are elected to the Board by the General Assembly.

Although as at the date of this Prospectus the Company does not adopt the Accumulative Voting Method, this is proposed to be adopted as discussed further below.

1 - 14 - 2 The proposed changes to the Board of Directors

Under the terms of the Transaction, the Shareholders will be asked to approve certain amendments to the By-Laws at the Transaction EGM. These amendments will, amongst other things, (a) increase the size of the Board from seven to nine members and (b) confer upon SADC the right to appoint two nominees to the Board from the point at which it becomes a Shareholder. Under the amended By-Laws, the Government (represented by the Public Investment Fund) will retain its right to appoint three nominees to the Board, and SADC will have the right to appoint two nominees to the Board with the remaining four directors being appointed by the General Assembly. At the Transaction EGM, the existing three representatives of the Government (represented by the Public Investment Fund) on the Board and the four directors appointed by General Assembly will remain unchanged and the additional two seats on the Board will be reserved for the nominees of SADC (as described above). The Company has given various undertakings to Vela in relation to the operations of the Bahri Group prior to the appointment of the two directors by SADC. For further details, see Section 12.1 ("Summary of Material Agreements").

Another proposed amendment to the By-Laws is that no shareholder will have the right under the By-Laws to appoint a board member and the election of all members to the Board by the General Assembly will be through the Accumulative Voting Method, which shall become effective upon the expiry of the term of the Board of Directors on 31 December 2016.

1 - 15 Extraordinary General Meeting

The Transaction (and, in particular, the Capital Increase), the changes to the size and composition of the Board and its manner of election and the amendments to the By-Laws, amongst other matters, require the approval of the Shareholders at the Transaction EGM. In view of this requirement, the Transaction EGM Resolution will be put to the Shareholders. The quorum for a valid Transaction EGM will be the attendance, either in person or by proxy at the Transaction EGM or via the remote voting facility, of such number of Shareholders holding at least 50 per cent. of the Shares in issue. The Transaction EGM Resolution will be passed by a vote in favour of the Shareholders who are entitled to attend and vote at the meeting, provided that Shareholders holding at least 75 per cent. of the Shares represented at the meeting vote in favour of the Transaction EGM Resolution, either in person or by proxy, or via the remote voting facility.

In the event the quorum requirements for the Transaction EGM are not met, a second EGM will be called. The quorum for a valid second EGM will be the attendance, either in person or by proxy at the second EGM or via the remote voting facility, of such number of Shareholders holding at least 25 per cent. of the Shares in issue. The Transaction EGM Resolution to be proposed at such second EGM will be passed by a vote in favour by the Company's Shareholders who are entitled to attend and vote at the meeting, provided that Shareholders holding at least 75 per cent. of the Shares represented at the meeting vote in favour of the Transaction EGM Resolution, either in person or by proxy, or via the remote voting facility.

Shareholders are able to vote at an EGM by:

- attending the EGM in person;
- instructing another Shareholder to act as a proxy; or
- using the remote voting facility.

Shareholders who are unable to attend the Transaction EGM (or, if required, the second EGM) in person will be able to instruct another Shareholder to act as a proxy or vote via the remote voting facility in advance of the relevant EGM, or instruct a proxy to vote at such EGM. Shareholders who fail to attend the Transaction EGM (or, if required, the second EGM) (whether in person or via the remote voting facility) or instruct a proxy will forfeit their rights to vote on the Transaction EGM Resolution at such EGM and their Shares will not be counted as being represented at the meeting.

If a Shareholder wishes to vote on the Transaction EGM Resolution by instructing another Shareholder to act as a proxy, such Shareholder must first select another willing Shareholder to act as his proxy. The following persons may not be selected to act as a proxy:

- a member of the Board;

- an employee of the Company; or
- a person employed or appointed by the Company, on a full-time basis, to an administrative or technical role.

Once an eligible proxy is selected, the form of proxy (as set out in Annex 2 - Form of Proxy in Respect of the Transaction EGM of this Prospectus) must then be duly completed and signed by the Shareholder. The Shareholder's appointment of the proxy in writing must also be attested by the Chamber of Commerce in Saudi Arabia or any commercial bank in Saudi Arabia. In order for the proxy to have effect at the relevant EGM, the duly completed and attested proxy must be presented by the nominated proxy Shareholder upon his attendance in person at the EGM.

If a Shareholder wishes to remotely vote on the Transaction EGM Resolution, such Shareholder is able to do so by using the remote voting facility provided by Tadawul as part of the "tadawulaty" service. Tadawul will provide the Shareholders with the ability to vote on the Transaction EGM Resolution using the remote voting facility following the approval of the Transaction EGM agenda by MOCI and the advertisement of the date of the Transaction EGM. Shareholders who have registered for the "tadawulaty" service will receive an SMS text message on their mobile phone from Tadawul inviting them to login to the "tadawulaty" service's website and vote on the Transaction EGM Resolution. An option to vote electronically shall be displayed as part of the general list of transactions available to Shareholders on the website.

Shareholders can register for the "tadawulaty" service electronically through their personal share trading account or by visiting the offices of their respective brokers. Registration for the "tadawulaty" service and use of the remote voting facility to vote on the Transaction EGM Resolution is free of charge for all Shareholders. For more information please visit http://tadawulaty.tadawul.com.sa.

As of 31/3/2014G, SAIMCO owned 1,016,359 shares in the Company, equivalent to a shareholding of 0.32%. Saudi Aramco provided a confirmation on 27/6/1435H (corresponding to 27/4/2014G) that SAIMCO and SADC are both wholly-owned subsidiaries of Saudi Aramco. Furthermore, SAIMCO has provided a written confirmation to the Company on 27/6/1435H (corresponding to 27/4/2014G) that SAIMCO will not vote at the Transaction EGM. Furthermore, Saudi Aramco provided a confirmation on 6/6/1435H (corresponding to 16/4/2013G) that, as at the date of this Prospectus, apart from SAIMCO's shareholding in the Company (mentioned above) neither it nor any member of the Saudi Aramco Group has any direct or indirect interest in the Company.

The Notice of the Transaction EGM and the Form of Proxy are set out in Annexes 1 (Form of the Invitation for the Transaction EGM) and 2 (Form of Proxy in Respect of the Transaction EGM) respectively of this Prospectus.

The Transaction EGM Resolution that will be put to the Shareholders is to:

- approve the Transaction;
- approve the payment of the Consideration (subject to certain adjustments in accordance with the terms of the BAPA) to be paid by the Company to Vela for the Target Assets which will include the issue of the Consideration Shares to SADC and the payment of the Cash Consideration to Vela;
- approve the increase of the share capital of the Company from SAR 3,150,000,000 to SAR 3,937,500,000 by issuing the Consideration Shares to SADC after the Final Consideration Share Vessel Transfer Date but no later than the Consideration Share Longstop Date;
- authorise the Chairman and the CEO of the Company to implement the terms of the Transaction Agreements and any other documents relating to the Transaction; and
- approve certain amendments to the By-Laws to reflect the Capital Increase and certain changes to the composition of the Board of Directors (for further details, see Section 1.14 "Changes to the Board of Directors following the Transaction") and other changes to make the By-Laws more current,

(together, the " **Transaction EGM Resolution**").

Recommendation of the Board of Directors

Following careful and thorough consideration of the terms of the Transaction and the Transaction EGM Resolution, the Board of Directors by meeting number 7/12, held on 29/11/1433H (corresponding to 15/10/2012G) unanimously authorised the Chairman and CEO of the Company to finalise and approve the Transaction and sign all documents relating to the Transaction. Based on this authorisation from the Board, the Chairman and CEO entered into the Transaction Agreements on 19/12/1433H (corresponding to 4/11/2012G). All the members of the Board believe that the Transaction is in the best interests of the Company and the Shareholders as a whole and should contribute to the Company's future success by improving the commercial and financial position of the Company and fulfilling its strategy of growth with the potential of long-term value creation for the Shareholders. Accordingly, the Board unanimously recommends that all Shareholders vote in favour of the Transaction EGM Resolution to be proposed at the Transaction EGM to approve the Transaction (which is described further in Section 1.15 "**Extraordinary General Meeting**").

1 - 16 Summary of Changes to the Company's By-Laws

As part of the Transaction, the Shareholders will be required to approve a number of amendments to the By-Laws (for details of the proposed amendments, see "**Annex** 1 **– Form of the Invitation for the Transaction EGM**"). While the majority of the proposed amendments reflect the Capital Increase and a number of legal and regulatory developments since the By-Laws were last amended, a number of the proposed amendments are more substantive, as described in the table below:

	Existing By-Law	Proposed By-Law
Company's Objectives	The objectives of the Company include purchasing and selling vessels, using the Company's vessels to import/export goods into/from the Kingdom, participating in shipping related operations, creating a crew of trained Saudi nationals to operate the Company's vessels, performing all operations related to the facilitation of tourism and Hajj and entering into and performing all transactions, agreements and acts related to the Company's objectives that are deemed necessary.	The objectives of the Company will be expanded to also include the sourcing of financing (including, without limitation) from Saudi Arabia. The Company will also be authorised, in the course of implementing its objectives, to support Saudization of seagoing personnel, maritime education in the Kingdom, the development of a national ship registry, the creation of a national maritime industry association and the utilisation of maintenance and repair facilities in the Kingdom.
Changes to the Company's Board	The Company is currently managed by a Board comprising seven members, three of whom are nominated by the Government (represented by the Public Investment Fund). The remaining four members are elected to the Board by the General Assembly. A Board meeting shall be quorate only if attended by at least 50 per cent. of the Board members (provided that the number of members attending in person shall not be less than five).	The size of the current Board shall be increased from seven to nine with the Government (represented by the Public Investment Fund) retaining its right to appoint three members. SADC, as a Shareholder, will also have the right to appoint two representatives to the Board. The remaining four directors will be appointed by the General Assembly) and no Shareholder will have the right under the By-Laws to appoint a board member). Following the expiry of the term of the Board of Directors on 31 December 2016, the election of all members to the Board by the General Assembly shall be through the Accumulative Voting Method. The quorum for Board meetings is to comprise no less than half of its members.

	Existing By-Law	Proposed By-Law
Limitation on Indebtedness	The Company may currently incur debt obligations not exceeding three times its share capital.	The maximum limit of indebtedness of the Company shall be increased to three times the Shareholders' equity as evidenced by the Company's last audited accounts.
Ownership of Shares by members of the Board	Each member of the Board is required to own a minimum of two thousand Shares to guarantee his liability as a member of the Board (the "Guarantee Shares»).	The minimum number of Guarantee Shares to be owned by each member of the Board shall be reduced to one thousand (1,000) Shares (which, based on a nominal value of SAR 10 per Share, has a value equal to SAR 10,000). This change reflects the minimum requirement under the Companies Law.
Powers of the Board	Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with the widest powers to manage the business of the Company. The Board may mortgage the Company's assets to guarantee its debts.	The Board shall continue to have wide powers to manage the affairs of the Company. These powers shall now be expanded upon to include (amongst other things): • subject to certain conditions, the entry into debt arrangements with terms exceeding three years; • the sale or mortgage of real property or the place of business of the Company; • the release of debtors of the Company from their liabilities; • to authorise one or more of the members of the Board of Directors, the Chief Executive Officer, one or more of the employees of the Company or a third party to conduct certain work(s); • sell, purchase, convey by deeds, receive, deliver, lease and let real estate; and • appoint and dismiss employees and recruit employees from outside the Kingdom and to determine employees' duties and remuneration.
Board meetings	The minimum number of Board meetings in a year is six.	The minimum number of Board meetings in a year will be four.
General Assemblies	The By-Laws did not have provisions allowing the Shareholders to vote through electronic means at the General Assembly. Each Shareholder has one vote for every ten Shares that he owns or represents at the General Assembly.	Shareholders shall be able to participate in, and vote at, General Assemblies through electronic means pursuant to any applicable rules and regulations issued by the relevant authorities from time to time. Each Shareholder shall have one vote for each Share he owns or represents at the General Assembly.

	Existing By-Law	Proposed By-Law
Dissolution	The Board is obliged to dissolve the Company if its losses amount to half of its capital unless an Extraordinary General Assembly decides otherwise.	The Board shall be obliged to call an Extraordinary General Assembly in the event that the Company's losses amount to three quarters of its capital for the Shareholders to consider whether the Company should continue to undertake its business or whether it should be dissolved.

1 - 17 Next Steps to complete the Transaction

The key steps required to proceed towards completion of the Transaction are set out below:

- approval from MOCI to convene the Transaction EGM and its agenda which will set out the Transaction EGM Resolution which will include the proposed amendments to the By-Laws;
- notice of the Transaction EGM to be published in the Saudi Arabian Official Gazette and one Arabic language daily newspaper published in Riyadh;
- the Transaction EGM Resolution to be approved at the Transaction EGM (or at any adjournment thereof);
- First Completion having occurred, being the transfer of the legal ownership of the first of the Vela Vessels (comprising at least one VLCC) to the Company;
- subsequent Completions (in relation to the Consideration Share Vessels) having occurred until and including the Final Consideration Share Vessel Transfer Date;
- approval from MOCI of the updated Commercial Registration Certificate of the Company;
- the issuance and registration of the Consideration Shares in the name of SADC;
- admission of the Consideration Shares to listing on the Official List and to trading on Tadawul; and
- further Completions (in relation to the Vela Vessels other than the Consideration Share Vessels) having occurred culminating, with Final Completion, being the transfer of legal ownership of the last of the Vela Vessels by Vela to the Company, at which time the Transaction will have fully completed.

1 - 18 Actions to be undertaken by management to integrate the Vela Vessels and employees of Vela into the Company's operations

Some of the key actions that the Company's management currently plan to undertake from First Completion up to Final Completion to integrate the Vela Vessels and the Transferring Employees into the operations of the Company are summarised below:

i. Following satisfaction (or waiver, if applicable) of all of the First Completion Conditions, the Company and Vela will develop the planned delivery schedule of the Vela Vessels. This will require the delivery dates to be aligned with the deployment of the Company's existing fleet within the shortest practicable timeframe (it is currently anticipated that on average, approximately one Vela Vessel will be transferred each week), without jeopardising the safety standards or requiring significant additional resources to be employed in relation to the vessel resources;

ii. The Company and Vela have targeted completing the transfer of all the Target Assets to the Company within approximately six months from the First Completion Date. The vessel-based employees (who form part of the Transferring Employees) will transfer to the Company at the same time as the relevant Vela Vessel. The technical and operational shore-based employees (who also form part of the Transferring Employees) will be transferred in a phased manner reflecting the requirements of the Company and Vela;

iii. The responsibility for the transfer of the Vela employees and their integration into the Company's operations has, and will continue to be, undertaken by a joint integration committee, acting on instructions from a steering committee whose members have been appointed by Vela and the Company;

iv. The joint integration committee will comprise of eight individuals, four from Saudi Aramco and four from the Company. Its principle objective is to recommend suitable strategies for the effective integration of the Target Assets and the Transferring Employees into the Bahri Group. The decisions of the integration committee will be made by consensus of its members and will be implemented upon receiving the consent of each of the Company and Saudi Aramco (such consent not to be unreasonably withheld). In the event the Company and Saudi Aramco cannot agree on a particular decision of the integration committee, the senior management of each Company will hold discussions to resolve the issue and their decision will be binding on all parties;

v. The integration committee's scope of appointment includes determining the optimal organisational structure and staffing required for the Bahri Group after Final Completion, identifying the Transferring Employees and reviewing the policies, business processes and related IT support systems within both Vela and the Company to identify best practice and develop a plan to effectively integrate such practices into the Company's business;

vi. The integration committee has been authorised to employ an external independent human resources consultant to assist in a fair process for the Company to select and employ Vela employees. As at the date of this Prospectus, the Company has identified the Transferring Employees and has made offers of employment to them;

vii. The Company plans to secure additional office space and provide a high quality work environment for the technical and commercial management of the Company following Final Completion.

viii. The Company expects the cost of integrating the Target Assets into the Company's existing fleet and integrating the Transferring Employees (including securing additional office space and office equipment) to be approximately SAR 6 million;

ix. Following each transfer of a Vela Vessel and its related employees to the Company, the management of the Company will re-deploy some of the vessel-based employees to ensure that each such Vela Vessel is crewed by personnel with optimum combination of officers and crew to maintain Major Oil Company trading acceptances; and

x. The commercial management of the Company's vessels will seek to maximise the revenue from the Company's vessels through the optimum deployment of vessels to service the Contract of Affreightment and on trade routes that are available on the open market.

The Company and the Board of Directors declare that so far as they are aware, as at the date of this Prospectus, there are no material Transaction Agreements that have not been described in this Section 1 (Overview of the Transaction) and which may affect the decision of the Shareholders to approve the Transaction or the Capital Increase.

2. Risk Factors

In deciding whether to vote in favour of the Transaction EGM Resolution, Eligible Shareholders should carefully read and consider all the information in this Prospectus, particularly the risk factors set out in this Section. The risks described below may not include all the risks that the Company may encounter, and additional factors may exist that are not currently known by the Company and which may affect its revenues, profitability and results of operations. An Eligible Shareholder who is in any doubt about voting in favour of the Transaction EGM Resolution should consult an independent financial advisor authorised by the CMA.

The Company's activities, financial position, results of operations, cash flows and its future operations could be adversely and materially affected if any of the following risks occur, which the Directors currently believe to be material, or if any other risks that the Directors have not identified or that they currently consider to be immaterial, actually occur or become material.

In the event of the occurrence of any other risk factors which the Company currently believes to be material, or the occurrence of any other risks that the Company did not identify, or that it does not currently consider to be material, the value of the Shares may decrease and Shareholders may lose all or part of the value of their Shares.

The order in which the risks and the uncertainties are listed below is not intended to reflect their likely significance.

2 - 1 Risks Related to the Transaction

2 - 1 - 1 The Company may fail to realise the anticipated growth opportunities, fleet management and other benefits anticipated from the Transaction

The success of the Transaction will depend largely on the Company's ability to realise anticipated growth opportunities and fleet management benefits from integrating the Target Assets with the Company's existing fleet of vessels. The Company expects to benefit from synergies resulting from the consolidation of capabilities, rationalisation of operations, greater efficiencies from increased scale and market integration and organic growth.

Although work has been undertaken on the development of plans for achieving fleet management and other benefits from the Transaction, such plans have not been finalised and cannot be implemented until after First Completion. There is a risk that these growth opportunities, fleet management and other benefits will not be realised in the time or manner currently expected, if at all, as a result of various external and internal factors, such as a decrease in world demand for crude-oil products, unexpected delays in the integration of the Target Assets following Final Completion and the Company's ability to maintain high standards of operation. Any of these factors could negatively affect the Company's revenues, profitability and results of operations to a greater extent than anticipated. This would also mean that there is a risk that the earnings per Share for the current or future years would not necessarily equal or exceed the historical published earnings per Share.

2 - 1 - 2 Risks related to the integration of the Target Assets following Final Completion

The integration process of the Target Assets with the Company's existing fleet of vessels, may prove to be more complex and time-consuming than currently anticipated, require substantial resources and effort and lead to a degree of uncertainty for customers and employees. It may also disrupt the Company's ongoing business, which may adversely affect the Company's relationships with customers, employees and others with whom the Company has business or other dealings. The Company's competitors may also seek to take advantage of potential integration problems to gain customers. An over-supply of tanker capacity may lead to reductions in charter rates, vessel values and profitability.

If the Company fails to manage the integration effectively and as a result fails to achieve the anticipated benefits of the Transaction, or fails to offset integration costs over time, it could negatively affect the Company's revenues, profitability and results of operations.

2 - 1 - 3 Risks related to the integration of the personnel following Final Completion

The Transaction includes certain employment arrangements whereby the Company has provided offers of employment to 409 Vela employees (317 vessel-based and 92 shore-based) of whom 387 employees (296 vessel-based and 91 shore-based) accepted such offer and 22 employees (21 vessel-based and 1 shore-based) rejected the offer. The effective integration of such personnel within the Company's operations is critical to ensure a smooth transition and seamless integration of the Target Assets into the Company's existing fleet of vessels. The operation of the Vela Vessels will require technically skilled employees with specialised training who can perform physically demanding work. The Company expects the Vela personnel who transfer to the employment of the Company to perform these roles and ensure continuity in the operation of the Vela Vessels.

There is a risk that if a substantial number of these employees resign from Vela or are dismissed by Vela prior to their expected transfer to the Company the ability of the Company to operate the Vela Vessels could be adversely affected which, in turn, may lead to a disruption to the Company's business and consequently adversely affect the Company's revenues, financial condition and results of operations.

2 - 1 - 4 Dependence on the Relationship with Saudi Aramco

The Saudi Aramco Group is currently the biggest customer of the Company in terms of shipping volumes. The Transaction is expected to increase the share of business that the Company derives from the Saudi Aramco Group due to the exclusivity arrangements that the Company and the Saudi Aramco Group have agreed as part of the Transaction. Under the terms of the Transaction, the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group (which member, as at the date of this Prospectus, is Bolanter) that are shipped from certain locations that Saudi Aramco uses to ship Crude Oil in accordance with the terms of the Contract of Affreightment. Consequently, any deterioration in the relationship between the Company and Saudi Aramco or its subsidiaries may have an impact on these exclusivity arrangements which, in turn, may have a material adverse effect on the Company's business prospects, financial position and results of operations.

The Contract of Affreightment is a long-term arrangement with Bolanter. As such, it has an initial term of 10 years, terminable by either party giving not less than five years' notice at any time after the fifth anniversary of the Contract of Affreightment becoming effective (which will be the date the first Vela VLCC is delivered to the Company pursuant to the BAPA). Furthermore, the Relationship Agreement will also terminate upon the termination of the Contract of Affreightment. There is no certainty that Saudi Aramco will wish to renew the Contract of Affreightment beyond its initial term of 10 years. In addition, the Contract of Affreightment can be terminated by Bolanter before the expiry of its initial 10 year term in the event that the Company fails to nominate any compliant vessels for one month or fails to nominate a vessel in response to a valid cargo nomination on more than one occasion in any six month period (except where it is prevented from doing so by an event over which it has no control or Bolanter's own acts or omissions, or where the Company has nominated a vessel that complies with the specific criteria in the Contract of Affreightment but which was wrongly rejected by Bolanter). Any early termination of the Contract of Affreightment, and consequently the Relationship Agreement, could significantly reduce the Company's revenues which, in turn, will have a material adverse effect on its business prospects, financial position and results of operations.

2 - 1 - 5 Focus on the Saudi Aramco Group

The exclusivity arrangements that the Company will have with the Saudi Aramco Group under the Transaction will increase the Company's focus on servicing the shipping requirements of the Saudi Aramco Group. While the Company will seek to maintain the same standards of service with other customers of the Company, the Company would remain dependent upon the Saudi Aramco Group for a majority of its business and revenues. Consequently, there is a risk that the Company may be unable to allocate sufficient resources to serve the shipping needs of customers other than the Saudi Aramco Group, which could adversely affect the Company's relationships with these customers. The loss of any of these other customers could adversely affect the revenues, profitability and results of operations of the Company.

2 - 1 - 6 Risks associated with the Contract of Affreightment

Under the terms of the Transaction, the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group (which member, as at the date of this Prospectus, is Bolanter) that are shipped from certain locations that Saudi Aramco uses to ship Crude Oil in accordance with the terms of the Contract of Affreightment., The Company will receive a minimum guaranteed rate for the provision of such shipping services from Bolanter where Long-Haul voyages are performed by Company-owned vessels in order to reduce the exposure of the Company to shipping rate volatility, particularly when shipping rates fall below such minimum guaranteed rate. Conversely, when shipping rates exceed an agreed threshold, the Company is required to reimburse a proportion of such excess to Bolanter for any payment it has previously received pursuant to the minimum guaranteed rate mechanism, limited to the amounts received by the Company. The Company has the benefit of the minimum guaranteed rate only in relation to Long-Haul voyages performed by the Company-owned vessels in accordance with the Contract of Affreightment. Consequently, if Bolanter fails to nominate sufficient cargoes that require Long-Haul voyages then the Company may not be able to realise the full benefit of the minimum guaranteed rate under the Contract of Affreightment. The Company believes that the disclosure of the actual minimum guaranteed rate and the agreed threshold rate in this Prospectus would not be in the best interests of the Company or its Shareholders as such information is highly commercially sensitive and could detrimentally affect the Company's competitive position in the shipping market because the disclosure of such rates may (a) have a negative impact on the Company's existing customers (including the Major Oil Companies) who may decide to do business with other shipping companies if the Company is unable to offer them similar rates; and (b) set a benchmark for the Company when entering into long- term shipping contracts in the future thereby preventing it from benefitting from an increase in the market shipping rates.

In addition, the Contract of Affreightment does not guarantee that the Saudi Aramco Group will be able to consistently nominate sufficient quantities of Crude Oil throughout the duration of the Contract of Affreightment which may result in the Company not being able to perform the full extent of shipping services envisaged under the Contract of Affreightment. This may occur for a variety of reasons including a decrease in worldwide demand for Crude Oil, rising domestic production of oil in countries like the USA that could lead to reduced demand for Crude Oil from such countries, expanding pipeline and rail capacity to coastal refining hubs and geopolitical risks in the Middle East which could have an adverse effect on the Kingdom's economy. This could affect the Company's expected revenues which may have a material adverse effect on its business prospects, financial position and results of operations.

- Lastly, under the Contract of Affreightment, the Company will nominate the vessels to be used for loading the Crude Oil cargoes nominated by the Saudi Aramco Group in accordance with specific criteria set out in the agreement including, approval by the loading and discharging terminals, suitability to carry the nominated cargo, approval by Bolanter's vetting department, the vessel being free from arrest or detention and the vessel must not be owned, managed or operated by a party that is subject to sanctions by either the European Union or the law of any jurisdiction implementing a United Nations resolution or by the United States Office of Foreign Assets Control. If the Company does not provide a valid nomination to Bolanter, and subsequently fails to nominate a suitable alternative vessel, Bolanter shall not be obliged to ship that nominated cargo under the Contract of Affreightment and shall be free to make alternative arrangements for the carriage of such cargo. There is a risk that the Company may be unable to nominate such a compliant vessel in the timeframe specified in the Contract of Affreightment or nominate an alternate compliant vessel.

The risks described above would result in the Company not receiving the full benefit of the exclusivity arrangements under the Contract of Affreightment. This could affect the Company's revenues which may have a material adverse effect on its business prospects, financial position and results of operations.

2 - 1 - 7 Disposal of the Consideration Shares by SADC

Under the terms of the Transaction, SADC is not subject to any contractual restrictions in the Transaction Documents in relation to the disposal of the Consideration Shares once such shares have been issued to it. If SADC were to dispose of some or all of the Consideration Shares, there is a risk that the Saudi Aramco Group may have less of an interest in the growth and development of the Company as they would hold fewer (or even no) Shares in the Company and may not continue to support the long-term aspirations of the Company. This may adversely impact the relationship between the Saudi Aramco Group and the Company which could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2 - 1 - 8 Volatility in the Share Price

As the Transaction has been mentioned in the press and media on several occasions since 7/8/1433H (corresponding to 27/6/2012G) when the Company first announced the signing of the MoU and the possible transaction with Vela, it is expected that the market may have an increased awareness of both the Company and the Transaction. This could result in there being an increase or decrease in the demand for the Shares which could result in increased volatility in the market price of the Shares pending Final Completion. Furthermore, the market price of the Shares may decline if:

- the integration of the Target Assets within the Company's operations is unsuccessful;
- the Company does not achieve the expected benefits of the Transaction as rapidly or to the extent anticipated by financial analysts or investors; or
- the effect of the Transaction on financial results is not consistent with the expectations of the Company's management, financial analysts or investors.

2 - 1 - 9 The fixed price for the Consideration Shares may not reflect market value

The Consideration Shares are being issued at an agreed value of SAR 22.25 per Share rather than the market value of such Shares at the time they are issued. Accordingly, the market value of the Shares at First Completion may vary significantly from the agreed value of SAR 22.25 per Share and/or the price per Share at the close of trading on the Exchange at the date of this Prospectus.

2 - 1 - 10 Disruption to the Company's business

Whether or not the Transaction is completed, the various announcements by the Company in relation to the Transaction since 27 June 2012G, including the announcement of the execution of the Transaction Agreements on 5 November 2012G, could have caused, and continue to cause, disruption in the business of the Company, specifically:

- uncertainty as to whether the Transaction will be completed may affect the Company's ability to retain, and attract, customers;
- the attention of the Company's management may be diverted from the operations of the Bahri Group towards Final Completion and, subsequently, the integration of the Target Assets as described above; and
- current and prospective employees may experience uncertainty about their future roles within the Bahri Group, which might adversely affect the Company's ability to retain or recruit key personnel and other employees.

Such risks may increase if First Completion is delayed and/or Final Completion is pending for a long period of time. If the Company fails to manage these risks effectively, its revenues, profitability and results of operations could be adversely affected.

2 - 1 - 11 Decrease in preference for Delivered Basis cargoes

The Company's exclusivity arrangement with the Saudi Aramco Group is only in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group (which member, as at the date of this Prospectus, is Bolanter) that are shipped from certain locations that Saudi Aramco uses to ship Crude Oil in accordance with the terms of the Contract of Affreightment, and not in relation to Crude Oil cargoes sold by the Saudi Aramco Group that are not sold on a Delivered Basis. Non-Delivered Basis of shipment means that the Company will not be required to transport the relevant cargoes from the port of discharge to the relevant storage location. Consequently, any decrease in the volumes of Crude Oil cargo shipments falling within the scope of the exclusivity arrangement, through a decrease in preference for Delivered Basis Crude Oil cargoes from the Saudi Aramco Group could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2 - 1 - 12 Risks related to Shareholder and regulatory approvals

First Completion is still subject to approval by MOCI to convene the Transaction EGM and approval of the Transaction by the Shareholders at the Transaction EGM (for further details, see 1.8, "Conditions to First Completion"). If such approvals are not forthcoming, or not forthcoming in a timely manner, this may prevent or delay First Completion. Any delay or prevention in the consummation of the Transaction may diminish anticipated benefits or may result in additional transaction costs which may negatively affect revenues, profitability and results of operations.

2 - 1 - 13 There are limited circumstances in which the BAPA may terminate following First Completion

From the First Completion Date to the Final Completion Date, the BAPA will terminate if a Force Majeure Event continues for more than ninety (90) days after one party notifies the other that such event has occurred irrespective of whether the Company has received all of the Vela Vessels, unless the Company, Vela and SADC agree otherwise. In such case, if the Force Majeure Event occurred and, as a result, the BAPA terminates between the First Completion Date and the Final Consideration Share Vessel Transfer Date and Vela had transferred an insufficient number of Vela Vessels to the Company in value equal to the value of the Consideration Shares, the Company will issue such number of Consideration Shares to SADC corresponding to the aggregate value of the Vela Vessels that have been transferred to the Company prior to such termination. In addition, if there is a total loss of any Vela Vessel following First Completion but prior to its transfer to the Company, Vela will not be required to deliver such vessel to the Company and the Cash Consideration payable by the Company to Vela shall be reduced by an amount equal to the agreed value of the relevant Vela Vessel.

If there is a total loss of any Vela Vessel following First Completion but prior to its transfer to the Company, the BAPA provides for an adjustment to the Cash Consideration to be made to reflect the agreed value of the relevant Vela Vessel. Accordingly, the Transaction would proceed to Final Completion but the Company would have received fewer vessels from Vela and, as a result, have a smaller fleet of vessels than anticipated. Consequently, the Company may not have a sufficient number of vessels to provide the services under the Shipping Agreements in a cost effective manner. This could affect the anticipated benefits of the Transaction that the Company envisaged when entering the Transaction, which could have a material adverse effect on the Company's revenues, profitability and results of operations.

2 - 1 - 14 Risks related to delayed completion of delivery of the Target Assets

The transfer of the legal ownership of each of the Vela Vessels will occur on a staggered basis to the Company (or its nominee) over approximately six months starting from First Completion. It is possible that the transfer of all the Vela Vessels will not be completed within this six month period – for example, if one of the Vela Vessels suffers damage prior to being transferred to the Company which is required to be remedied by Vela, or where either the Company or Vela fails to perform its obligations in relation to the transfer of a Vela Vessel in accordance with the delivery schedule for such Vela Vessel – which will result in an extension to the overall timeframe for the Company to become the owner of all of the Vela Vessels. Consequently, the Company may not realise the anticipated benefits of the Transaction in the timeframe it envisaged when entering the Transaction, which could have a material adverse effect on the Company's revenues, profitability and results of operations.

If First Completion does not occur before the Longstop Date (which is 4/10/1435H (corresponding to 31/7/2014G)) and the Company and Vela do not agree on an extension to such date, then the BAPA and, in turn, the Transaction will automatically terminate in accordance with its terms. Consequently, the Company will not realise the anticipated benefits of the Transaction, which could have a material adverse effect on the Company's revenues, profitability and results of operations.

Where one of the Vela Vessels is not transferred from Vela to the Company within approximately six months from First Completion, except in the event of a Force Majeure Event or total loss of or significant damage to a Vela Vessel (which is covered under the Transaction Agreements), the party who is not responsible for such delay shall be entitled to bring a claim against the other party for a breach of its obligations under the BAPA. Under the terms of the BAPA, if the dispute cannot be resolved by amicable negotiation between Vela and the Company within 30 days of such dispute being notified to the other party, either the Company or Vela may refer the dispute to arbitration in accordance with the rules of the London Court of International Arbitration. Any such claim against either Vela or the Company by the other party could be detrimental to the relationship between Saudi Aramco and the Company and may have a material adverse effect on the Company's revenues, profitability and results of operations.

2 - 1 - 15 Risks related to the costs of the Transaction and of integrating the Target Assets

The Company expects to incur a number of non-recurring costs associated with the Transaction and integrating the Target Assets and personnel into its fleet and operations, including fees to financial, accounting and legal advisers and other related costs. Such fees and expenses are currently expected to be approximately SAR 51,000,000 (equivalent to US$13,600,000). Around 40% of this amount relates to the costs incurred by the Company in respect of entering into the necessary financing arrangements to fund the Cash Consideration (Section 1.13 "Financing Arrangements") while the remaining relates to the fees of the financial advisers, legal advisors to the Company, reporting accountants, media and public relations consultants and fees paid to J.P. Morgan Chase Bank, N.A., London Branch as the Cash Escrow Agent in relation to the Cash Consideration. If the Transaction is delayed, the actual costs incurred in connection with the Transaction and the integration will be more than expected. If the Transaction does not complete, these fees and costs will not be recoverable and as such they could negatively affect revenues, profitability and results of operations. Furthermore, if the integration is not successful, the Company will not realise the anticipated benefits of the integration and will, therefore, fail to offset these integration costs over time.

2 - 1 - 16 Risks related to the possible impairment of the intangible asset relating to the Shipping Agreements

The Transaction will result in the Company recording its assessment of the long-term value of the Shipping Agreements in its balance sheet as an intangible asset. The Shipping Agreements have an initial term of 10 years, terminable by either party giving not less than five years' notice at any time after the fifth anniversary of the relevant Shipping Agreement becoming effective which will be the date the first Vela VLCC is delivered to the Company pursuant to the BAPA. The Company expects the value of the intangible asset to be amortised over a period of 16 years which is the expected lifespan of the VLCCs being purchased by the Company under the Transaction according to the Company's accounting policy in recording the estimated useful life of fixed assets and its depreciation. There is a risk that the Company might have to perform an impairment assessment on the value attributed to such intangible asset and consequently accelerate the amortisation expense of this intangible asset should the Shipping Agreement be terminated any time after its initial term of 10 years but before the end of the estimated amortisation period of 16 years. As the relevant party needs to provide five years' notice in order to terminate the relevant Shipping Agreement, the increase in the amortisation expense is expected to occur over such five year period rather than in one year. As such, there is a risk that the Company's asset base could be impaired which may materially affect the Company's revenues, profitability and results of operations

2 - 1 - 17 The Company's earnings and cash flows are affected by the performance of the tanker industry

The tanker industry is both cyclical and volatile in terms of charter rates and profitability. The recent global financial crisis, and any continued financial crisis, may have an adverse effect on the Company's ability to re-charter its vessels or to sell them on the expiration or termination of their charters. Fluctuations in charter rates and tanker values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products. The factors affecting the supply and demand for tankers are outside of the Company's control and the nature, timing and degree of changes in the conditions of the tanker industry are unpredictable.

Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price, supply and demand for tanker capacity. The current global financial crisis may further reduce demand for transportation of oil over longer distances and the supply of tankers to carry that oil, which may materially affect the Company's revenues, profitability and results of operations.

2 - 1 - 18 The Company will be partially dependent on spot charters and substantial fluctuations in spot charter rates in the future may adversely affect the Company's earnings

In accordance with the terms of the Contract of Affreightment, the Company will have exclusivity in relation to the carriage of all VLCC-sized Crude Oil cargoes sold on a Delivered Basis by members of the Saudi Aramco Group (which member, as at the date of this Prospectus, is Bolanter) that are shipped from certain locations that Saudi Aramco uses to ship Crude Oil. The Company expects the Saudi Aramco Group's shipping requirements for Crude Oil sold on a Delivered Basis to require the use of around 50 VLCCs. The Company intends to satisfy its obligations under the Contract of Affreightment by employing its own fleet in an efficient manner through optimisation of trade routes and revenues as well as spot and medium term chartering-in of a number of VLCCs.

Although spot chartering is common in the tanker industry, the spot charter market may fluctuate significantly based upon tanker and oil supply and demand. The Company's ability to procure competitive spot charter rates for the vessels it needs to charter-in to perform its obligations under the Contract of Affreightment will depend upon, among other things, obtaining profitable spot charters and minimising, to the extent possible, the time spent waiting for charters. The spot charter market is highly volatile, and, in the past four years, there have been periods when spot charter rates have declined below the operating cost of vessels. However, there is a risk that if spot charter rates increase in the future, the Company may not get the most profitable spot market rates which could result in increased costs for the Company. This may have an adverse effect on the Company's revenues, profitability and results of operations.

2 - 1 - 19 Acts of piracy on ocean-going vessels have recently increased in frequency

Acts of piracy have historically affected ocean-going vessels trading in certain regions of the world, such as the South China Sea and the Gulf of Aden off the coast of Somalia. Throughout 2008 and 2009, the frequency of piracy incidents against commercial shipping vessels increased significantly, particularly in the Gulf of Aden. If acts of piracy result in the regions in which the Company's vessels operate being characterised as "war risk" zones by insurers, the insurance premiums payable could increase significantly, or become more difficult to obtain (for further details, see Section 2.2.11 "Insurance Risks"). In addition, the characterisation of regions as "war zones" may result in an increase in crew costs, including costs in connection with employing onboard security guards. The Company may not be adequately insured to cover its losses from acts of piracy, which could have a material adverse effect on the Company's operations, revenues, profitability and results of operations.

2 - 1 - 20 Changes in the price of bunker fuels may adversely affect the Company's profits

The cost of bunker fuel is a significant expense in the Company's shipping operations, particularly in respect of those vessels employed in the spot market. An increase in the cost of bunker fuel can have a significant impact on the earnings of vessels operating in this market. With respect to the Company's vessels operating on a time-charter basis, whilst the charterer is generally responsible for the cost of bunker fuel, an increase in such cost may have an adverse effect on the charter rates that the Company is able to negotiate for its vessels.

The price and supply of bunker fuel is unpredictable and fluctuates based on events outside of the Company's control. Any sustained increase in the price of bunker fuels may have an adverse effect on the Company's revenues, profitability and results of operations.

2 - 1 - 21 If the Company's vessels suffer damage due to the inherent operational risks of the tanker industry, the Company may experience unexpected Dry-docking costs or delays

The Company's vessels and their cargoes are exposed to the risk of being damaged or lost due to the occurrence of marine disasters, bad weather, mechanical failures, grounding, fire, explosions and collisions and other events. In the event that a vessel suffers damage, it may need to be repaired at a Dry-docking facility. The costs of Dry-docking repairs are unpredictable and may be in excess of the amount covered by the Company's insurance. If a vessel is required to undergo unplanned maintenance or repairs, the Company may suffer a loss in revenue. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect the Company's business, financial condition and results of operations.

2 - 1 - 22 Financing risk and funding requirements

The Company has certain finance facilities currently in place and plans to enter into new finance arrangements for the purposes of funding the Cash Consideration payable to Vela. These debt arrangements are, and will be, subject to restrictive covenants which could have consequences that could shape the future direction of the Company's business operations (for further details of the Company's financing agreements see Section 12.2 "Legal information relating to the Company"). The level of the Company's indebtedness, and the associated restrictive covenants imposed on the Company under the terms of its financing facilities, have important ongoing consequences for the Company, including:

- limiting the ability to obtain additional debt financing which is not already envisaged by the Company's management and its financing banks for working capital, capital expenditures or acquisitions;
- potentially limiting the Company's flexibility to react to competitive and other changes in its industry and economic conditions generally; and
- limiting cash flow available for general corporate purposes.

The occurrence of any of these events could have a material adverse effect on the Company's business revenues, profitability and results of operations.

2 - 1 - 23 Risks related to developing and growing the Company's business

There is no guarantee that the Company's business will grow to reflect the strategy set by the Board of Directors. Growth depends on several factors, including the Company's ability to manage its business effectively, retain key employees and customers after completion of the Transaction and the existence of favourable market conditions to grow the Company's business. The occurrence of any of these risks could have a material adverse effect on the Company's business revenues, profitability and results of operations.

2 - 1 - 24 Dependence on Key Personnel

The Company is dependent on the abilities and experience of its Senior Officers and other key personnel, both in administrative and operational areas. Although the Company has undertaken various initiatives and measures to retain and attract employees, it cannot guarantee that they will succeed which could have a material adverse effect on the Company's business revenues, profitability and results of operations.

2 - 1 - 25 Ability to maintain high-standards of Operations

The Company's ability to maintain its existing customer base, win new customers and avoid liability to its customers is dependent on its ability to maintain very high standards of operations and efficient deployment of its fleet of vessels. There is no certainty that such standards will be maintained in the future. There is also a possibility that vessels owned by the Company suffer damage or are lost due to, for example, marine disasters, bad weather, fire or explosions. This could have a material adverse effect on the operational efficiency of the Company, particularly if it results in a considerable decrease in the size of the Company's fleet of operational vessels. This could result in existing contracts with customers being terminated and/or the Company being unable to win new customers which could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2 - 1 - 26 Saudization

As of 31 December 2013, approximately 61.83 per cent. of the Company's employees based in Saudi Arabia were Saudi nationals. In the spring of 2011, the Ministry of Labour launched the "Nitakat" programme which has been designed to encourage companies to recruit Saudi nationals and to gradually increase the percentage of Saudi nationals in their workforce. Under the "Nitakat" programme, a company's compliance with the Saudization requirements is measured against the percentage of Saudi nationals in its workforce compared to the average percentage of Saudization at companies operating in the same sector. The companies are categorised into the following four categories:

- the Red Category;
- the Yellow Category;
- the Green Category; and
- the Premium Category.

Companies falling within the Red Category are considered the least compliant with the required Saudization percentages, whereas companies falling within the Premium Category are considered the most compliant with the required Saudization percentages. The current percentage of Saudi employees at the Company places it in the Premium Category, meaning it is compliant with the requirements of the "Nitakat" programme. However, there is no guarantee that the Company will be able to recruit and retain the same percentage of Saudi nationals and, as such, may fall short of continuing to comply with the requirements of the "Nitakat" programme in the future. If the Company fails to do so, it may be categorised as falling within the Yellow or even the Red Categories (depending on the extent to which it is non-compliant with the "Nitakat" programme). In such an event, the Company will be subject to a number of sanctions, including:

- the suspension of the Company's applications for work visas;
- the suspension of the Company's applications to transfer the sponsorship of an employee or a potential employee;
- the Company's expatriate employees will be prevented from changing their occupation in their work visas;
- the Company may not open files for its entities with the Ministry of Labour; and
- the Company's expatriate employees may transfer their employment and work visas to companies falling under the Green and Premium Categories without the Company's consent.

The occurrence of all or any of the above events could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2 - 1 - 27 Insurance Risks

The Company has a number of insurance policies to cover its vessels and related operations, such as protection insurance liability cover up to US$7 billion (for further details, see Section 12.2 "Legal information relating to the Company"). In addition, the Company will enter into insurance policies in respect of the Vela Vessels to take effect from each relevant Completion because the existing insurance policies relating to the Vela Vessels held by Vela will not be transferred to the Company along with the relevant Vela Vessels. The Company and the Vela Vessels may become subject to risks against which the Company is not insured adequately or at all or cannot insure. The Company's existing policies contain certain exclusions and limitations on coverage. In addition, the Company's insurance policies may not continue to be available. Moreover, future insurance policies, including those in relation to the Vela Vessels, may not be available at economically acceptable premiums. Furthermore, the Company's insurance policies in the future, including those in relation to the Vela Vessels, may not cover the extent of claims brought against the Company or its vessels. Therefore, there is a risk that losses and liabilities from uninsured or underinsured risks may significantly increase the Company's costs and could have an adverse effect on the Company's revenues, profitability and results of operations.

2 - 1 - 28 Licences and Permits

The Company is required to obtain and maintain appropriate licences, permits and regulatory consents in respect of its activities. For further details of the Company's licences and permits, see Section 12.2 "Legal information relating to the Company".

Some of the Company's licences are for a limited duration and must be renewed periodically. In addition, most of the Company's licences provide that the Company may be subject to financial penalty, or the relevant licence may be suspended or terminated (following a warning), if the Company fails to comply with the requirements of the relevant licence. Furthermore, when a licence is sought to be renewed or amended there can be no guarantee that the relevant authority would be prepared to renew or amend the scope of the relevant licence, or that if it were to do so that it would not impose conditions that were unfavourable to the Company. Whilst the Company believes that it has obtained the appropriate licences for its activities, there can be no guarantee that additional licences may not be required in the future. The failure to obtain, or comply with, all necessary licenses and permits could have a material adverse effect on the Company's revenues, profitability and results of operations.

2 - 2 Risks Related to the Market

2 - 2 - 1 Risks related to the Global Economy

The Company has and will continue to have a large exposure to the global oil shipping market. As such, the Company's business and financial performance is heavily dependent on the level of activities in the global trade volumes and the import and export volumes of oil which are based on the worldwide consumer demand for oil. The Company's results of operations are also affected by the economies of the regions in which the Company operates which include the Arabian Gulf, the Far East, USA and West Africa. The demand for oil and related products in these regions is, in turn, closely linked to the regional economies and consequently a poor economic outlook for any of these regions can result in a reduction in demand for oil and related products. In addition, the demand for oil shipments can be affected by a variety of factors including rising domestic production of oil in countries other than KSA and expanding pipeline and rail capacity to coastal refining hubs. Any potential growth in demand for crude oil cargoes are significantly affected by changes in global and regional economic, financial and political conditions that are outside of the Company's control, including as a result of the imposition of trade barriers, sanctions, boycotts and other measures, significant variations in the exchange rates applicable to currencies in the regions in which the Company operates, trade disputes and work stoppages, particularly in the transportation services industry, and acts of war, hostilities, natural disasters, epidemics or terrorisms. A significant reduction in the level of demand for oil and related product shipments could adversely affect the Company's business, financial condition and results of operations, as well as the Company's future growth.

Furthermore, China's crude oil imports have continued to be on the rise and has increased by 10 per cent. in 2011G alone compared to earlier years. Since 2011G, nearly 50 per cent. of China's crude oil imports have been sourced from the Middle East with Saudi Arabia, Iran and Iraq contributing the largest share. The number of VLCC cargoes on the Middle East to the Far East trade route increased 16 per cent. in the first half of 2012G compared to the same period in 2011G. This increasing demand for crude oil by China is a key contributor to the volumes of crude oil exports from Saudi Arabia. Consequently, there is a risk that a decrease in demand for crude oil products, produced in the Kingdom, from China could adversely affect the volumes of crude oil available for the Company to ship which could negatively impact the Company's business, financial condition and results of operations.

2 - 2 - 2 Competition

The shipping business is highly competitive and the Company faces competition from various shipping companies. This may affect the Company's revenues, profitability and results of operations. Whilst the Company will enjoy significant market share following completion of the Transaction, the Board anticipates that there will be further consolidation in the markets in which the Company will operate which may detract from some of the anticipated benefits of scale from the Transaction.

In addition, pursuant to the BAPA and the Relationship Agreement, each of Vela and Saudi Aramco respectively have provided an undertaking to the Company that save in the event of a national emergency, neither they nor any company over which they have board or voting control (or equivalent rights in a contractual joint venture) will compete with the Bahri Group in the business of owning, operating and/or chartering VLCCs for the carriage of Crude Oil produced in the Kingdom. However, there are certain limited circumstances (in addition to the occurrence of a national emergency), where a Saudi Aramco Group company may engage in a Competing Business, such as the entry into mergers, acquisitions and joint ventures subject to the satisfaction of certain procedures, the chartering of VLCCs for carrying fuel oil cargoes, the carriage of any hydrocarbon product or derivative other than Crude Oil and the servicing of vessels. In addition, neither any Saudi Aramco Group company, nor any joint venture in which any Saudi Aramco Group company has an interest, is precluded from undertaking a Competing Business which was undertaken by such Saudi Aramco Group company or joint venture prior to the Execution Date. Further, no Saudi Aramco Group company is precluded from (i) undertaking a Competing Business whose annual revenues comprise 15 per cent. or less of the total annual revenue of the relevant company or joint venture which is controlled by the relevant Saudi Aramco Group company which is undertaking such business or (ii) the acquisition of a target where the Competing Business comprises 15 per cent. or less of its annual revenues. However, if a Saudi Aramco Group company undertook a Competing Business with associated annual revenues which are more than 15 per cent. of the total annual revenues of such Saudi Aramco Group company, or if a Saudi Aramco Group company proposed to acquire all of or a controlling interest in a Competing Business with associated annual revenues which are more than 15 per cent. of the total annual revenues of the business being acquired, the relevant Saudi Aramco Group company shall notify the Company, and shall offer the Company a right of first refusal to acquire or participate in such Competing Business on terms to be agreed between the relevant Saudi Aramco Group company and the Company.

Consequently, there is a risk that Vela and/or Saudi Aramco may engage or continue to engage (as the case may be) in a Competing Business (in the limited scenarios described above) which could affect the market share of the Company and consequently affect the Company's revenues which may have a material adverse effect on its business prospects, financial position and results of operations.

2 - 2 - 3 Changes in the Foreign Exchange Policy

As at the date of this Prospectus, the SAR is pegged to the US$ at a fixed rate of SAR 3.75 to 1 US Dollar. Any changes in this fixed exchange rate or the removal of such fixed exchange rate for any reason (including, without limitation, changes in the monetary policies of the Government or the US Federal Reserve) could expose the Company to diverse fluctuations in exchange rates which may negatively impact the Company's business, financial condition and result of operations.

2 - 3 Risks Related to the Shares

2 - 3 - 1 Liquidity in the Share Price

The market price of the Share may be subject to wide fluctuations in response to a number of factors, Company specific or otherwise, such as economic conditions, variation in operating results, changes in financial estimates, recommendations by securities analysts, the operating and share price performance of other companies that investors may deem comparable to the Company, news reports relating to trends in the Company's markets or changes in Government regulations. These factors may adversely affect the trading price of the Shares regardless of the Company's operating performance. The continued listing of the Shares on the Exchange should not be taken as implying that there will be a liquid market in the Shares at all times and the market price of the Shares will reflect the underlying value of the Bahri Group.

2 - 3 - 2 Dividend Payment

The distribution of dividends by the Company will be dependent upon a number of factors, including the future profit, financial position, capital requirements, statutory reserve requirements, the amount of distributable reserves, available credit of the Company and general economic conditions and other factors that the Directors deem significant from time to time. Also, the Company's ability to declare and pay cash dividends on the Shares may be restricted by, among other things, covenants in any credit facilities that the Company may enter into in the future, the recovery of any accumulated losses in the future and provisions of Saudi Arabian law. Therefore, there can be no assurance that any future dividend will be paid, nor can there be an assurance as to the amount, if any, which will be paid in any given year.

2 - 3 - 3 Dilution

Immediately following the issue of the Consideration Shares to SADC, SADC will own 20 per cent. of the share capital of the Company, on a fully diluted basis. Consequently, SADC (and indirectly Saudi Aramco as the ultimate shareholder of SADC) will be a significant new shareholder in the Company and the percentage holding of each Shareholder in the Company will be diluted. Whilst the number of Shares held by each Shareholder will not change, the percentage ownership that those Shares represent in the Company will reduce and therefore each Shareholder's ownership interest in the Company will be diluted on a pro-rated basis resulting in a corresponding dilution in the voting power of each Shareholder.

2 - 3 - 4 Future sales by significant Shareholders of their Shares may affect the market price of the shares

Sales, or the possibility of sales, of substantial numbers of Shares by significant Shareholders following the Transaction could have an adverse effect on the market price of the Shares. In addition, under the Transaction Agreements, SADC will not be subject to any contractual restriction in relation to the disposal of the Consideration Shares once such shares have been issued to it. However, in accordance with the Listing Rules, any person who owns more than 10 per cent. of the issued share capital of a listed company, will need to seek approval from the CMA before they are able to dispose some or all of such shares. If, subject to the CMA's approval, SADC were to dispose of all or a substantial part of the Consideration Shares, this could create volatility in the share price of the Company. This could negatively affect the market value of the Company and could consequently have a material adverse impact on the Company's business, financial condition and result of operations.

In addition, if, subject to the CMA's approval (which, in the circumstances described in the paragraph above, is a requirement under the Listing Rules and not pursuant to the Transaction Documents), SADC were to dispose of some or all of the Consideration Shares, there is a risk that the Saudi Aramco Group may have a decreased interest in the growth and development of the Company as they would no longer be an investor in the Company and may not continue to support the long-term aspirations of the Company. This could potentially adversely affect the relationship between the Saudi Aramco Group and the Company which could have a material adverse effect on the Company's business prospects, financial position and results of operations.

2 - 4 Political, Regulatory and Environmental Risks

2 - 4 - 1 Political Risks

Shareholders should consider the geopolitical risks in the Middle East which could have an adverse effect on the Kingdom's economy, the Company's customers and/or the Company and its revenues, profitability and results of operations. Such risks could adversely impact the value of any investment in the Company.

2 - 4 - 2 The Company is subject to complex laws and regulations

The Company's operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which its vessels operate or are registered as well as regulations in Saudi Arabia. Compliance with such laws and regulations may require the installation of costly equipment or the implementation of operational changes which may affect the resale value or useful lives of the Company's vessels. The Company may incur additional costs in connection with compliance with existing and future legal and regulatory obligations which may include: costs relating to air emissions, such as greenhouse gases and emission of sulphur oxide from vessels. Any increase in the costs associated with compliance with laws and regulations could have a material adverse effect on the Company's revenues, profitability and results of operations. In addition, a failure to comply with such laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of the Company's operations.

2 - 4 - 3 Risk of losing bunker fuel subsidy

The Company, along with several other companies in the shipping sector in Saudi Arabia, currently receives the benefits of certain bunker fuel subsidies from the Saudi Arabian government pursuant to Ministerial Orders No. 8/890 of 20/05/1405H (corresponding to 10/2/1985G) and 8/690 of 08/08/1407H (corresponding to 7/4/1987G). If the ship is owned by a corporate entity, then in order for such ship to be eligible to receive the bunker fuel subsidy the corporate entity owning the relevant ship must be fully owned by Saudi nationals. There is a risk that any change in the regulations in Saudi Arabia relating to such bunker fuel subsidies could have a material adverse effect on the Company's revenues, profitability and results of operations. In addition, there is no guarantee that the Company could continue to avail of such bunker fuel subsidies particularly if there is any change in the Saudi Arabian government's policy either towards the Company (for example as a result of the Company not being fully owned by Saudi nationals) or more generally towards the shipping industry in Saudi Arabia.

In addition, the bunker fuel subsidy is also dependent on the availability of fuel with low sulphur content. Consequently, there is a risk that any reduction in the availability of such fuel for the Company may adversely impact the bunker fuel subsidy that the Company receives and consequently may have a material adverse effect on the Company's revenues, profitability and results of operations.

2 - 4 - 4 Environmental Risks

Environmental laws often impose strict liability for the remediation of spills and releases of oil and hazardous substances. As such, the occurrence of such a spill or release could subject the Company to liability, irrespective of whether the Company was negligent or at fault. An oil spill may also result in significant liability for the Company, including fines, penalties, criminal liability and remediation costs for natural resource damages under international laws, as well as third-party damages. Such an occurrence may also have an adverse effect on the reputation of the Company, which may result in decreased demand for the Company's services. The occurrence of any of these events could have a material adverse effect on the Company's revenues, profitability and results of operations.

The Company and the Board of Directors declare that so far as they are aware, as at the date of this Prospectus, there are no material risks relating to the Transaction and the related Capital Increase that may affect the decision of the Shareholders to approve the Transaction or the Capital Increase and that have not been described in this Section 2 (Risk Factors)

3. Valuation Analysis

A valuation analysis was carried out by the Financial Advisor in relation to the Target Assets and the related commercial arrangements, including the Shipping Agreements.

3 - 1 Methodology

The Company engaged a team of independent financial, legal and due diligence advisors who possess the expertise required to assist on a transaction of this nature.

For the purposes of its analysis, the Financial Advisor:

(i) reviewed certain publicly available business and financial information concerning the Company, Saudi Aramco, the Target Assets and the industries in which they operate;

(ii) compared the financial and operating performance of the Company and the Target Assets with publicly available information concerning the performance of certain other companies deemed relevant for this purpose by the Financial Advisor and a review of the current (as at the Relevant Date) and historical market prices of the Company's Shares and certain publicly traded securities of such other companies;

(iii) reviewed certain internal financial analyses and forecasts prepared by the management of the Company relating to the Company's own business and the business of the Target Assets; and

(iv) performed such other financial studies and analyses and considered such other information as deemed appropriate by the Financial Advisor for the purposes of its analysis.

The analysis was performed based upon due diligence conducted by the Company and certain of its Advisors since the Company signed the MOU setting out the principal terms of the Transaction. Such due diligence included:

1) Business and commercial diligence conducted by the Company
2) Legal and regulatory diligence conducted by Al Jadaan & Partners (which is now Clifford Chance Law Firm) and Clifford Chance
3) Financial and accounting diligence for the business plan conducted by KPMG.

In addition, the Financial Advisor held discussions with certain members of the management of the Company, Saudi Aramco and Vela with respect to the past and current (as at the Relevant Date) business operations of the Company and the Target Assets, the financial condition and future prospects and operations of the Company and the Target Assets and certain other matters believed by the Financial Advisor to be necessary or appropriate to its analysis.

The valuation analysis performed by the Financial Advisor primarily applied two investment banking valuation methodologies: a discounted cash flow ("DCF") methodology and a "through-the-cycle" firm value / EBITDA methodology, as explained to below.

Discounted Cash Flow Analysis

The discounted cash flow analysis depended primarily upon cash flow projections prepared by the Company's management for the Target Assets by reference to the related commercial arrangements, including the Shipping Agreements, and discounted them using the Company's weighted average cost of capital, as determined as a matter of judgment, to arrive at a range of valuations.

These cash flow projections were derived from a ship-by-ship operating model for each VLCC and product tanker and based on a number of factors, including the view of the Company's management with respect to routes, freight rates, deployment strategy, capital expenditure, dry-docking expenses and other costs, over a 10 year period.

The value of the Target Assets by reference to the related commercial arrangements, including the Shipping Agreements, after the tenth year of DCF was assessed by way of applying a "terminal value". For the purposes of determining the "terminal value", a "terminal growth rate" for the cash flows was selected assuming that a constant replacement of the fleet would be maintained to reflect the assumption that the Company would continue to run its operations and the Target Assets by reference to the related commercial arrangements, including the Shipping Agreements, on a going-concern basis.

A discount rate was then applied to those cash flow projections (both the ten years projection and the "terminal value") to reflect an assessment of the level of risk in achieving those projected cash flows over the relevant forecast period. The DCF analysis methodology considers the Target Assets, together with related commercial arrangements, including the Shipping Agreements, on an enterprise value basis. Based on these factors and on the basis of and subject to all matters referred to in this Section 3, the DCF range for the Target Assets and the related commercial arrangements, including the Shipping Agreements presented to the Board on the Relevant Date was SAR 6.37bn (equivalent to US$1.7bn) – SAR 7.5bn (equivalent to US$2.0bn), which represented the discounted value of projected cash flows expected by the management of the Company to be generated from deploying the Target Assets in transporting crude oil and products and in light of the related commercial arrangements, including the Shipping Agreements.

The DCF is one methodology used to assess a potential wide range of values for the Target Assets and the related commercial arrangements, including the Shipping Agreements, which was highly sensitive to the discounting assumptions. The enterprise value range for the Target Assets and the related commercial arrangements, including the Shipping Agreements presented to the Board on the Relevant Date, was based on the DCF methodology and a "through-the-cycle" firm value / EBITDA methodology. It may be noted that considering an enterprise value range for the Target Assets and the related commercial arrangements, including the Shipping Agreements as at the Relevant Date, solely by reference to the DCF-based analysis could result in a higher value range, although any such higher range would imply more subjective, intrinsic value, rather than market value. The Financial Advisor's view, as referred to in section 3.2 below, however, was based primarily on the two methodologies referred to above rather than the DCF methodology alone.

Through-the-cycle firm value/EBITDA analysis

Overview

A market multiples-based analysis provided a cross-reference for the DCF analysis. Given depressed market conditions for shipping companies as at the Relevant Date, a 'through-the-cycle' valuation methodology was considered to be a more meaningful benchmark as it is based on an average of multiples over a period of time which seeks to address potential data distortion which could arise due to the factors in the business cycle. For instance, in the sector in which the Company operates, the accuracy of spot trading multiples may become distorted by factors such as very thin earnings, with EBITDA sometimes being negative, and very high debt levels which can artificially raise valuation levels.

In this methodology (i.e. through-the-cycle), certain historical multiples over a long-term period of up to ten years were considered from the publicly available financial and operating performance for certain companies operating in the crude oil and products transportation sectors, which were deemed to be comparable to the Company and the Target Assets.

The FV/EBITDA multiples of the selected peer companies and their evolution have been used to select a range of multiples deemed relevant for the valuation of the Target Assets, together with the related commercial arrangements, including the Shipping Agreements. This range was then applied to the average five year forecasted EBITDA for the Target Assets, by reference to the related commercial arrangements, including the Shipping Agreements, which forecast was based on the financial analyses and forecasts prepared by the Company's management. This market multiples-based methodology takes into account the historical cyclicality as deemed by the Financial Advisor to be generally applicable in the shipping sector and may be seen as presenting a more 'normalised' approach to valuing the Target Assets, together with the related commercial arrangements, including the Shipping Agreements.

Crude oil transportation sub-sector

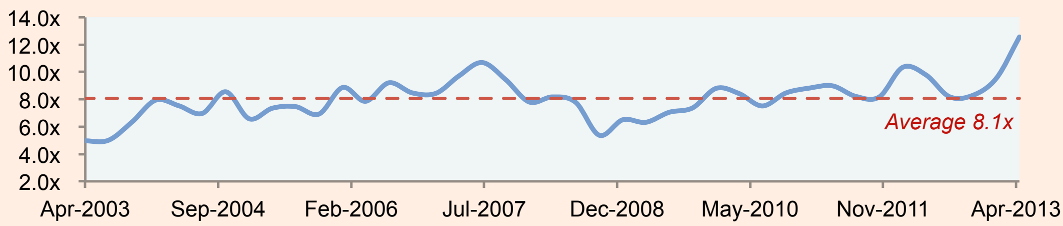
The companies used as comparables in the crude oil transportation sub-sector are: Frontline, Tsakos Energy, Euronav, Teekay Tankers, DHT and Knightsbridge. The table below summarises the crude oil firm values of such companies and the ten historical average FV/EBITDA multiples.

Crude oil transportation companies	Firm value (US$mm)[1]	FV/EBITDA 10 years
Frontline	1,426	8.9x
Tsakos Energy	1,457	8.2x
Euronav	1,341	6.6x
Teekay Tankers	758	9.2x
DHT	184	8.1x
Knightsbridge	244	8.8x
Average		8.1x

Source: FactSet

[1] As of 17 April 2013

The chart below illustrates the evolution of the FV/EBITDA multiples of the crude oil transportation sub-sector over the past ten years.



Source: FactSet as of 17 April 2013

Average includes Frontline, Tsakos Energy, Euronav, Teekay Tankers, DHT and Knightsbridge

Note multiples are since April 2003, except for companies which implemented an IPO later than that date

NTM = Next Twelve Months

FV/EBITDA = Firm (enterprise) value / earnings before interest, tax, depreciation & amortization

Products transportation sub-sector

The companies used as comparables in the products transportation sub-sector are: Capital Product Partners, D'Amico and Concordia Maritime. The table below summarises the firm values of such companies and the ten historical average FV/EBITDA multiples.

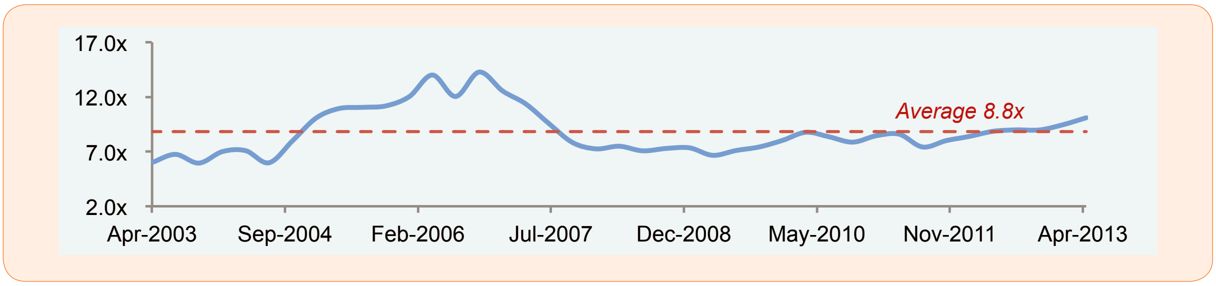
Products transportation companies	Firm value (US$mm)[1]	FV/EBITDA 10 years
Capital Product Partners	987	8.6x[2]
D'Amico	457	5.8x[2]
Concordia Maritime	323	9.8x
Average		8.8x

Source: FactSet

[1] As of 17 April 2013; [2] D'Amico data is only available since October 2007 and Capital Product Partners since July 2007

The chart below illustrates the evolution of the FV/EBITDA multiples of the products transportation sub-sector over the past ten years.

As shown in the below graph, average NTM FV/EBITDA evolution for the last 10 years



Source: FactSet as of 17 April 2013
Average includes Capital Products Partners, D'Amico and Concordia Maritime
Note multiples are since April 2003, except for companies which completed an initial public offering later than that date
NTM = Next Twelve Months
FV/EBITDA = Firm (enterprise) value / earnings before interest, tax, depreciation & amortization

Summary

The table below summarises the FV/EBITDA multiple ranges used in the crude oil and products transportation sub-sectors. As explained above, these ranges were then applied to the average five year forecasted EBITDA for the Target Assets, by reference to the related commercial arrangements, including the Shipping Agreements, which were prepared by the management of the Company.

	Low multiple range	High multiple range
Crude oil transportation	7.7x	8.7x
Products transportation	7.6x	8.6x
Blended multiple range	7.7x	8.7x

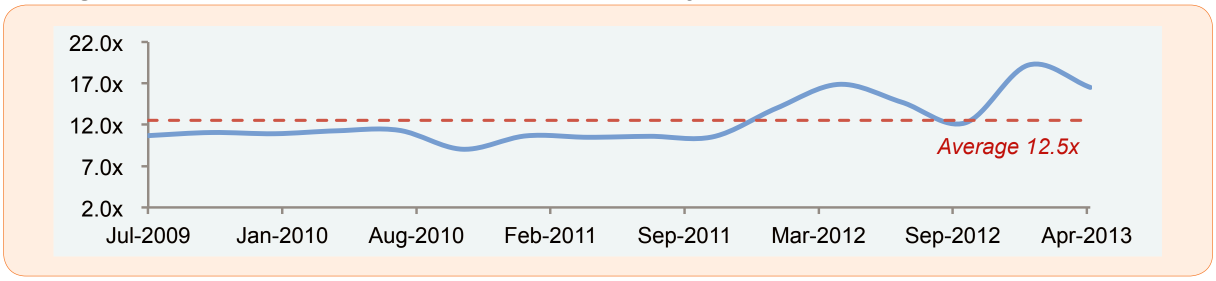
By way of comparison, the following table summarises the FV/EBITDA multiples average for the past four years for the Company.

	Firm value (US$mm)[1]	FV/EBITDA average since July 2009
Bahri	2,662	12.5x

Source: FactSet
[1] As of 17 April 2013

The chart below illustrates the evolution of the FV/EBITDA multiples of the Company over the past four years.

Average NTM FV/EBITDA evolution for Bahri since July 2009



Source: FactSet as of 17 April 2013
Note multiples are since July 2009, data before that date is not available
NTM = Next Twelve Months
FV/EBITDA = Firm (enterprise) value / earnings before interest, tax, depreciation & amortization

Inapplicability of historical multiples

Although the Target Assets have been operating within the Saudi Aramco group, the nature of the contracts under which they have been operating within Saudi Aramco is not reflective of the long term contracts, including the Shipping Agreements, agreed between the Company and Saudi Aramco in the Transaction which, as mentioned below, represents the primary driver for the parties to enter into the Transaction and a meaningful portion of the transaction value. Consequently, the assets' historical financial performance was deemed to have limited relevance in the context of the Transaction. As such, historical FV/EBITDA and P/E multiples are not, in the Financial Advisor's judgement, considered to be applicable for the purposes of its valuation exercise.

Fleet Value

Fleet value analysis may be considered as a reference point in shipping transactions when assets are acquired or sold. However, given the nature of the Transaction, the Company and the Financial Advisor concluded that this methodology is not relevant or applicable to valuation exercise for the reasons outlined below.

- Fleet value analysis does not capture the cash flows generated or the value attributed to the long term commercial agreements including the Shipping Agreements, which is the primary driver for the parties to enter into the Transaction and represents a meaningful portion of the transaction value.
- The information received relating to fleet values was provided by multiple third party sources, notably Saudi Aramco, Vela and international shipping brokers. Each third party source based its assessment on different assumptions and methodologies, which the Financial Advisor and the Company had no access to. Most notably, the different third party sources presented inconsistency of calculations and suffered from a lack of recent transactions on similar vessels to serve as a meaningful benchmark reference.
- The book value of a fixed asset is a historical accounting value based on the cost of the vessels at the time of acquisition and the estimated useful lives of the vessels. The acquisition cost of vessels can fluctuate over time driven by global market prices of steel and by the state of the commodity ocean transportation industry.

The datapoints obtained on fleet values are outlined below.

Source	Value (US$mm)
Net book value of Vela Vessels as of 30 June 2012	1,620
Appraisal value from Fearnleys as of 4th November 2012 report	975

In light of the above, the Financial Advisor did not take the fleet value into account in arriving at its view on the enterprise value range for the Target Assets and the Shipping Agreements as presented to the Board on the Relevant Date and presented below in paragraph 3.2. The Company has also not used fleet value in negotiating the agreed transaction value.

3 - 2 The Valuation

This section 3.2 should be read in conjunction with and on the basis of and subject to all matters referred to in section 3.1 (methodology) and section 3.3 (assumptions and basis for the valuation analysis).

On the basis of and subject to all matters referred to in this Section 3, the Financial Advisor's view, taking into account primarily the DCF analysis and the "through-the-cycle" market multiples-based analysis, as expressed to the Board on the Relevant Date, was that the Target Assets and the Shipping Agreements have the enterprise value range listed below:

Value range	SAR 4,875 million (equivalent to US$ 1,300 million)	SAR 6,375 million (equivalent to US$ 1,700 million)

This section should be considered in conjunction with the valuation report being made available for information purposes for inspection by Shareholders (as further set out in Section 14 "Documents available for Inspection"), and is not a substitute for considering the valuation report in its entirety.

The valuation analysis was provided solely for the benefit of the Board in connection with and for the purposes of its evaluation of the Target Assets and the Shipping Agreements on behalf of the Company in connection with the Transaction, and was not provided on behalf of, and does not confer any rights or remedies upon, any director, officer or employee of the Company, or any Shareholder, creditor or other holder of securities in the Company or any other person, and may not be used or relied upon the Board of Directors for any other purpose.

The issue price of SAR 22.25 per Consideration Share, being the price at which the Company agreed, subject to (among other things) the passing of the Transaction EGM Resolution, to issue the Consideration Shares to SADC, represents a premium of approximately 25% to the closing price on the Tadawul of SAR 17.80 per Share on 26 June 2012, being the last trading day prior to the announcement of the signing by the Company and Saudi Aramco of the MOU.

As referred to on page xxx of this Prospectus, the amount of Consideration of SAR 4,875,000,000 (equivalent to US$ 1,300,000,000) ultimately agreed to be paid was the outcome of lengthy commercial negotiations between the Company and Saudi Aramco, such amount being not lower than the enterprise value range provided, on the basis of and subject to the foregoing matters in this section 3, to the Company's Board of Directors on the Relevant Date. The table below provides a breakdown of the cash and share consideration for the Transaction:

Number of shares	78,750,000
Share price	SAR 22.25
Value of shares	SAR 1,752,187,500 (US$ 467,250,000)
Cash consideration	SAR 3,122,812,500 (US$ 832,750,000)
Total transaction value	SAR 4,875,000,000 (US$ 1,300,000,000)

3 - 3 Assumptions and basis for the valuation analysis

Key assumptions on which the valuation analysis was dependent, and which the Directors endorsed for the purposes of the Financial Advisor performing its valuation analysis, included: (i) all commercial arrangements, business and other contracts (including in particular, but without limitation, the Shipping Agreements) as required or anticipated by the Company's management in the Company's business plan and in the business plan for the Target Assets are already, or will be, and will continue to be at all relevant times, fully in place and properly maintained as envisaged by those business plans, (ii) the relevant operations for the Target Assets were viewed as similar, in operational business model terms, to the operations for the Company's VLCC business; (iii) adoption of the same or similar business plan assumptions, where appropriate, for operations common to both the Company and the Target Assets; and (iv) the Company continuing to run its operations and the Target Assets on a going-concern basis.

The valuation analysis was performed in reliance upon, and assuming, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with the Financial Advisor by the Company, Vela and Saudi Aramco or otherwise reviewed by or for the Financial Advisor, and no independent verification was performed by the Financial Advisor (and no responsibility or liability was assumed by the Financial Advisor for performing any independent verification) in relation to any such information or determining its accuracy or completeness. Accordingly, the Financial Advisor disclaims any responsibility or liability whatsoever resulting from any inaccuracies in or omissions from such information. The Financial Advisor did not evaluate the solvency of the Target Assets or the Company under any laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses, projections, assumptions and forecasts provided to the Financial Advisor or derived therefrom, the Financial Advisor assumed that they had been reasonably prepared based on assumptions reflecting the best estimates and judgments available as at the Relevant Date by the management of the Company as to the expected future results of operations and financial condition of the Target Assets and the Company to which such analyses, projections, assumptions or forecasts relate. The Financial Advisor expresses no view as to such analyses, projections or forecasts or the assumptions on which they were based and the Board of Directors confirmed that the Financial Advisor may rely upon such analyses, projections, assumptions and forecasts for the purposes of performing the valuation analysis.

The Financial Advisor is not a legal, regulatory, accounting or tax adviser and it relied on the assessments made by advisers to the Company with respect to such matters. The valuation analysis is necessarily based on economic, market and other conditions as in effect on, and the information made available to the Financial Advisor as of, the Relevant Date. Developments occurring after the Relevant Date may affect the valuation analysis and the Financial Advisor has assumed no obligation to update, revise or reaffirm the analysis since such date.

The valuation analysis does not constitute, and should not be considered to constitute, an opinion as to the fairness, whether from a financial point of view or otherwise, of the terms of the Transaction, including the Consideration and, in providing the analysis, no view is expressed by the Financial Advisor as to the underlying decision of the Company to engage in the Transaction, nor should the valuation analysis be considered as any indication of the price at which the Shares will trade at any time. Factors which may affect the value of the businesses of the Company and the Target Assets from the Relevant Date include (but are not limited to) the occurrence of any adverse change in the financial or physical condition, business, assets, liabilities, results of operations or prospects of the Company or of the Target Assets, respectively.

The Financial Advisor is party to terms of engagement which provide for payment of a fee by the Company in connection with its engagement and the Company has agreed to indemnify the Financial Advisor and its affiliates for certain liabilities arising out of its engagement. During the two years preceding the date of this Prospectus, the Financial Advisor and/or its affiliates have had commercial or investment banking relationships with Saudi Aramco for which the Financial Advisor and/or such affiliates have received customary compensation. Certain of the Financial Advisor's affiliates have arranged and/or provided financing to the Company and are providing certain escrow agent services, in each case in connection with the Transaction for customary compensation. In the ordinary course of their businesses, the Financial Advisor and its affiliates may actively trade the debt and equity securities of the Company for their own account or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities.

4. Market Overview

The Company appointed McQuilling in 2012G to conduct a study and prepare a report on the shipping industry and tanker market. McQuilling was founded in 1972G and is based in New York, USA. McQuilling is an independent consulting firm specialising in the shipping industry.

Unless expressly stated otherwise, the report prepared by McQuilling is the source of the information relating to the tanker market in this Section 4 "Market Overview". The study was conducted and the report was prepared by McQuilling in November 2012G and, therefore, it does not reflect market developments since that date. However, the Company believes that the information set out in this Section 4 has not changed significantly from such date and therefore, on balance, it still reflects the fundamentals of the tanker market as at the date of this Prospectus.

McQuilling has provided and not withdrawn its written consent for the use of its findings in this Prospectus. Neither McQuilling nor its employees or any of their relatives or affiliates has any shareholding or interest of any kind in the Company or any of its affiliates or related parties.

All percentages in the information in this section are rounded to the nearest whole number.

The information in the other parts of this Section 4 comes from publicly available sources in respect of the shipping industry and the tanker market. This includes a report titled "Review of Maritime Transport", Reports by the UNCTAD Secretariat, Geneva, Switzerland, 2011G which is available on the website of UNCTAD (www.unctad.org), a report titled "Coping with High Debt and Sluggish Growth" by the International Monetary Fund (IMF), October, 2012G which is available on the IMF's website (www.imf.org). In addition, information set out in the website of the US Energy Information Administration (www.eia.gov) and the IMO – International Maritime Organization (www.imo.org) were also used amongst other sources.

4 - 1 Tanker Market

Tankers are ships designed to transport liquids in bulk, by way of the seaborne movement of cargo. They transport a wide variety of liquid cargoes such as crude oil and petroleum products, chemicals, water and vegetable oil. Historically, both in terms of the value and volume of cargo, the transportation of crude oil, petroleum and petroleum products has been one of the most important and recognizable tanker trade. Crude and crude products contributed 33 per cent. to the total global seaborne trade in 2011G, as illustrated in the table below.

Table 4-1: World Seaborne Trade, Selected Years in Billion Ton Miles: 1970 – 2011

	Crude	Products	Five Main Dry Bulks*	Other Dry Cargoes	World Total~
1970	53 per cent.	8 per cent.	19 per cent.	20 per cent.	10,654
1980	50 per cent.	6 per cent.	22 per cent.	22 per cent.	16,777
1990	38 per cent.	6 per cent.	32 per cent.	24 per cent.	16,440
2000	36 per cent.	6 per cent.	29 per cent.	30 per cent.	22,927
2001	35 per cent.	6 per cent.	29 per cent.	30 per cent.	23,131
2002	33 per cent.	6 per cent.	29 per cent.	31 per cent.	23,516
2003	34 per cent.	6 per cent.	29 per cent.	32 per cent.	24,778

	Crude	Products	Five Main Dry Bulks*	Other Dry Cargoes	World Total~
2004	31 per cent.	5 per cent.	34 per cent.	30 per cent.	28,196
2005	31 per cent.	6 per cent.	32 per cent.	31 per cent.	28,376
2006	30 per cent.	6 per cent.	33 per cent.	31 per cent.	30,058
2007	29 per cent.	6 per cent.	34 per cent.	31 per cent.	31,425
2008	28 per cent.	6 per cent.	34 per cent.	31 per cent.	32,746
2009	28 per cent.	6 per cent.	36 per cent.	30 per cent.	32,083
2010	28 per cent.	6 per cent.	37 per cent.	29 per cent.	34,668
2011	27 per cent.	6 per cent.	37 per cent.	30 per cent.	36,953

* Iron ore, grains, coal, bauxite/alumina and phosphate; ~ Billion Ton Miles

Source: "Review of Maritime Transport", Reports by the UNCTAD Secretariat, Geneva, Switzerland, 2011

Demand for marine transportation and energy are both related to world economic growth. Economic growth requires and drives higher energy consumption. In terms of the global energy mix, petroleum is the primary source of energy and therefore demand for crude oil and petroleum products grows with a growing global economy. This correlation is strongest in developing countries where energy use is centered in industrial development.

Marine transportation demand arises from the energy consumption requirements of regional economies combined with geographically disparate sources of supply. This drives the demand for tankers which are used for transportation of crude petroleum and petroleum products from source regions to consuming regions. The figure below illustrates the gross domestic product ("**GDP**") growth rate across select countries:

Figure 4-1: Global GDP growth Rates: Advanced and Emerging Economies, 2010 – 2012

Source: "Coping with High Debt and Sluggish Growth." International Monetary Fund (IMF) October 2012

4 - 2 Saudi Oil and Transportation Market

4 - 2 - 1 Saudi oil market

Saudi Aramco is the state-owned oil company of the KSA. It manages the world's largest proven conventional crude oil and condensate reserves of approximately 259.7 billion barrels as at 2011G, representing approximately 17 per cent. of the world's 2011G proven crude oil reserves, and the world's fourth largest natural gas reserves of approximately 282.6 trillion standard cubic feet, or approximately 4 per cent. of the world's 2011G proven natural gas reserves.[5]

In 2011G, Saudi Aramco produced 9.1 million barrels per day of crude oil through its main oil facilities in Abqaiq, Haradh, Khurais, Khursaniyah, Nuayyim, Qatif and Shaybah. Of this, Saudi Aramco exported on average 6.4 million barrels daily or approximately 70 per cent. of its production. The Far East was the main importer of Saudi crude oil (54.7 per cent.), followed by the USA (16.0 per cent.), the Mediterranean (7.1 per cent.) and Europe (4.9 per cent.).[6]

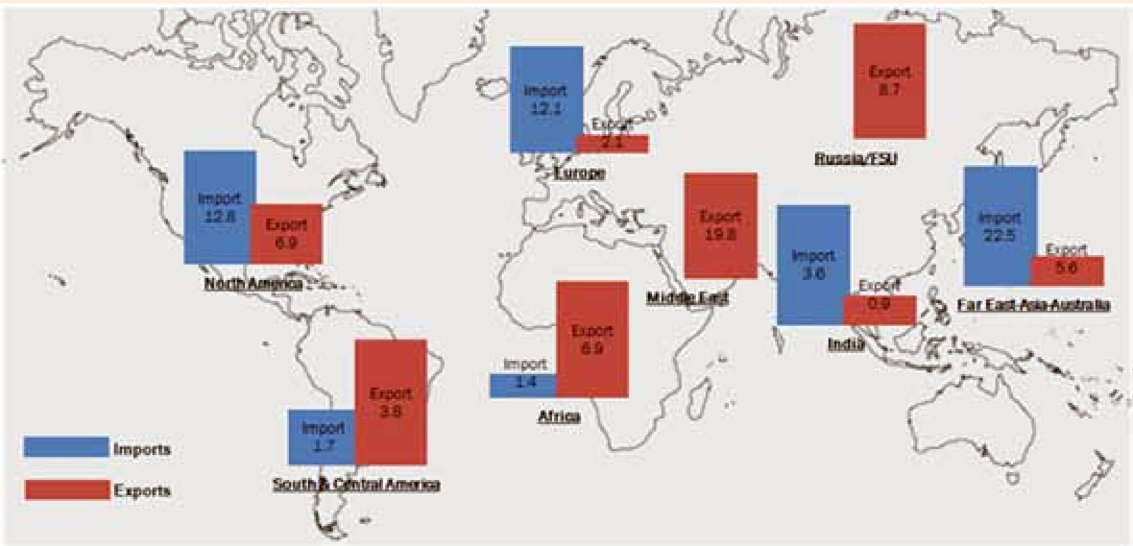
4 - 2 - 2 Saudi oil transportation market

The Saudi Arabian oil transportation market is therefore closely linked to Saudi Aramco's oil production and exports. According to McQuilling's report, approximately 70 to 90 per cent. of Saudi Aramco's export volumes are sold on a FOB basis. For the remaining export volumes sold on a Cost, Insurance and Freight basis, Vela has been the primary provider of shipping services to Saudi Aramco.

4 - 3 Oil Tanker Demand

Demand for oil tankers is a function of several factors, including world oil demand and supply (which affects the amount of crude oil and refined products transported in tankers), and the relative locations of oil production, refining and consumption (which affects the distance over which the oil or refined products are transported). The figure below illustrates the major petroleum exporting and importing regions in the world.

Figure 4-2: Crude & Products Inter-Regional Movements, 2011 (Million Barrels per Day)



Source: BP Statistical Review of World Energy, 2012

5 Source: Saudi Aramco website; Guggenheim Securities report April 2012; OPEC's Annual Statistics Bulletin 2012
6 Source: Aramco website; Guggenheim Securities report April 2012; OPEC's Annual Statistics Bulletin 2012

The table below illustrates the inter-regional movements of crude oil and related products in 2011G:

Table 4-2: Crude & Products Inter-Regional Movements, 2011 (Thousand Barrels per Day)

	TO:							
FROM:	North America	South & Central America	Europe	Africa	Far East-Asia-Australia	India	Rest of World	Exports
North America	4,681	892	690	73	409	51	68	6,864
South & Central America	2,293	0	354	2	797	315	2	3,763
Europe	850	74	0	594	312	11	224	2,065
Russia/FSU	759	27	6,039	8	1,642	20	194	8,688
Middle East	2,043	121	2,543	524	12,294	2,224	2	19,750
Africa	2,016	314	2,163	0	1,667	750	15	6,925
India	48	73	159	101	481	0	12	875
Far East-Asia-Australia	129	182	138	87	4,862	207	43	5,648
Imports	12,819	1,683	12,086	1,389	22,464	3,579	560	54,579

Source: BP Statistical Review of World Energy, 2012

Tanker demand is measured by the tons of cargo carried multiplied by the length of the voyage in miles. Oil tanker demand is characterised by a variety of parameters. These include the type of cargo required to be transported and the ships capable of doing so; the parcel size of the cargo which is a function of the trade and is driven either by custom or any constraints at the loading or discharging port; the frequency of the demand for delivery of the cargo; and the various locations worldwide at which the cargoes are to be loaded and discharged which will in turn influence the number and variety of trade routes. These parameters are also a function of time which means that tanker operators need to focus on fleet optimization to extract maximise efficiency.

4 - 3 - 1 Types of tanker vessels

Tankers are categorised depending on their DWT and their cargo carrying capacity. Tanker demand can be categorised into five primary sectors based on the type of tanker which are:

- VLCC-sized tankers
- Suezmax tankers
- Aframax tankers
- Panamax tankers
- Medium Range tankers

The following table sets out some of the key specifications of such tankers:

Table 4-3: Tanker Size Classes

Vessel Class	Description	Deadweight Range (tons)	Capacity (000 barrels of oil)
VLCC	Very Large Crude Carrier	200,000 To 319,999	2,000
Suezmax	Crude Carrier	120,000 To 199,999	1,000

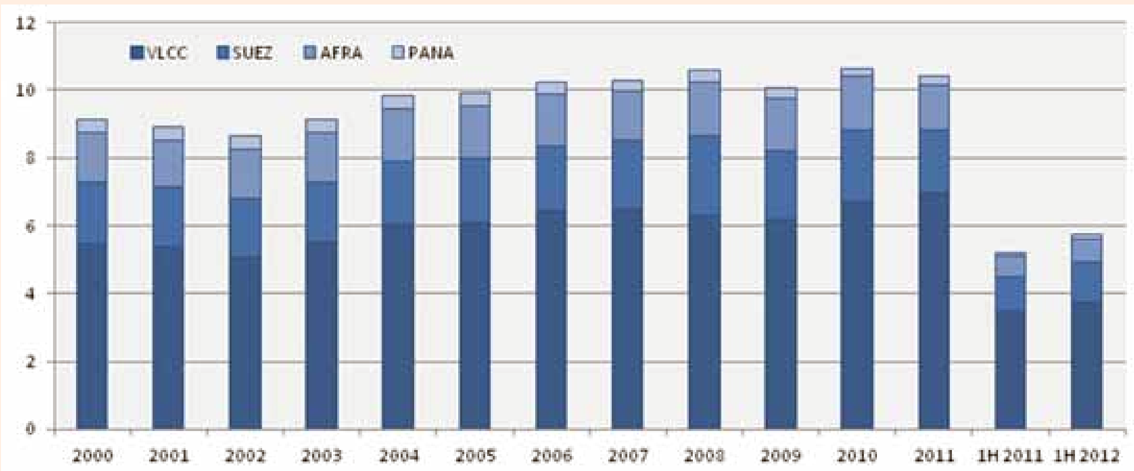
Vessel Class	Description	Deadweight Range (tons)	Capacity (000 barrels of oil)
Aframax	Clean/Crude Carrier	75,000 To 119,999	750
Panamax	Crude/Clean/Chemicals Products Carrier	55,000 To 74,999	400
MR2	Medium Range Clean/Chemicals Products Carrier	40,000 To 54,999	360
MR1		27,500 To 39,999	270
Handy	Clean/Chemicals Products Carrier	10,000 To 27,499	180

Source: McQuilling

- VLCC and suezmax demand is comprised almost entirely of crude oil transport. Aframax, panamax and medium range tanker demand comprises crude oil transport, transport of dirty petroleum products such as fuel oil, transport of clean petroleum products such as gasoline, jet and diesel, and chemical transportation. About two-thirds of Aframax demand is for crude oil transportation with the balance comprising product transportation. Panamax tanker demand is evenly split between crude oil, dirty and clean products transportation.

The figure below illustrates the demand for some of the different categories of tankers between 2000G and the first half of 2012G:

Figure 4-3: Tanker Demand – Crude and Residual Fuels Transport 2000-2012 in Billion Ton Miles

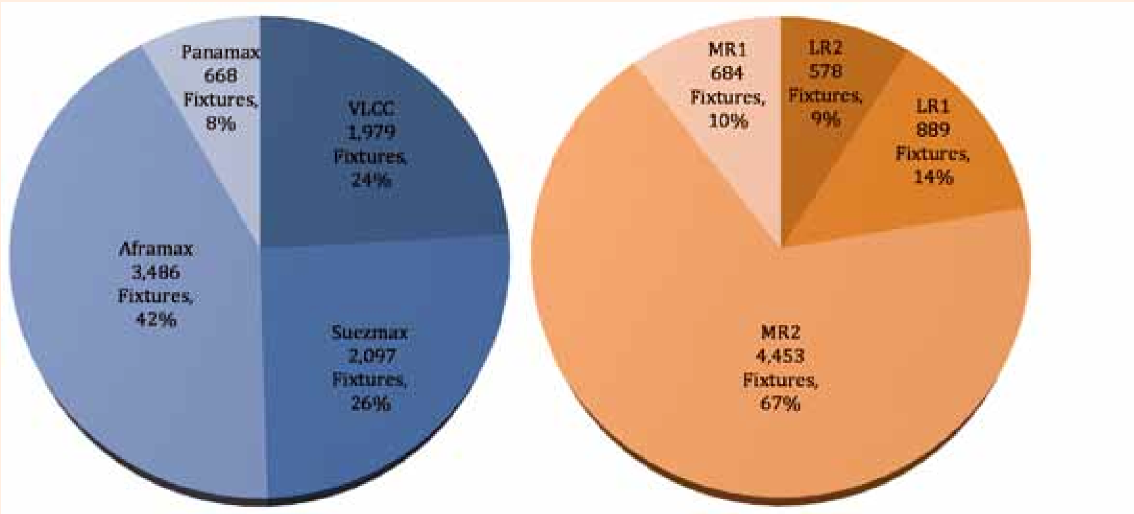


Source: McQuilling

Smaller-sized tanker vessels are utilised for the transportation of refined petroleum products. Similar to crude oil tankers, bigger-sized vessels capable of carrying larger cargo quantities are used for longer distances and smaller-sized tankers are used for smaller cargo parcels and shorter distances.

Refined petroleum product tankers ("**Products Tankers**") in general are categorised as "Long Range" ("**LR**") and "Medium Range" ("**MR**") tankers. LR Product Tankers can be further sub-divided into "Long Range 1" ("**LR**1") tankers of about panamax size and "Long Range 2" ("**LR**2") tankers of about Aframax size. MR Product Tankers can further be sub-divided into "Medium Range 1" ("**MR**1" category) for vessels of 27,500 to 39,999 DWT and "Medium Range 2" ("**MR**2") for vessels of 40,000 to 54,999 DWT. In the figure below, the count of single voyage shipments, or fixtures, are displayed by the sector of tanker. In terms of the number of single voyages for 2011G, the Aframax sector is the workhorse of dirty petroleum product transportation while MR2's dominate the number of shipments for clean petroleum product transportation.

Figure 4-4: Single voyages by sector of tanker, 2011



Source: McQuilling

4 - 3 - 2 Dirty tanker demand

Liquid products refined from crude oil, whose colour is greater than 2.5 on the National Petroleum Association scale are classified as dirty petroleum products ("**DPP**"). DPP includes fuel oil, low sulphur waxy residue and carbon black feedstock. For the first half of 2012G, total DPP Ton Mile demand (crude and residual products) increased 10 per cent. from the previous year supported by increased demand from the Far East and the USA for Middle Eastern cargoes. Additional support for the uptick came from a resumption of exports after the uprising in Libya reduced Ton Mile demand during the first half of 2011G. During the second half of 2012G, high crude oil inventories, outage of the Motiva refinery and rising domestic production will limit the import requirements of the USA but appetite for crude oil in the Far East should continue to be robust.

In the VLCC sector, demand increased by 7 per cent. year-on-year in the first half of 2012G, supported by increased exports from the Middle East to the Far East and the USA. VLCC spot fixtures during the first half of 2012G increased by over 50 per cent. compared to the first half of 2011G, and reached nearly 160 in the month of October 2012G compared to a monthly average of 165 during 2011G. Furthermore, China's crude oil imports increased by 10 per cent. year-on-year totalling 5.3 million barrels per day. Since 2011G, nearly 50 per cent. of China's imports have been sourced from the Middle East with Saudi Arabia, Iran and Iraq contributing the largest share. Ton Mile demand growth of VLCC cargoes on the Middle East to the Far East trade route increased 16 per cent. in the first half of 2012G compared to the same period in 2011G.

4 - 3 - 3 Clean tanker demand

Clean Petroleum Products ("**CPP**") are refined products from crude oil with a colour equal to or less than 2.5 on the National Petroleum Association scale. These include gasoline, jet fuel, diesel etc. For the first half of 2012G, total CPP Ton Mile demand for exports from the Middle East decreased by 2.8 per cent. year-on-year, supported by increased demand for export volumes from Northern Europe to the Far East. In addition, there was increased demand for gasoline and naptha from China and South Korea contributing to this higher export volume to the Far East.

There was a shift in demand from MR tankers to LR tankers from the first half of 2011G to first half of 2012G. The LR2 tanker class recorded a Ton Mile increase of 20 per cent. whereas demand for MR2 contracted strongly. The MR2 trade between Northern Europe and the USA continued to suffer from reduced gasoline import volumes and any upward movement of freight rates was limited due to the availability of tonnage capacity.

4 - 4 Tanker Supply

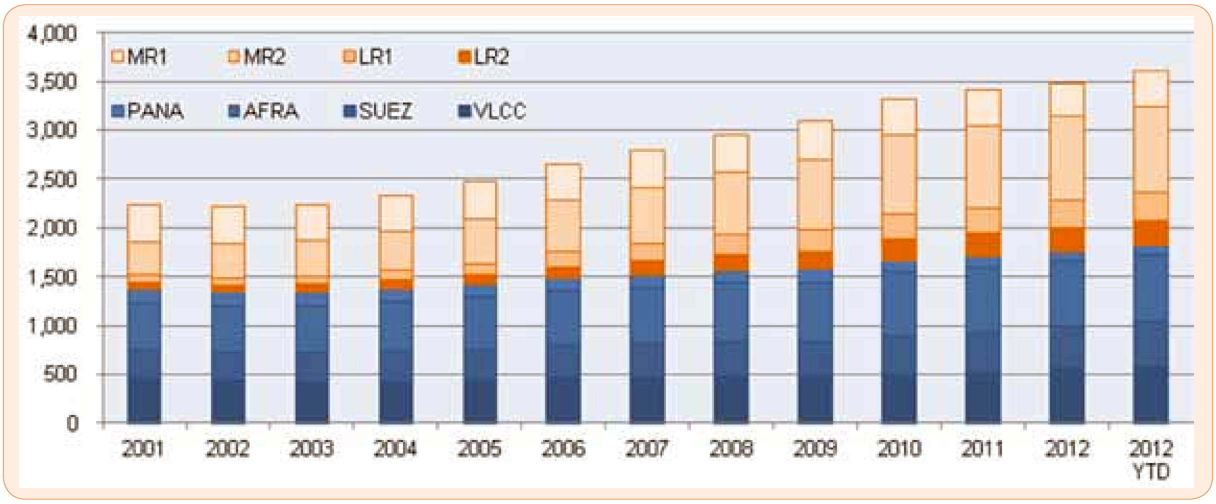
Three factors determine tonnage supply available to transport existing demand, namely: (i) the addition of new vessels being delivered from shipyards; (ii) vessels that are removed for scrapping or conversion; and (iii) reductions in supply due to factors that limit the actual availability or utilization of vessels. Tanker vessel supply can be affected in the short term by several factors ranging from vessels being used for floating storage of crude oil or refined oil cargoes to port congestion at loading or discharging ports delaying the availability of the vessels, and in certain cases by the geographical dislocation of vessels due to unforeseen factors such as extreme weather conditions.

The supply of tankers across the fleet has as much impact on the freight rates being traded as does the demand for crude oil and clean petroleum products transportation.

Strong tanker markets in the years leading up to the financial crisis in 2008G led to excessive contracting for new tonnage across all shipping sectors, including tankers. From 2001G until 2010G, the tanker fleet (27,500 DWT and upwards) grew by 1,361 vessels or 60 per cent. due to a significantly higher rate of deliveries than deletion of orders for new tankers, especially in the Aframax and MR2 product tanker sectors. Weak market fundamentals have contributed to such deletions exceeding the expected figure by 10 vessels by the first half of 2012G, with the average age of 21 years for a deleted vessel. In the first half of 2012G, about 43 vessels left the global trading fleet as deletions. In the second half of 2012G, around 37 vessels left the global trading fleet, which is a reduction from the deletions in the first half of 2012G, partly due to a 15 per cent. decline in the price of scrap metal starting from January 2012G which led to reduced scrapping of vessels.

The figure below illustrates the global supply of tankers between 2001G and 2012G:

Figure 4-5: Global tanker supply – Number of vessels by type



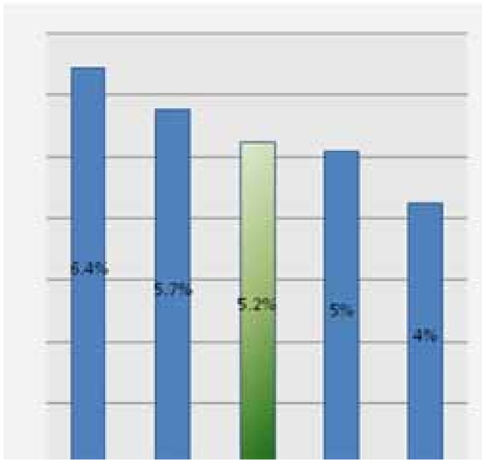
Source: McQuilling

4 - 4 - 1 VLCC Tankers

The figure below illustrates the ownership of VLCCs in the global market as of September 2012G:

Figure 4-6: VLCC Ownership Overview as of September 2012

VLCC Top 15 Owners	Vessels	Avg Age	Pct Share	Total DWT (‹000)	Overall Market Share Top 5 VLCC Owners*
MOSK	38	7	6%	11,523	
Frontline	34	11	6%	10,290	
Bahri/Vela*	31	7	5%	9,698	
NYK	30	7	5 %	8,940	
NITC	25	8	4 %	7,652	
Bahri	17	9	3 %	5,254	
AP Moller	16	3	3 %	4,974	
Oman Ship	14	1	2 %	4,409	
BW Shipping	14	8	2 %	4,235	
Cosco	14	4	2%	4,179	
Vela	14	4	2 %	4,343	
TMT	13	2	2 %	4,154	
Anangel Shipping	12	7	2 %	3,765	
China Shipping	12	4	2 %	3,600	
Changjiang National	12	1	2 %	3,646	
SK	12	5	2 %	3,752	
Others	323		55 %	119,014	
	600	6		213,428	

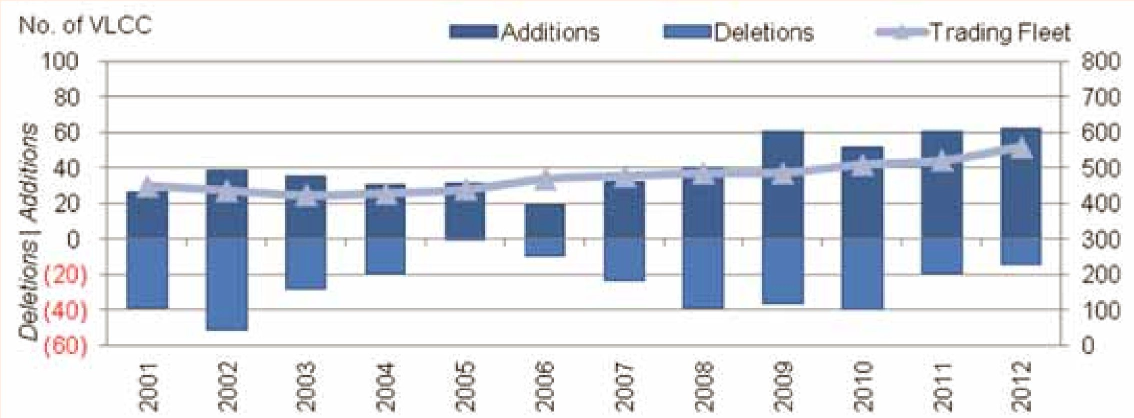


Source: McQuilling

*Projected Vela/Bahri merged fleet statistics. Note the total excludes the combined Bahri/Vela fleet to avoid double-counting.

As of September 2012G, there were approximately 600 large-sized tankers trading, with a DWT of 200,000 and above. The VLCC fleet segment represents 16.4 per cent. of the global tanker market representing 27,500 DWT and above, with an average vessel size of 305,608 DWT. The current available VLCC fleet globally is relatively young with an average age of 8 years. The total firm order-book for 2012G is 88 vessels, or about 14.9 per cent. of the current VLCC fleet. As of September 2012G, 39 VLCC deliveries have occurred with a total of 62 scheduled for 2012G. There are 119 owners of VLCCs representing 104 operators, with the top 15 per cent. of the owners representing 45 per cent. of the current fleet. The figure below shows the evolution of the net trading fleet since 2001G:

Figure 4-7: VLCC Trading Fleet: Historic and Projected Additions and Deletions



Source: McQuilling

Transportation demand for large tankers is heavily influenced by the overall world economy, the growth in energy demand, and specifically oil demand. This influence is manifested by a strong correlation of large tanker freight rates to the interaction of tonnage supply and demand. The majority of large tanker demand is on trades originating in the Middle East for either the Far East or destinations in the Western Hemisphere. The other significant load region is West Africa with destinations in the Far East and the Western Atlantic region. These regions and trades will continue to occupy the top spots for the foreseeable future, but emerging sources of supply (Caspian Region, South America, China, Russia) and users for crude oil (China, U.S.A.) may significantly affect transportation demand in the future by altering the trade matrix and corresponding global fleet deployment.

4 - 4 - 2 MR (Medium Range / Products) Tankers

As of September 2012G, there were approximately 1,878 MR tankers globally, making this one of the largest tanker segments by number of vessels, globally. This figure includes vessels capable of carrying chemicals. However only a fraction of these vessels are capable of carrying clean petroleum products. This would be critical when chemical trades yield poor operating results or utilization and consequently the ability to transport clean petroleum products could prove more profitable when there is a decline in chemical trades.

This sector has developed two distinct segments: MR1 and MR2 tankers. MR1 tankers are sized 27,500 – 39,999 DWT and MR2 tankers are sized 40,000 – 54,999 DWT. The MR1 sector consists of about 358 trading vessels after deducting chemical carriers and those employed in special services. The average age of the MR1 fleet is approximately 12.4 years. The MR2 sector consists of about 879 trading vessels after deducting chemical carriers and those employed in special services. This segment is the second youngest in the global fleet of Product Tankers at an average age of 7.8 years.

Trading of clean products, supported by high volumes of product exports from the USA and increased demand from Latin America has helped provide owners of this category of tonnage with increased utilisation of their vessels leading to more profitable operations. However, the recent trend of aging oil refineries of the US coast being rescued and renovated combined with the potential for an increase in deliveries may pressure the existing tonnage supply and possibly elevate deletions.

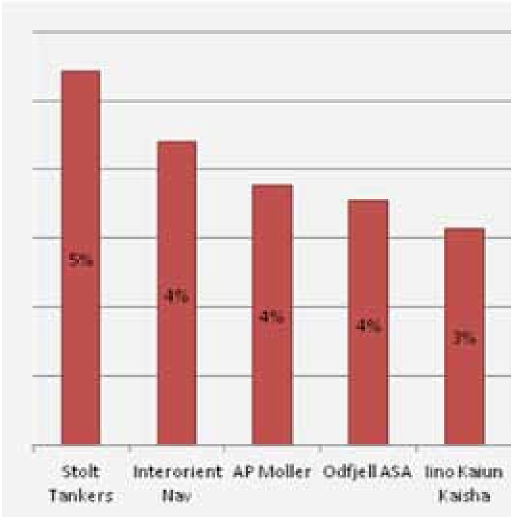
4 - 4 - 3 Chemical Tankers

The figures below illustrate the global chemical tanker ownership for the 30-39 DWT range and the 40-49 DWT range:

Figure 4-8: 30-39 DWT (Chemical Tanker) Ownership Overview as of September 2012

30-39 DWT Chemical Top 15 Owners	Vessels	Avg Age	Pct Share	Total DWT ('000)
Stolt Tankers	26	16	5 %	941
Interorient Nav	21	8	4%	779
AP Moller	18	6	4 %	667
Odfjell ASA	17	15	4%	643
Iino Kaiun Kaisha	15	7	3 %	496
MISC Bhd	14	8	3 %	490
Zacchello Group	12	8	3 %	439
MOSK	13	9	3 %	438
Torm	11	9	2 %	401
Konig & Cie KG	10	9	2 %	382
Tsakos	8	6	2 %	305
Offen C-P	8	4	2 %	298
Gebab	7	10	1 %	261
Geden Lines	7	5	1 %	261
Latvian Shipping	7	7	1 %	261
Others	284		59 %	10,296
	478	10		17,358

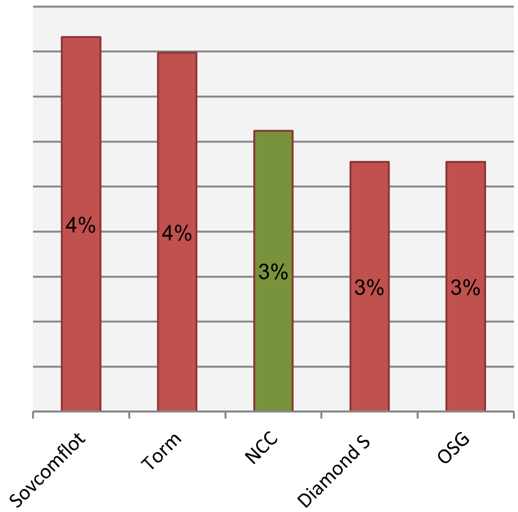
Overall Market Share Top 5 - 30-39 DWT Owners



Source: McQuilling

Figure 4-9: 40-49 DWT (Chemical Tanker) Ownership Overview as of September 2012

40-49DWT Chemical Top 15 Owners	Vessels	Avg Age	Pct Share	Total DWT (‹000)	Overall Market Share Top 5 - 40-49DWT Owners
Sovcomflot	24	9	4%	1,084	
Torm	23	9	4 %	1,069	
NCC	19	3	3%	864	
Diamond S	16	4	3 %	751	
OSG	16	6	3 %	742	
Laurin Maritime	11	8	2 %	507	
MOSK	11	9	2 %	506	
Westfal-Larsen	11	5	2 %	502	
Aurora Tankers	11	11	2 %	495	
STX Pan O	10	5	2 %	461	
Glencore	9	2	2 %	420	
BP Shipping	9	7	2 %	420	
D'Amico Tankers	9	9	1 %	414	
Stolt Tankers	9	5	1 %	393	
Histria Ship Mgmt	9	4	1 %	363	
Others	381		66 %	17,145	
	578	8		26,136	



Source: McQuilling

As of September 2012G, there were approximately 1,055 chemical tankers currently trading, of which 478 tankers were in the 30 to 39 DWT and 577 tankers in the 40 to 49 DWT. These two chemical fleet segment represent 9 per cent. of the tanker market, with an average age of 9 years. Trade in this sector is characterised by deployments in globalised and triangulated voyages with repositioning possible but likely at a cost. Key success factors include local regional knowledge and effective commercial management of vessel hire, time and expense in port or awaiting cargoes. This is because trades are relatively short in duration with time in port representing a significant portion of the overall elapsed voyage time. A day lost waiting for business will drastically reduce the time charter equivalent earnings of a vessel in this sector.

Over the past few decades, economic growth in developed economies has been a significant determinant of the demand for chemicals transportation. Traditionally, the production of petrochemical products has been largely based in Europe and the USA. Significant growth in emerging economies is shifting production capacity to Asia, South America, South Africa and the KSA. Plants in these new markets are producing mainly base chemicals while the USA and Europe have focused on production of specialty chemicals. The supply of natural gas in the Middle East is contributing to expanded chemicals production capacity in that region.

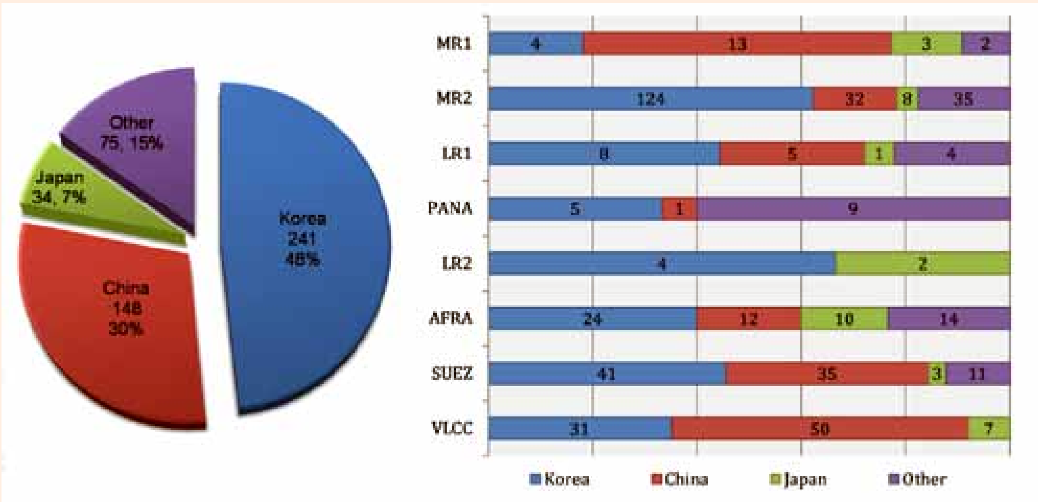
4 - 5 Tanker Fleet Age Profile

The age profile of the global tanker fleet has been reduced from over 20 years to a global average of 8 years due to the mandatory phase-out of single hull tankers and continuing scrutiny with regard to pollution exposure. MR1s are the oldest at 12.4 years while panamaxes have an average age of 10.6 years. VLCCs are also relatively young with an average age of 8 years, due to a large number of new build deliveries. LR1s are the youngest fleet with an average age of 6.2 years. It is expected that the overall global fleet should get even younger over the next few years as order-books deliver during this period and older tonnage that are less suitable for trading would be sold for scrap.

4 - 6 Tanker Building Shipyards

The figure below illustrates tankers that are being built as of 2012G:

Figure 4-10: Shipyards Building Tankers, 2012



Source: McQuilling

For the three years following 2006G, the ordering of new vessels declined steadily to a low point in 2009G following the global economic and financial crisis. A strong freight market in the first half of 2010G resulted in an increase in ship owners placing orders for new vessels, primarily for new VLCC and suezmax tankers, and new contracting recovered to just over 200 tankers ordered in 2010G, almost twice the volume in 2009G. Between 2012G and 2017G, there are an estimated total of 498 tankers on order, prior to making any adjustment for delays or cancellations.

In 2012G, there were a total of 53 shipyards worldwide with an order-book of tankers sized 27,500 DWT and above, which is a reduction from 59 shipyards in 2011G and 65 shipyards in 2010G. Thirteen Korean shipyards hold a dominant 48 per cent. share of the new tanker construction market with 241 new tanker orders, which is a reduction from 49 per cent. in 2011G and 51 per cent. in 2010G. China's shipyards' share for new tanker orders has increased from 22 per cent. in 2010G to 25 per cent. in 2011G and up to 30 per cent. in 2012G. Japan's shipyards' orders for 34 new tankers represents 7 per cent. of the global order-book in 2012G, which is a reduction from 13 per cent. in 2011G. These three countries comprise 77 per cent. of the world tanker order-book, which is a reduction from 87 per cent. in 2011G. Other shipyards around the world make up the remaining 75 orders or 15 per cent. of the total order-book. Most notable of these are the Brazilian yards with 40 tankers on order, or 8 per cent. of the world order-book, up from 4 per cent. in 2011G. When evaluating the types of tankers on order in each tanker sector, Korea holds a dominant share of suezmax, Aframax, LR2, LR1 and MR2 orders. China now has more VLCCs on order than Korea. The major shipyards in Korea and China have given up their position to other shipyards building standard panamax crude/residual product carriers.

4 - 7 Freight Market

The fleet of tankers that are trading, as at the date of this Prospectus, may be deployed as part of a fleet of tankers owned and controlled by an independent shipping company or as part of a controlled fleet of vessels by an oil company or a company engaged in the trading of oil and related products. Commercially, the use of the vessel will be contractually committed under one or more of several configurations depending on a variety of commercial and economic considerations. The contracts for the use of the vessel are typically referred to as "charters" and the actual form of the contracts termed "charter parties". The primary commercial arrangements for the use of vessels for the carriage of cargoes are described below:

Spot –charter (or) Voyage charter An agreement between an owner and charterer wherein the charterer has the use of the vessel's full carrying capacity, or some portion thereof, for one voyage from load port(s) to discharge port(s) within a specific range. Freight is paid either at a unit cost for a specified cargo size, or on a lump sum basis with the assumption that the charterer may or may not, at his discretion, use the full carrying capacity. In order to facilitate negotiating and administering the costs related to this type of charter the "Worldwide Tanker Nominal Freight Scale" (or Worldscale as it is commonly referred to) which is a unified system of establishing the freight rate for a given oil tanker's cargo with all its attendant terms and conditions are frequently used. Freight is due and payable on completion of discharge.

Period or Time Charter - An agreement wherein the charterer has the full use of the vessel and its crew for a specified period of time, within a specified trading range. Freight is based on periodic hire payments and the Charterer is responsible for paying all port and fuel costs as well as other agreed costs. The vessel is provided by the owner fully outfitted with a crew to operate it. Freight is normally payable monthly in advance, usually due on the first day of each month.

Contract of affreightment - An agreement wherein the charterer and owner agree to move a total quantity of cargo, in specified sizes per voyage, over a period of time on one or more of the owner's vessels, within a specified trading range. Freight is usually based on a unit cost for a given cargo size per voyage. Like a voyage charter, freight is usually paid on completion of discharge.

Bareboat charter - An agreement wherein the charterer "leases" the bare hull and machinery of the vessel, usually for an extended period of time, frequently for the life of the vessel, at an agreed periodic hire payment rate. The charterer provides and pays for all costs including Dry-docking, crew, stores, spares, equipment, lubricants, port charges and other necessary items. This arrangement is essentially a financing vehicle. Bareboat charter hire payments can be arranged as monthly, quarterly, semi-annually, in advance or in arrears payments depending on the agreement between parties.

A "Period Chartered Fleet" is made up of vessels from other owners' fleets contracted to be available to the charterer for various periods, from less than one year to many years. These vessels are hired by the charterer but are manned and technically managed by others. The hire rate is either a fixed daily rate (predominately quoted in US$ per day) or a market rate determined by using an industry index. Depending on the period of the contract, the responsibility for scheduling and deploying these vessels to carry cargoes remains with the charterer. In the case of a time charter contract or a consecutive voyage contract, daily employment of the vessel is the responsibility of the charterer. Consequently, if the charterer is unable to arrange business for such vessel, the charterer is still committed to pay for the vessel for the time agreed with the owner of the vessel. For a contract of affreightment, the charterer typically nominates to the vessel owner the requirement for a vessel for the carriage of cargoes that it needs to be transported by sea and the vessel owner subsequently supplies the appropriate vessel for the task, the scheduling and utilization being the responsibility of the vessel owner. A contract of affreightment may be viewed as a period charter commitment or a spot commitment, depending on the specific terms of the agreement. For details of the Company's Contract of Affreightment, see Section

12.1, "Summary of Material Agreements". Freight payments to the vessel owner are typically based on a fixed unit rate per quantity of cargo (metric tons or barrels) or may be based on a market rate determined by using an industry index. Freight Service Agreements (or FSA) provide for a general framework transportation agreement between the company and a vessel owner similar to a contract of affreightment but without any minimum requirements. FSAs are a relatively new phenomenon in the marketplace.

Proprietary vessels and period chartered vessels make up a company's "Controlled Fleet". This is the fleet that the company has commercial control over to direct and deploy as per the company's marine transportation requirements. A breakdown of the vessels that are under a controlled fleet compared to vessels in the spot market for VLCCs is displayed in the table below. Since 2010G, a declining spot market rate environment has prompted some charterers not to renew their existing time charters due to the availability of ships in the spot market at attractive rates. Proprietary vessels are owned or under bareboat contract to oil companies and both categories make up a controlled fleet.

Table 4-4: VLCC Controlled Fleet vs. Spot Market Vessels

	Spot Market		
		Controlled Fleet	Time Charter
2012	60 per cent.	20 per cent.	20 per cent.
2011G	52 per cent.	24 per cent.	24 per cent.
2010	42 per cent.	29 per cent.	29 per cent.

Source: McQuilling

Commercial Shipping Pools - Commercial shipping pools were established to help ship owners manage cyclicality in the freight markets. They allow ship owners to obtain a managed portfolio approach to their business by consolidating services, achieving economies of scale and potentially outperforming the spot market. Ship owners contribute similarly sized tonnage to each pool which is run by professionals with close relationships to brokers and customers. Technical management of the ships is typically retained by the ship owners. Each vessel earns revenue independently when trading in the spot market based on the rates negotiated for the voyage. All pool revenues are consolidated at the end of each month then distributed to each ship owner based on pool points assigned to each vessel. Pool points are a ranking system applied to the vessels and vary according to the respective vessels' cargo capacity, speed and consumption.

Vessel participation in pools allows ship owners to achieve cost savings by centralizing commercial management of the vessels. A high level of service is extended to customers as the pools typically operate high quality ships with reliable scheduling and up-to-date market information. Economies of scale are achieved by operating a larger fleet which can be operated flexibly to offer reliable scheduling and reduce vessel waiting days. Vessel schedule optimisation in the pool improves utilization percentages by minimizing the ballast legs of voyages through greater triangulation.

There are four VLCC commercial shipping pools: Navig8, Nova Tankers, SeaWolf, and Tankers International.

Navig8 launched its VL8 VLCC pool in March 2010G with three tankers from both John Fredriksen's VTN Shipping and Oman Shipping. Presently, Navig8 acts solely as a commercial manager but the company has not ruled out the potential for being a tonnage provider at a later stage. Commercial management of the VL8 pool will be conducted out of Singapore, London, Geneva and Connecticut, while operations will be handled out of Singapore and London. The marketing will also take place in Muscat. Navig8's pools, when considering all tanker size sectors, typically outperforms the spot market by as much as USA $5,000 per day.

Nova Tankers was launched in February 2012G by five partners: Mistui OSK, Phoenix Tankers, Maersk, Samco Shipholding, and Ocean Tankers. The pool has set a goal of operating no less than 50 tankers with an average age of 3 years old by the end of 2012G. Nova Tankers serves customers from its Copenhagen headquarters and offices in Singapore and New York.

Heidmar's newest shipping pool is its SeaWolf VLCC pool. It was established in 2010G and focuses on triangulation of voyages between the Atlantic and Pacific Ocean. Partners in the pool are: General Maritime, Heidmar, Mercator, TMS Tankers, U-Ming, and Wah Kwong. The company has recorded earnings that are consistently higher than the spot market, with operation efficiency and transparency provided through industry leading IT software. Seawolf Tankers Inc. is managed by Heidmar Inc. with offices in the United States, England, and Singapore, as general agents.

Tankers International is the oldest VLCC pool which was established in 2000. Its participants include: Athenian Sea Carriers, DHT Holdings, Euronav, Oak Maritime Group, Reederei Nord Ltd., Salamon AG, and OSG. The pool's offices in London and New York are responsible for commercial and post-fixture operations of the vessels in the Tankers International Pool.

The table below illustrates the number of VLCCs by owner participating in commercial shipping pools. The 103 pool participating VLCCs represents about 17 per cent. of the trading VLCC fleet.

Table 4-5: VLCC Vessels Trading in Commercial Shipping Pools

Pool Operators Vessel Owners	Vessel Count
NAVIG8 Pte Ltd	15
Vessel Owners	
Gulf Navigation	1
Oman Ship	14
Nova Tankers A/S	40
Vessel Owners	
Cido Shipping HK Co Ltd	1
Gulf Navigation	1
Hai Sun Hup	1
Maersk Tankers	13
Marubeni Corporation	1
MOSK	8
OTC	9
Samco	3
Singa Star Pte Ltd	1
Sinotrans	1
Xihe Holdings Pte Ltd	1

Pool Operators Vessel Owners	Vessel Count
Seawolf Tankers Inc	12
Vessel Owners	
General Maritime	7
Mercator	1
TMS Tankers Ltd	2
U-Ming	1
Wah Kwong Shipping Holdings	1
Tankers International	36
Vessel Owners	
Athenian	4
Dannebrog Rederi	1
Double Hull Tankers	3
Euronav	7
Grand China Logistics Group	2
Oak Maritime Canada Inc	2
OSG	11
Salamon AG	1
Sincere Navigation Corp	2
Vanship Holdings Ltd	1
Wah Kwong	1
TCC Group	1
Grand Total	103

Source: McQuilling

4 - 7 - 1 Spot Market Overview

Spot Chartered Vessels are arranged on a voyage-by-voyage basis. Charterers typically solicit owners of vessels for this business as and when there is a shipping requirement and are responsible for paying a freight payment to the owner in exchange for the owner loading, transporting and discharging the company's cargo from the load port(s) to the discharge port(s).

The table below illustrates the historical estimated earnings for vessel owners from one year and three year time charters as well as spot charters between 2000G and September 2012G:

Table 4-6: VLCC - Estimated Owners Time Charter Earnings for 1-Year, 3-Year Time Charters and Spot Charters at US$ per day

	VLCC (320,000 DWT)		
Date	1-Year US$/day	3-Year US$/day	TD3[7] - Spot US$/day
2000	20,075	38,076	41,163
2001	39,510	35,250	24,735
2002	24,604	25,879	23,433
2003	37,063	30,210	54,339
2004	47,500	42,077	100,706
2005	56,875	47,150	50,927
2006	57,875	47,327	49,947
2007	54,375	48,358	39,795
2008	75,708	58,545	78,850
2009	38,917	37,478	27,341
2010	37,139	37,549	33,174
2011	23,989	30,222	10,254
2012	20,481	25,492	17,151
Jan	19,050	24,400	24,782
Feb	19,781	25,000	17,428
Mar	20,350	25,675	29,382
Apr	20,500	25,750	36,549
May	20,500	25,750	29,960
Jun	21,000	26,063	14,294
Jul	22,500	27,000	1,603
Aug	20,500	25,000	143
Sept	20,500	25,000	(345)[8]

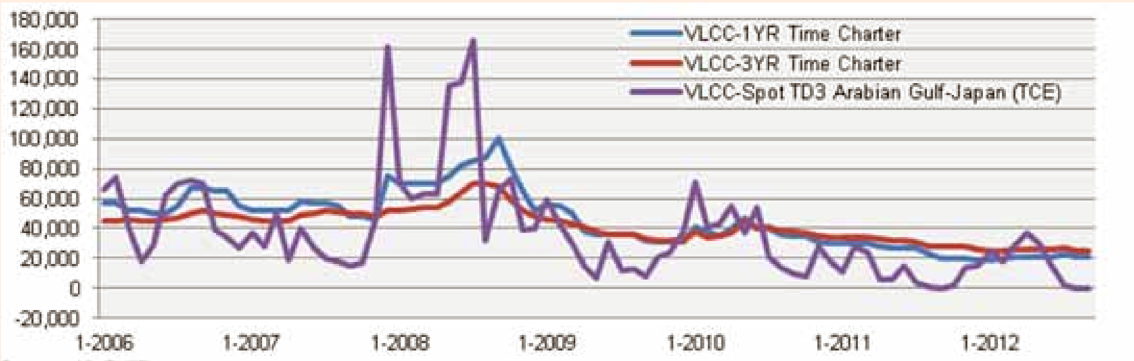
Source: McQuilling

7 TD3 refers to a benchmark market shipping rate ($/day) over the route from the Arabian Gulf to Japan using a 260,000 metric tonne VLCC. The rate is published by the Baltic Exchange which provides daily shipping market information.

8 he negative time-charter earning rate for September 2012 resulted from the operating revenue for VLCCs being less than the voyage related expenses. Bunker fuel costs for VLCCs account for more than 80% of voyage related expenses and an increase in the bunker fuel price in September 2012 resulted in lesser operating revenue.

In early 2012G, spot market performance exceeded expectations as tanker pools helped tighten the market while robust demand from the Far East boosted triangulated voyages. However, with the economic crisis in Europe and geopolitical events in the Middle East, the tanker market has witnessed a lower than expected delivery schedule during the first half of 2012G leading to significant pressure on the spot market delaying the market recovery possibly until the late 2013G or beyond. The figure below shows a comparison of spot market to long-term time charter earnings for VLCCs.

Figure 4-11: VLCC estimated owners earnings: 1-Year, and 3-Year Time Charter, Spot Market, US$ per day



Source: McQuilling

The figures for spot market rates in the figure above are displayed as a Time Charter Equivalent ("**TCE**") rate. TCE is the format for reporting revenues on a US$/day basis found by dividing the voyage revenue by the number of round trip voyage days in question.

The VLCC sector will continue to be pressured by overcapacity and reduction in demand reduced global oil demand growth of 500,000 barrels per day since the end of 2011G highlights the impact of muted economic growth. Since peaking in early April, TCE rates on major VLCC routes have plummeted into negative territory, with the exception of the Serpentina FPSO & Offshore Bonny, West Africa / Ningpo, China route. However, a rising spread between Brent Crude and Dubai Crude which are benchmarks for global oil prices is likely to reduce Far Eastern demand for West African crudes. Although the delivery profile has been slower than expected for the larger tanker classes, previous years' order-books are still an issue and the pace of deletions of orders for new tankers may not be fast enough to halt the rising availability of tonnage in such an environment.

4 - 7 - 2 Bunker Fuel Price

Recent international regulations require vessels to use bunker fuel with low sulphur content in order to minimise emissions, particularly in certain routes such as the west coast of the USA, the Mediterranean and North-West Europe. Low sulphur content bunker fuels tend to be more expensive than normal marine grade bunker fuel. Consequently, vessels usually carry at least two types of bunker fuel, being normal marine grade and low sulphur bunker fuel. By far the largest percentage of variable costs on spot voyage charters is port charges and bunker fuel costs. The ratio of bunker fuel costs to port charges is a function of the particular voyage. For Long-Haul Voyages, bunker fuel costs comprise the bulk of the variable costs, often exceeding 90 per cent. in certain cases. This is particularly true during periods of high bunker fuel prices. Rising bunker fuel prices impacts the TCE rate. Brent is used as a global benchmark to forecast bunker prices as it is not subject to local issues that affect some other benchmarks.

Since the second half of 2011G, supply constraints have caused bunker fuel prices to rise to near-record highs. The primary reasons influencing this trend were lower export volumes from Russia, an outage at a Singapore refinery and increased requirements for bunker fuel from Japan. Additionally, refiners have been investing in bunker fuel oil destroying units for years, as it represents the least profitable product. This has steadily lowered available supplies, thereby causing a further increase in bunker fuel prices.

The table below illustrates the bunker fuel prices between 2000G and September 2012G:

Figure 4-12: Historic Bunker Fuel Prices, US$ per metric ton

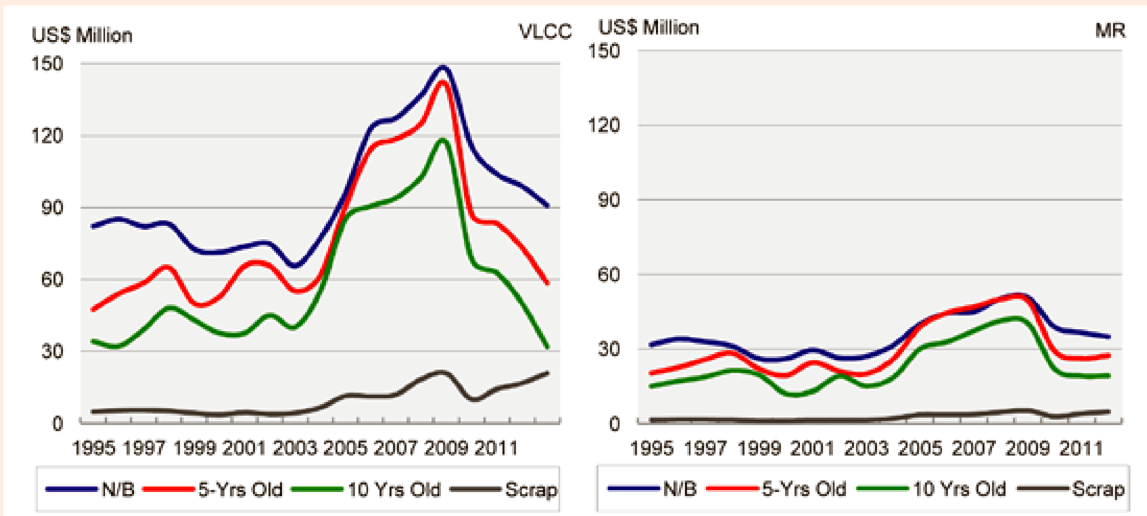
Source: McQuilling

4 - 8 Asset Markets

Since 2011G, asset prices have faced a steady decline. In 2012G, depressed asset values, vessel deliveries, commodity prices, constrained lending and the Eurozone banking crisis have emerged as the core drivers of the decline in asset prices. Average year-to-date prices for newbuild tankers across all five sectors in 2012G are down about 10 per cent. since the start of the year. Over the same period, five-year old asset prices in all five tanker sectors have declined about 6 per cent.

The figure below illustrates the historic VLCC and MR tanker prices for both newbuilds as well as secondhand vessels:

Figure 4-13: VLCC and MR Tanker Prices: Newbuilding and Secondhand



Source: McQuilling

The technically advanced shipyards have shifted focus to higher specification vessels such as offshore support vessels which yield higher profit margins. Shipyards have found it difficult to maintain profits on traditional newbuilds as steel prices remained relatively high and buyers continued to test lows on asset prices. For example, the price of a newbuild 310,000 DWT VLCC at a South Korean shipyard dropped from US$147.8 million in 2008G to US$89.4 million in 2012G.

4 - 9 Current Industry Trends

Financing Limits - The continued price declines in 2011G/2012G are pressuring vessel owners who are facing difficulties in meeting loan-to-value covenants and some of them are failing to meet debt service payments. With the lending capacity of banks constrained, struggling vessel owners must raise their own equity. Many of the current capital structures were conceived and executed in times when asset values were much higher. Since the beginning of 2012G, overall tanker asset prices are down about 15 per cent. with a number of lenders exiting the ship finance market. Investors continue to look for bargain asset acquisitions however, there have not been any significant portfolios sold at true distressed discounts. Price levels are beginning to reach points that reflect the supply of tonnage in the market and global economic demand projections. Well capitalised owners, however, will continue to engage in prudent one-off acquisitions and fleet renewal strategies.

Stringent Charterer Vetting - Older assets are becoming less and less attractive and their values are approaching scrap value. Increasingly stringent charterer vetting requirements make ships older than 15 years difficult to trade. In the depressed freight rate environment, owners will be investigating whether it is commercially viable to continue trading the vessel or to sell it for scrap. Timing again becomes paramount as there is plenty of incentive to scrap from a macro-economic standpoint: scrap metal prices are high, old vessels are difficult to trade on the spot market, and a fleet reduction would help alleviate the current oversupply. In the current spot market rate environment, we suspect many owners are considering this commercial option while scrap prices are high (currently US$490 per light displacement tonnage). However, if too many vessels are sent to breakers at once; the scrap price could rapidly decline.

IMO ANNEX VI - In 2008G, the International Maritime Organization agreed new regulations aimed at gradually reducing emissions in the shipping industry. On 1 January 2012G the global sulphur limit was reduced to 3.5 per cent. from 4.5 per cent. in the fuel oils used on board vessels. However, most bunker fuels already have sulphur content lower than 3.5 per cent. and any supply tightness is unlikely to be connected to this. In August 2012G, the USA and Canadian waters will become an Emission Control Area ("**ECA**"), joining the previously established Baltic Sea and English Channel Emission Control Areas. Sulphur content is limited to 1 per cent. of the fuel oils used on board in ECA's and will fall to 0.1 per cent. in 2015G. The strongest potential to alter the composition of bunker fuel markets is the proposed global sulphur cap of 0.5 per cent. to be implemented in 2020G however, it is subject to review and potential postponement until 2025G as such a move could negatively impact the markets and tighten supply.

Green Ships – Such ships are considered to be environmentally friendly as they are more energy efficient and tend to produce less emissions and waste than a conventional ship. At this time, there is no particular ship type that can be classified as "green" and there are currently no set specifications that can classify a vessel as a "green ship". However, there are many technologies that could make a ship more eco-friendly. In general, a ship that achieves a 10 per cent. reduction in fuel consumption by optimizing route and speed may not be considered "green" when compared to a liquefied natural gas-fuelled vessel, which has no Sulphur Oxide emission and can reduce fuel consumption by up to 30 per cent.. Therefore, it is unlikely that there will be a massive new order-book of fuel efficient tankers or "green ships" any time in the near future given the current tonnage surplus and limited lending from banks to the shipping industry.

5. Overview of the Company and its Group

5 - 1 Historical Background

The Company was established in 1978G by Royal Decree No. M/5 dated 12/02/1398H (corresponding to 22/01/1978G) as a Saudi Joint Stock Company and registered under commercial registration number 1010026026 with its registered office at Bahri Building #569, Sitteen Street, Malaz Area, P.O. Box 8931, Riyadh 11492, KSA. The Company began shipping operations in general cargo with a fleet of two multi-purpose vessels in 1981G and increased the fleet to six vessels in 1983G.

In 1985, the Company expanded into the chemical transportation sector through the purchase of one chemical tanker and subsequently forming a 50:50 joint venture company with United Arab Shipping Company named Arabian Chemical Carriers which also acquired one chemical carrier which was then time chartered to Saudi Basic Industries Corporation ("**SABIC**"). In 1990, the Company and SABIC established National Chemical Carriers ("**NCC**") as a joint venture company to specialise in purchasing, chartering and operating specialised tankers to transport chemical products (for further details, see Section 5.8.2, "NCC").

In 1991, the Company incorporated NSCSA (America) Inc. to act as a general agent of the Company to arrange transportation of container, break-bulk and Ro-Ro cargos to/from North America on the Company's general cargo vessels and to manage the various liner service functions in North America.

In 1992, the Company decided to expand its business into the transportation of crude oil and placed orders for five VLCCs. These five VLCCs entered into service in 1996 and 1997. In 2001, the Company acquired four additional VLCCs thereby expanding its fleet of VLCCs to nine vessels. Since then, the Company's fleet of VLCCs has grown to 17 vessels.

Given the growth of the Company and its fleet, the Company incorporated Mideast Ship Management Ltd. ("**Mideast**"). Mideast was established in 1996 as a joint venture between the Company and Acomarit, a ship management company based in Scotland, to provide ship management services to the Company and other companies in the Bahri Group. In 2005, the Company acquired the Shares of Acomarit in Mideast and became the sole shareholder of Mideast. Mideast had initially started operations by providing management services to nine vessels. Since then the operations of Mideast have grown and it currently manages 49 vessels including a mixture of chemical carriers, VLCC's, RoCon's and Dry Bulk vessels. Mideast has grown rapidly since its inception in 1996 (for further details, see Section 5.8.1, "Mideast Ship Management JLT Limited").

In 1992, the Company acquired its own container service yard at Jeddah Islamic Port ("**Container Service Yard**") to provide additional storage facilities to its customers (for further details, see Section 5.7.4, "Container Service Yard").

In 2005, the Company acquired a 30.3 per cent. shareholding in Petredec Limited ("**Petredec**"), a company specialising in trading and transporting LPG. This acquisition marked the Company's entry into the LPG transportation segment.

In 2007, the Company sold its 50 per cent. stake in Arabian Chemical Carriers to Arab Shipping Company for SAR 23.4 million as the Company had established NCC to operate in the same sector of chemical products transportation thereby streamlining the operations of the Company in this sector.

In September 2010, the Company and Arabian Agricultural Services Company ("**ARASCO**") established Bahri Dry Bulk, to specialise in transporting dry bulk cargo. Bahri Dry Bulk commenced operations in 2012 (for further details, see Section 5.8.3, "Bahri Dry Bulk").

In addition to the entry into the Transaction, the following table illustrates certain other key milestones in the Company's history:

Table 5-1: History

Year	Milestone
1979	Commencement of operations in the general cargo segment
1985	Expansion into the chemical transportation sector through the acquisition of two chemical tankers
1990	Entry into the chemicals transportation segment through the establishment of NCC
1991	Establishment of NSCSA (America) Inc.
1992	Rental of the Container Service Yard
1996	Commencement of operations in the crude oil transportation segment
1996	Establishment of Mideast
2004-2006	Formalisation of the crude oil shipping business and acquisition of eight new VLCCs
2005	Entry into the LPG segment through the acquisition of a 30.3% interest in Petredec
2010	Entry into the dry bulk segment through the establishment of Bahri Dry Bulk
2013	Signed a memorandum of understanding with Saudi Aramco to conduct a feasibility study for a potential world-class maritime yard in the Kingdom

Source: Company

5 - 2 Share Capital Evolution of the Company

On incorporation, the share capital of the Company was SAR 500,000,000, consisting of 5,000,000 shares with a nominal value of SAR 100 per share.

Pursuant to the resolution of the Extraordinary General Assembly held:

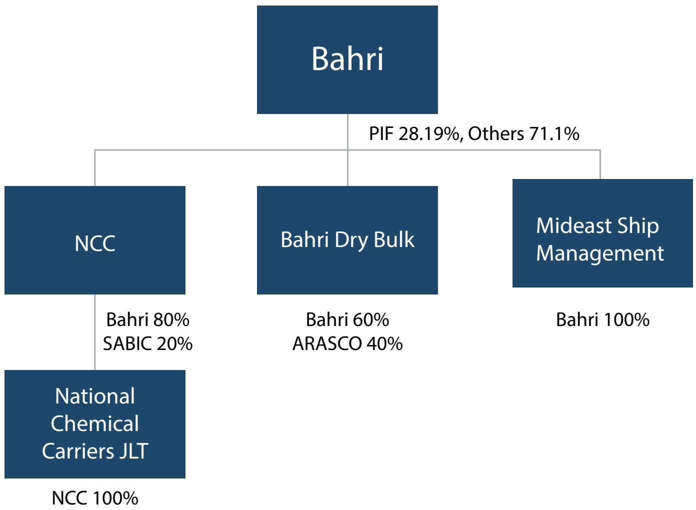
- on 10/08/1402H (corresponding to 02/06/1982G), the share capital of the Company was increased to SAR 2,000,000,000, consisting of 20,000,000 shares with a nominal value of SAR 100 per share;
- on 29/01/1419H (corresponding to 25/05/1998G), the share capital of the Company was divided into 40,000,000 shares with the value of SAR 50 per share;
- pursuant to Resolution No. 40 of the Council of Ministers dated 27/02/1427H (corresponding to 27/03/2006G), the nominal value per share was reduced from SAR 50 per share to SAR 10 per share and accordingly the number of shares in the Company increased from 40,000,000 shares with the value of SAR 50 per share to 200,000,000 shares with the value of SAR 10 per share;
- on 12/03/1427H (corresponding to 10/04/2006G), the share capital of the Company was increased through the capitalisation of retained earnings to SAR 2,250,000,000, consisting of 225,000,000 shares with a nominal value of SAR 10 per share; and
- on 04/11/1427H (corresponding to 25/11/2006G), the share capital of the Company was increased through a rights issue to SAR 3,150,000,000, consisting of 315,000,000 Shares with a nominal value of SAR 10 per share.

As at the date of this Prospectus, the share capital of the Company is SAR 3,150,000,000 consisting of 315,000,000 shares with a nominal value of SAR 10 per share all of which are fully paid. The Consideration Shares to be issued equals 78,750,000 Shares (subject to the Adjustment, if required) with an agreed value of SAR 22.25 per Share, comprising SAR 10 as the nominal value per Share and a premium of SAR 12.25 per Share and having an aggregate value equal to SAR 1,752,187,500 (equivalent to US$467,250,000). The issue of the Consideration Shares will result in an increase of SAR 787,500,000 to the share capital. The Consideration Shares will carry the same rights and obligations as all other existing Shares in accordance with the Companies Law and the By-Laws. For further information, see Section 1.6, "The Consideration Shares".

5 - 3 Group Structure

The following chart sets out the structure of the Bahri Group as at the date of this Prospectus:

Figure 5-1: Group Structure



Source: Company

5 - 4 Mission and Strategy

5 - 4 - 1 Mission and values

The Company's mission is to connect economies thereby facilitating the sharing of prosperity and driving excellence in global logistics services. The Company is committed to its corporate values of being "Driven", "Relentless", "Transparent" and "Considered". By consistently focusing on these values and responsible business fundamentals, the Company believes that it can become a leading service provider which applies the principles of best corporate practices to run a world-class fleet, whilst building mutually beneficial relationships with all of its stakeholders.

5 - 4 - 2 Strategy

On 17/12/1426H (corresponding to 19/12/2005G), the Board approved the Company's first five-year strategic plan, the principal objective of which was to expand the Company's operations in the oil and chemical transportation sectors through the acquisition of new vessels. The Company subsequently implemented a more comprehensive five-year plan to embrace the Company's strategy at expansion, which it adopted by a Board resolution on 4/11/1429H (corresponding to 2/11/2008G). This enhanced five-year plan seeks to affirm and consolidate the Company's strong financial and operational position, with a view to enhancing its competitive edge in the global markets. As such, the strategy is to expand the Company's business through the expansion of the fleet, optimal use of resources, diversification of investments, effective management that monitors the markets, the reduction in operating costs and the adoption of international processes of implementation. The Company intends to continue to implement this five-year strategy plan until Final Completion occurs after which a new five-year plan will be adopted.

The current five-year strategic plan consists of the following components:

- expansion of the crude oil vessels fleet of the Company;
- operation of crude oil vessels in an optimal manner in the spot market and through time-charter contracts;
- exploration of markets for optimal operation of NCC's fleet;
- expansion of the general cargo operations to support the national economy of Saudi Arabia;
- improvement of operational management in each of the Bahri Group's business segments; and
- the exploration of investment opportunities for potential expansion.

5 - 5 Achievements

The Company considers that its most significant achievements during the five years immediately prior to the date of this Prospectus are:

- successful implementation of the Company's strategy through expanding its VLCC, chemical and general cargo fleet and related commercial operations;
- continued diversification of its services, including the establishment of Bahri Dry Bulk and the commencement of its operations (for further information, see Section 5.8.3 "Bahri Dry Bulk");
- successful recruitment and retention of Saudi nationals across its operations, including IT, HR, finance, logistics, ship management and strategic operations (for further information see Section 6.8 " Employees and Saudization");
- award of the ISO 9001:2008 certification for conforming to established management systems in the Company's offices in the Middle East (for further information see Section 5.8 "Overview of the Bahri Group Companies");
- implementation of the customer care center to provide online service information to customers, including voyage schedules, cargo tracking, real-time vessel location and expected port arrival and departure times;
- winner of BMG Financial Group's Transparency Award in 2010, recognising publicly-listed companies that excel at publishing financial statements and disclosing company activities accurately and in a timely manner;
- selected as one of the top 50 companies in the Arab world to embody the standard of social environmental index and governance in December 2011. This index has been developed by the Hawkamah Institute of Corporate Governance, Dubai in cooperation with Standard & Poor's (a global financial services company);
- successful re-branding of the Company as "Bahri" in 2012 to symbolise the culmination of more than thirty years of operations and to reflect the Company's position as one of the leading maritime transportation companies in the world with a keen understanding of diverse client needs in many markets;
- awarded the Euromoney 2012 award for the best managed transport and shipping company in the Middle East;
- recognised as one of the top companies in the Arab region by Forbes Middle East in 2013; and
- awarded the "Seatrade 2013 Global Perform Award" on 10 May 2013 in recognition of the Company's high standards of success in 2012 and to recognize the excellent achievements of the Company in the global maritime industry.

5 - 6 New Initiatives and Plans

The Company is continually looking to improve the quality of its proposition, by upgrading its fleet, the continuous training of its employees, developing the services to its customers and enhancing its systems and procedures. In 2014G, the Company expects to implement the following initiatives and plans:

- completion of the Transaction;

- collaboration with Saudi Aramco in dry bulk, chemicals and other areas through the Transaction;
- supporting the Kingdom's growing petroleum, chemical and manufacturing industries and providing greater security in marine transportation for the Kingdom;
- continued roll-out of the IT upgrade (as described in Section 5.9.5, "Deployment of Information Technology"); and
- bringing all of the Bahri Group's management systems to the standard of ISO 9001:2008; and

In addition, in 2013G, the Company signed a memorandum of understanding with Saudi Aramco and Singapore's Sembcorp Marine to conduct a feasibility study for a potential world-class maritime yard project in the Kingdom. Within the Company this project will be managed by a new Gas & Offshore unit that is in the process of being established as at the date of the Prospectus.

5 - 7 Overview of Bahri's Business Activities

The principal business activities of the Bahri Group are divided into five categories which are oil & gas, chemicals, dry bulk, general cargo and ship management. Of these activities, the chemicals operation is run through NCC, the ship management operations are run through Mideast and the dry bulk operations are run through Bahri Dry Bulk, each of which are subsidiaries of the Company. The oil & gas operations as well as the general cargo operations are run by the Company through branch arrangements. NSCSA (America) Inc., a subsidiary of the Company, also runs some of the general cargo operations.

The principal business activities of the Company are further described below and in Section 5.8 "Overview of Bahri Group Companies":

5 - 7 - 1 Oil Transportation

The Company entered the crude oil transportation segment in 1992 by ordering five VLCCs. These five VLCCs entered into service in 1996 and 1997. In addition, in 2001, the Company acquired four additional VLCCs bringing the VLCC fleet of the Company to nine vessels. The Company formalised its crude oil transportation business in 2005 with the creation of a branch office in Dubai, UAE called Bahri Oil & Gas with commercial licence number JLT-65807 ("**Bahri Oil & Gas**"). Bahri Oil & Gas was set up as a base to operate the Company's crude oil transportation business given Dubai's position as an international hub in the crude oil transportation market. The Company also placed orders for eight new VLCCs which were delivered between 2007 and 2009. The Company's VLCC business has steadily grown to become the Company's largest business segment in terms of assets owned and operating revenue. The Company's now owns 17 VLCCs, comprising the fifth largest fleet of VLCCs globally[9]. Each of the VLCCs has a capacity of at least 2.2 million barrels and a dead weight tonnage of 300,000 tons. The VLCC fleet usually operates on both short and long period time charters and in the spot market. However, since 2011, due to the poor spot market rates and the consequential impact on time charter rates, the Company refrained from entering into medium or long-term time charter contracts at low rates. Upon Final Completion, the Company's VLCC fleet will increase to 31 VLCCs, comprising the third largest fleet[10] of VLCCs globally. The existing VLCC fleet of the Company comprises of the following:

Table 5-2: VLCCs owned by the Company

	Name	DWT(MT)	Built	Type	Flag
1	Ramlah	300,361	1996	Double-Hull	Bahamas
2	Ghawar	300,361	1996	Double-Hull	Bahamas

9 Source:McQuilling market study on the shipping tanker industry dated November 2012, page 21.
10 Source:McQuilling market study on the shipping tanker industry dated November 2012, page 21.

	Name	DWT(MT)	Built	Type	Flag
3	Watban	300,361	1996	Double-Hull	Bahamas
4	Hawtah	300,361	1996	Double-Hull	Bahamas
5	Safaniyah	300,361	1997	Double-Hull	Bahamas
6	Harad	302,700	2001	Double-Hull	Bahamas
7	Marjan	302,700	2002	Double-Hull	Bahamas
8	Safwa	302,700	2002	Double-Hull	Bahamas
9	Abqaiq	302,700	2002	Double-Hull	Bahamas
10	Wafrah	318,000	2007	Double-Hull	Bahamas
11	Layla	318,000	2007	Double-Hull	Bahamas
12	Jana	318,000	2008	Double-Hull	Bahamas
13	Habari	318,000	2008	Double-Hull	Bahamas
14	Kahla	318,000	2009	Double-Hull	Bahamas
15	Dorra	318,000	2009	Double-Hull	Bahamas
16	Ghazal	318,000	2009	Double-Hull	Saudi Arabia
17	Sahba	318,000	2009	Double-Hull	Bahamas

Source: Company

The breakdown of voyages performed by the Company's VLCCs for the years 2010G, 2011G, 2012G and for 2013G, based on the main routes of operation of the Company, is set out below.

Table 5-3: Breakdown of VLCC voyages by routes of operation

Route	2010	2011	2012	2013
Arabian Gulf / Far East	44%	45%	23%	1%
Arabian Gulf / United States of America	25%	30%	41%	52%
West Africa / Far East	31%	25%	36%	47%
Far East / West Africa	0%	0%	0%	0%
Total	100%	100%	100%	100%

Source: Company

5 - 7 - 2 General Cargo

The Company has been active in general cargo since its incorporation in 1979G. The Company now operates its general cargo services across an extensive geographical area, covering the Middle East, the Indian sub-continent, the East coast of the US and Canada and the Mediterranean.

The general cargo fleet also operates a liner service for the carriage of both general cargoes and passengers from the US East coast and Canada to the Indian sub-continent passing through Livorno

Port in Italy, Jeddah Islamic Port on the Red Sea, King Abdul Aziz Port in Dammam and Jebel Ali Port on the Arabian Gulf coast along its route to the Indian sub-continent.

The Company rapidly expanded its cargo operations in Saudi Arabia by setting up branch office in Jeddah (in 1982), Dammam (in 1983) Jubail (in 1984). This allowed the Company to increase the scale and network of its general cargo operations. The Company also set up a liaison office in Mumbai, India in 2000 to expand its presence in South Asia.

The Company's fleet in this segment initially comprised of four multi-purpose RoRo vessels which carried containers, break bulk and RoRo cargoes. The Company expanded its business in this segment by receiving delivery of six new RoCon vessels, which have better capacity utilisation and lower fuel consumption than the RoRos that the Company used to own. The six vessels were delivered to the Company on 24/3/1434H (corresponding to 5/2/2013G), 20/6/1434H (corresponding to 30/4/2013G), 15/9/1434H (corresponding to 23/7/2013G), 24/12/1434H (corresponding to 29/10/2013G), 8/3/1435H (corresponding to 9/1/2014G) and 28/6/1435H (corresponding to 28/4/2014G) respectively. The four multi-purpose RoRos vessels that the Company used to own were disposed by the Company in 2013 as part of its phased disposal plan for the RoRos in order to dovetail the new RoCon's deliveries.

The Company's focus is to expand its customer base and accordingly was awarded a contract for a three year period amounting to SAR 230,000,000 to provide logistic services to the Ministry of Defence in the Kingdom. The Company has been appointed as an official carrier for all the branches of the armed forces sectors, to transport cargo by sea to and from the Kingdom by a contract entered into with the Ministry of Defence dated 17/11/1432H (corresponding to 15/10/2011G). The Company received a letter from Ministry of Defense dated 27/2/1435H (corresponding to 10/12/2013G) approving the renewal of the contract for an additional term of five years with a value of SAR 383,335,000 for the term of the contract and which will commence upon the expiry of the current term on 15/11/1435H (corresponding to 10/9/2014G) and will continue until 12/1/1441H (corresponding to 11/9/2019G) (for further details, see section 12.2.5 "Material Agreements").

A summary of the amount of general cargo carried by the Company's RoRos in the years 2010G, 2011G, 2012G and 2013G is as follows:

Table 5-4: Amount of general cargo from 2010G until 2013G

Year	Amount of general cargo (DWT)	Containers	Number of liner voyages
2010	551,613	19,738	15
2011	623,457	18,945	14
2012	573,183	17,822	13
2013	387,793	11,526	13

Source: Company

The Company's existing fleet of RoCons are set out below:

Table 5-5: RoCons owned by the Company

	Vessel	DWT	Speed (knots)	Flag	Built or expected date of delivery
1	Bahri Abha	26,000	17	KSA	2013
2	Bahri Hofuf	26,000	17	KSA	2013
3	Bahri Tabuk	26,000	17	KSA	2013

	Vessel	DWT	Speed (knots)	Flag	Built or expected date of delivery
4	Bahri Jazan	26,000	17	KSA	2013
5	Bahri Jeddah	26,000	17	KSA	2014
6	Bahri Yanbu	26,000	17	KSA	2014

Source: Company

5 - 7 - 3 NSCSA (America) Inc.

On 24 July 1991, NSCSA (America) Inc. was incorporated, as a wholly-owned subsidiary of the Company in the State of New York to act as the general agent for the Company with its first office in Staten Island, New York and to perform the general cargo operations of the Company. NSCSA (America) Inc has an authorised share capital of 1,000 shares of with a value of US$1,000,000. In the fall of 1992, NSCSA (America) Inc. moved its headquarters from Staten Island, New York to Baltimore, Maryland. The Port of Baltimore is one of the largest ports for RoRos on the East Coast of the United States. In addition to the corporate head office in Baltimore, NSCSA (America) Inc. had branch offices in Piscataway, New Jersey, Norfolk, Virginia and Chicago, Illinois which have all since been closed.

As a general agent of the Company, NSCSA (America) Inc. is engaged in developing the Company's business and maintaining its relationships and co-ordinating with its customers in North America.

As at 31 December 2013G, NSCSA (America) Inc. employed 39 personnel of whom 34 were based in the Baltimore office. NSCSA (America) Inc. also had three external sales personnel based in New Jersey, New York and Illinois to cover customers in these regions. In addition, two port captains / vessel planners cover the entire vessel cargo planning and related services and are based in Houston, Texas, and Baltimore, Maryland respectively.

5 - 7 - 4 Container Service Yard

In 1992, the Company entered into a long-term lease with the Saudi Port Authority to lease a further piece of land adjacent to Jeddah Islamic Port to provide additional storage facilities to its customers. This lease was renewed for an additional 10 years in 2006 with the option to renew for a further five years. This Container Service Yard is used to provide additional storage facilities to the Company's customers as well as the Company's own containers. This Container Service Yard allows for the rapid clearance of customers' shipments thereby enhancing the Company's position as a freight forwarder.

5 - 8 Overview of the Bahri Group Companies

5 - 8 - 1 Mideast Ship Management JLT Limited

In 1996, the Company established the Mideast Ship Management Company Limited in Dubai, UAE as a joint venture between the Company and Acomarit, a ship management company based in Scotland, to provide ship management services to the Company and other companies in the Bahri Group. The Company subsequently acquired all of the shares in Mideast in 2005. Mideast is established in the Dubai Multi Commodities Centre Free Zone, Dubai, UAE with a share capital of AED 300,000.

Mideast currently provides technical management services to 49 vessels, including the Company's VLCCs, RoCons, the chemical tankers owned by NCC and dry bulk vessels owned by Bahri Dry Bulk. Mideast's main objective is to provide specialised technical management for all of the Company's and the Bahri Group's vessels, to standardise technical and operational management and develop operational efficiencies. Its services include:

- insurance and claim handling in relation to all vessels to which Mideast provides management services, including Hull Machinery and P&I insurance;
- technical reporting to the Company about the performance and status of the vessels, fuel consumption, results of periodic inspections and related recommendations; and
- periodic financial reporting to the Company on operating expenses and annual budgeting; production of monthly, quarterly and annual reports on operating costs and preparation of budgets in conjunction with various business units that operate each vessel.

In addition, the services that Mideast used to provide in the past (and for which it retains the necessary capabilities if required to do so in the future) are:

- commercial management of vessels belonging to the Bahri Group;
- sale and purchase of third party services; and
- technical and marine consultancy.

Mideast also recruits the crew working on the Bahri Group's vessels and provides training to such crew on all new processes adopted by the Company. For this purpose, Mideast has a specialised team of dedicated captains, engineers and technicians with high technical expertise and extensive experience in the management, as well as the technical and administrative operation, of its fleet. Mideast carries out training of employees of the Company and Bahri Group companies at all levels and currently has cadets enrolled from the Kingdom, Europe, India and the Philippines.

As at 31 December 2013G, Mideast employed 1,795 employees, made up of 30 different nationalities, of whom 1,700 were employed on board the vessels and 95 were based onshore in Dubai, UAE.

Mideast is recognised as one of the leading ship management companies globally and its quality is evidenced by its ISO 9001:2008 and ISO 14001:2004 accreditations (for further information, see Section 5.13, "Quality Assurance").

5 - 8 - 2 NCC

NCC was established by the Company and SABIC as joint venture company which specialises in the purchase, chartering and operation of chemical tankers to transport chemicals and related products. NCC was incorporated as a limited liability company incorporated in Saudi Arabia in 1990 with a share capital of SAR 200,000,000, which was increased to SAR 500,000,000 in 1992 and further increased to SAR 610,000,000 in 2006. Its share capital is owned 80 per cent. by the Company and 20 per cent. by SABIC.

NCC originally owned nine chemical tankers which have since been phased out and have been replaced by a modern fleet of chemical tankers. NCC's fleet has grown considerably since it was incorporated and is currently one of the largest chemical fleets in the world serving over 150 ports worldwide. Chemical cargoes are usually divided into organic, inorganic, vegetable oils, animal fats and other products. NCC vessels are designed to the highest specification and are capable of carrying a wide range of chemical cargoes with varying specifications thus enabling NCC to serve a large segment of the liquid chemical transportation markets.

As at the date of this Prospectus, NCC owns 24 vessels (with an average age of 5.6 years) for transporting a vast array of chemical products that form the building materials for diverse industries. NCC's fleet includes a state of the art chemical tanker which is the first of its kind. All of the vessels currently owned and operated by NCC are under time charter and Bareboat charter agreements and through NCC JLT, as follows:

- twelve vessels are operated through the NCC JLT pool arrangement (see below);
- nine vessels are chartered to the International Shipping and Transportation Co. Ltd., an affiliate of SABIC; and

- three vessels are leased to Odfjell SE, a Norwegian company, under a bareboat capital lease arrangement.

In June 2009, NCC entered into a 50:50 joint venture agreement with Odfjell SE of Norway to establish a joint operating company in Dubai which is NCC Odfjell Chemical Tankers JLT (renamed as National Chemical Carriers JLT as of 1 June 2013) ("**NCC JLT**") in the Dubai Multi-Commodities Centre Free Zone, UAE. NCC JLT was established to commercially operate NCC's and Odfjell SE's combined fleet of coated chemical tankers for the transportation of chemical cargoes. NCC JLT commenced operations in January 2010. The Company expects that NCC JLT will reinforce NCC's position as a major player in the chemical transportation industry. On 28/5/1434H (corresponding to 9/4/2013G), NCC and Odfjell SE entered into an agreement pursuant to which NCC will acquire all of Odfjell's shareholding in NCC JLT with such share purchase to be effective on 22/7/1434H (corresponding to 1/6/2013G) and to dissolve the pool arrangement in which their respective vessels are participating. Pursuant to this agreement, NCC owns 100 per cent. of NCC JLT. Separately, NCC will continue to co-operate with Odfjell and they will contribute one 75,000 DWT large chemical tanker each to a pool arrangement that will be commercially managed by NCC.

NCC currently has a total of twelve vessels operating in a pool arrangement operated and managed by NCC JLT. NCC JLT has 17 employees working in the areas of fleet operations, port operation support, chartering (commercial) and also employs support staff to provide services relating to accounting, IT and human resources.

NCC has proved to be an extremely profitable venture and has grown steadily over the years since its establishment. There are five directors in the board of NCC of whom four (including the vice chairman) are representatives of the Company and one is a representative of SABIC. Since its establishment, NCC has managed to maintain a stable employee base ranging between 15-20 which has added to the efficiency of NCC's operations.

The chemical cargo carried by the chemical tankers owned by NCC in the years 2010G, 2011G, 2012G and 2013G is as follows:

Table 5-6: Breakdown of chemical cargo voyages from 2010G until 2013G

Year	Total number of voyages	Total amount of chemical cargo carried (tons)	Number of voyages by vessels operation in the pool arrangement managed by NCC JLT	Amount of chemical cargo carried by vessels in the pool arrangement managed by NCC JLT (tons)
2010	80	2,871,763	22	836,000
2011	95	3,540,101	40	1,450,101
2012	127	4,592,461	70	2,515,461
2013	156	5,689,913	92	3,102,084

Source: Company

Details of the chemical carrier fleet of NCC are set out in the table below.

Table 5-7: Chemical tankers owned by NCC:

	Carrier	Number of Tanks	Year Built	Flag	Speed (Knots)
1	NCC Mekka	52	1995	Norway	16
2	NCC Riyadh	52	1995	Norway	16

	Carrier	Number of Tanks	Year Built	Flag	Speed (Knots)
3	NCC Jubail	52	1996	Norway	16
4	NCC Najd	22	2005	KSA	15
5	NCC Hijaz	22	2005	KSA	15
6	NCC Tihama	22	2006	KSA	15
7	NCC Abha	22	2006	KSA	15
8	NCC Tabuk	22	2006	KSA	15
9	NCC Qassim	22	2006	KSA	15
10	NCC Rabigh	22	2007	KSA	15
11	NCC Sudair	22	2007	KSA	15
12	NCC Dammam	22	2008	KSA	15
13	NCC Haiel	22	2008	KSA	15
14	NCC Noor	22	2011	KSA	15
15	NCC Huda	22	2011	KSA	15
16	NCC Amal	22	2011	KSA	15
17	NCC Safa	22	2011	KSA	15
18	NCC Danah	22	2011	KSA	15
19	NCC Nasma	22	2011	KSA	15
20	NCC Shams	22	2012	KSA	15
21	NCC Najem	22	2012	KSA	15
22	NCC Reem	22	2012	KSA	15
23	NCC Sama	22	2012	KSA	15
24	NCC Fajr	30	2013	KSA	14

Source: Company

5 - 8 - 3 Bahri Dry Bulk

On 28 August 2010G, the Company and ARASCO incorporated Bahri Dry Bulk, which specialises in the ownership, chartering and operation of vessels transporting dry bulk commodities. Bahri Dry Bulk is a limited liability company incorporated in Saudi Arabia and its current share capital is SAR 200,000,000, which is owned 60 per cent. by the Company and 40 per cent. by ARASCO.

Bahri Dry Bulk commenced its operations in 2012 with the charter of two ships with a focus on transporting grain products and other dry bulk cargo into the Kingdom for ARASCO. The board of directors of Bahri Dry Bulk comprises of five directors, two of whom are senior executives of the Company, two represent ARASCO and the Chairman is member of the Board.

As at the date of this Prospectus, Bahri Dry Bulk is operating five cargo vessels which are latest design, green, low emission bulk carriers which were received on 26/12/1435H (corresponding to 29/11/2013G), 14/3/1435H (corresponding to 15/1/2014G), 26/3/1435H (corresponding to 27/1/2014G), 26/4/1435H (corresponding to 26/2/2014G) and 30/5/1435H (corresponding to 31/3/2014G) respectively. These vessels will be chartered to ARASCO for the transportation of ARASCO's grain imports and other dry bulk commodities.

On 17/1/1435H (corresponding to 20/11/2013G), Bahri Dry Bulk entered into a Sharia compliant financing facility for SAR 420,000,000 with Bank Albilad. The purpose of the facility was to finance 70% of the cost of building the five new dry bulk vessels mentioned above. The facility has a term of 11 years including a one year grace period. The five vessels will be mortgaged to Bank Albilad as collateral for the financing.

5 - 8 - 4 Petredec

In 2005, as part of its strategic expansion and diversification, the Company acquired a minority shareholding in Petredec, a company incorporated in Bermuda in 1980, with offices in Monaco, Singapore and the Bahamas. Petredec was established with the desire to trade LPG in Europe and across the Atlantic. Petredec is a limited liability company and its current issued share capital is US$6,111,111, which is owned 30.3 per cent. by the Company and 69.7 per cent. by Haydock Holdings Limited. Petredec opened its Singapore office in 1995 to trade in the developing eastern markets as well as engage in LPG trading through large and small ships in South East Asia and the Far East.

Petredec operates largely in the trade and transport of LPG and is supported by a fleet of specialised LPG carriers, consisting of 74 vessels of various sizes, of which 15 are owned by Petredec itself, three carriers are on Bareboat charter contracts, 31 carriers are on time chartered agreements, 25 carriers operate in the spot market on a voyage-by-voyage basis and an additional 14 carriers are under construction.

Petredec's operations cover the Asian, European, Caribbean and Middle Eastern markets.

5 - 9 Competitive Advantages

The Company believes that there are a number of factors that give the Company an advantage over potential competitors and provide a platform for sustainable and profitable growth. The key competitive advantages are outlined below.

5 - 9 - 1 Qualified and Experienced Senior Management Team

The Company's senior management team has significant experience both in shipping and in the wider transportation sector. Their experience in the wider commercial environment in the Kingdom, and their education, bring to the Company a track record for delivering success and a proven ability to produce results.

5 - 9 - 2 State-of-the-art Fleet

The Company prioritises the maintenance and development of its fleet so that it can offer to its customers the safety, security and reliability that a modern fleet provides. The process of renewal has completed with the Company replacing its oldest vessels – the RoRos – with newly-built RoCons during 2013 and 2014.

5 - 9 - 3 Lower operational cost

The Company enjoys a low cost of financing given its strong balance sheet and efficient operations. Because the Company is incorporated in the Kingdom, and owned by Saudi nationals, it is entitled to receive subsidies on the bunker fuels consumed by vessels owned or chartered by it or its wholly-owned subsidiaries for voyages originating in the Kingdom. As the majority of the voyages that it or its subsidiaries owned or chartered vessels make do originate in the Kingdom, the subsidies make a significant impact on the Company's profitability which, in turn, enables the Company to invest more in other parts of its business.

5 - 9 - 4 Risk management

The Company has dedicated significant time and resources to identifying and assessing the risks that it and the Bahri Group's business face at the financial, operational and information levels. As a result, the Company believes that it has developed risk management strategies to actively and effectively manage its risk. The risk management strategies have been implemented within the framework of the Company's stated goals, objectives, internal controls and organisational priorities. In recognition of this, the Company has been awarded by Oracle for its excellence and leadership following the successful implementation of the Oracle Corporate Governance Risk Management and Compliance System (part of the unified Enterprise Resource Planning System), the first company in the Kingdom to receive such award. As a result, departments and individuals within the Company are aware of their responsibilities in applying the appropriate risk management controls. This reduces the Company's risk profile and enables it to safeguard its resources.

5 - 9 - 5 Deployment of Information Technology

The Company has completed the second phase of its IT strategy in 2011, which comprised a range of initiatives and strategic projects to support the Company's development across all of its businesses and enhance their competitive edge. As part of this phase, the Company completed the initial implementation of the unified system for enterprise resources planning and set up a back up information technology centre to ensure continuity of critical systems. Previously, the Company's websites had been developed to meet the requirements of customers, investors and visitors, and an employee internet portal established to enhance internal communication at the Company. The Company believes that these measures will drive efficiency and communication, greatly enhancing its proposition.

5 - 9 - 6 In-House Technical Ship Management

By establishing a single entity to provide technical and operational ship management across the Company's and the Bahri Group's fleet, the Company has been able to maintain uniformly high standards for all of its and the Bahri Group's vessels. Mideast is committed to adopting the highest quality standards, safety rules and environmental protection practices by following the directives issued by the IMO, as well as the laws of individual jurisdictions into whose parts the Company's and the Bahri Group's vessels may call. In addition, Mideast operates in accordance with the requirements of international maritime organisations and the standards of international oil and chemical producing companies, as well as other clients whose expectations continuously increase. By having a single entity to implement standards across the Company's and Bahri Group's fleet, the Company is able to deploy a fleet of uniformly high quality in all of its business segments while keeping costs down.

5 - 9 - 7 Marketing and customer service

The Company is seeking to become a leader in its field and, as part of that, is focused on providing optimal service to its customers across its businesses. Although its core clients consist of oil producers, refineries, manufacturers and exporters of chemicals, the Company serves a broad base of customers in general cargo and has developed a strategy to identify their requirements and provide a service to meet their needs.

5 - 9 - 8 Quality of Ship and Crew

The quality of the officers and crew on board each of the Company's vessels is the most critical aspect of the Company's operations and success. Experienced, well trained and motivated personnel on board the vessels are essential if the Company is to ensure efficient and safe operations. The Company places great importance on enhancing the quality of both its vessels and the related crew as the absence of operational troubles and inefficiencies enhances the reputation of the Company and ensures that charterers continue to indicate a preference to charter vessels from the Company.

5 - 9 - 9 Safety

The Company places utmost importance on ensuring the safety of the personnel on board the Company's vessels, the safety standards of the Company's vessels and the environment. The Company operates to the highest standards possible, and is regularly audited by reputed external agencies as well as some of the major oil companies in the world. A good safety record is essential to successful commercial operations as the leading oil companies in the world will not charter vessels which have poor safety records, nor will such vessels be allowed to use terminals or facilities which are owned by such leading oil companies.

5 - 9 - 10 Human resources

The Company considers its human resources to be critical for fulfilling its missions and meeting its objectives. The Company selects employees on the basis of their academic and technical abilities, and previous experience, in order to meet its business requirements. It has implemented policies to ensure that its employees have the experience and training to perform their roles effectively. For example, it provided over 3.109 hours of training during 2013.

5 - 10 Major Customers and Suppliers

5 - 10 - 1 Major Customers

The Company's major customers (with respect to the VLCC segment) are as follows, together with the percentage of the total turnover of the segment that each of them contributed for the years 2010G, 2011G, 2012G and 2013G.

Table 5-8: Major customers in recent years:

2010		2011		2012		2013	
Customer	% of	Customer	% of	Customer	% of	Customer	% of
Hanjin	14%	Vela	17%	Vela	29%	Vela	47%
Petrochina	9%	Hanjin	14%	Reliance	17%	Reliance	19%

2010		2011		2012		2013	
Customer	% of	Customer	% of	Customer	% of	Customer	% of
BP	9%	Reliance	12%	Hanjin	10%	Hanjin	11%
Vela	8%	S-Oil	11%	S-Oil	9%	Petrochina	8%
Euronav	7%	Exxon	10%	Petrochina	8%	Unipec	4%

Source: Company

The Company also entered into an interim contract of affreightment with Vela on 6/2/1434H (corresponding to 19/12/2012G) as amended on 14/6/1435H (corresponding to 14/4/2014G) to take effect on 19/2/1434H (corresponding to 1/1/2013G), for the provision of vessels to the Saudi Aramco Group for the carriage of Crude Oil cargoes as well as fuel-oil cargoes (if required by Vela). This agreement is to be effective until such time as the Contract of Affreightment comes into effect which will be the date the first Vela VLCC is delivered to the Company pursuant to the BAPA. The terms of this agreement are further described in Section 12.1, "Summary of Material Agreements".

5 - 10 - 2 Major Suppliers

The Company's major bunker fuel suppliers (across the VLCC segment of its business) are as follows, together with the percentage of the total expenditure of the Company spent on each of them for the years 2010G, 2011G, 2012G and 2013G.

Table 5-9: Major bunker fuel suppliers in recent years:

2010		2011		2012		2013	
Supplier	% of Turnover	Supplier	% of Turnover	Supplier	% of Turnover	Supplier	% of Turnover
Saudi Arabian Bunkering Services	50%	Saudi Aramco Saudi Arabian	17%	Saudi Aramco Saudi Arabian	58%	Saudi Aramco Saudi Arabian	64%
Bakri	12%	Saudi Arabian Bunkering Services	14%	Saudi Arabian Bunkering Services	20%	Saudi Arabian Bunkering Services	11%
O.W. Bunker And Trading Co Ltd A/S	11%	Chemoil Corporation USA	12%	Chemoil Corporation USA	11%	Chemoil Corporation USA	7%
FAL Energy	10%	Bakri	11%	Bakri	4%	O.W.Bunker	8%

Source: Company

5 - 11 Environment and Safety

The Company recognises the importance of the environment in which it operates and is committed to enhancing the environmental performance of its fleet. To this end, it has coated its vessels with silicon-based hull coatings and retro-fitted engines with the cylinder lubricating oil systems, in each case in order to reduce fuel consumption and, in turn, harmful emissions. The Company strives to ensure that all equipment fitted onboard the Company's vessels uses environmentally-friendly gases, and that chemicals used onboard are both environmentally-friendly and biodegradable.

The Company is, and endeavours that its vessels and crew are, committed to:

- Periodic testing of its fleet and equipment by third party consultants to ensure compliance with the latest International Regulations and Standards on Marine Pollution;
- Effective ballast water management practices to prevent contamination of sea water;
- Equipping the ships with modern fuel saving technologies;
- Using advanced coatings on all of the vessels to reduce fuel consumption;
- Implementing precautionary principles; and
- Promoting the use of best environmental practice at all times.

5 - 12 Information Technology

The Company recognises the importance of information technology in achieving its objectives and as such the Information Technology Department seeks to apply best practice standards in the areas of systems security, protection of computer hardware, software, information media IT and communications software. The IT Department has implemented software to ensure safety and confidentiality of Company information and to protect such information from unauthorised access.

5 - 13 Quality Assurance

The Company's quality management department continues to manage, direct and conduct training programs in the field of the international quality management system, ISO 9001:2000. This includes running courses, workshops and training programs for its quality control personnel and key controllers to obtain the relevant qualificatons and to improve its corporate quality management system.

In 2006, the Company was awarded ISO 9001:2000 and, in 2009, it upgraded its quality management system to comply with the standards of ISO 9001:2008. In 2012, the Company had developed sufficient quality systems to embark on the implementation of ISO 9001:2008 in its general cargo business.

The Company regularly reviews and upgrades the safety procedures of its fleet, and conducts an assessment of such procedures, so that its safety and security procedures are in compliance with ISO 9001-2000.

5 - 14 Social Responsibility

The Company recognises the importance of an economically healthy society and takes a proactive approach to the local community, Shareholders and investors. As such, the Company endeavours to manage its business processes with a view to producing a positive impact on society. The Company strives to deliver quality service, identify the most profitable long-term business opportunities, maximise employee care, develop communities, respect the environment and encourage responsible citizenship.

The Company takes an active role in and supports a number of operations and charitable organisations in order to contribute to the welfare of society. In 2013, these included:

- Sponsoring the language and Communication Unit Program of the Disabled Children Association;
- Participation in the National Festival for Heritage and Culture;
- Participation in activities for the National Day of the Kingdom; and
- Providing a free Bahri Hijri calendar application for mobile phones.

6. Management of the Company

6 - 1 Board Members

The Company has an experienced Board of Directors, comprising highly qualified and respected individuals in the Saudi Arabian business community.

Table 6-1: Board Members

Name	Nationality	Position	Status	Independence	Direct or indirect Share ownership immediately after the Transaction
Abdulrahman Mohammad Al-Mofadhi*	Saudi Arabian	Chairman	Non-executive	Non-Independent	N.A.
Mohommed Abdulaziz AlSarhan	Saudi Arabian	Vice-Chairman	Non-executive	Independent	202,000
Esam Hamad AlMubarak*	Saudi Arabian	Member	Non-executive	Non-Independent	80,000
Abdulaziz Abdulrahman Al-Modaimigh	Saudi Arabian	Member	Non-executive	Independent	7,507,815
Saleh Abdullah Al Debasi*	Saudi Arabian	Member	Non-executive	Non-Independent	2,500
Farraj Mansour Abothenain	Saudi Arabian	Member	Non-executive	Independent	25,000
Abdullah Ali AlAjaji	Saudi Arabian	Member	Non-executive	Independent	N.A.

Source: Company as of 30/5/1435H corresponding to 31/3/2014G

* These Directors have been appointed by the Public Investment Fund, which is a major shareholder in the Company.

6 - 1 - 1 Resumes of Directors

Abdulrahman Mohammad Al-Mofadhi

- Nationality: Saudi Arabian
- Position: Chairman
- Education: Master in Business Administration, University of Michigan, USA (1984). Bachelor of Economics, King Saudi University, Saudi Arabia (1979).
- Experience: Abdulrahman Al-Mofadhi has around 35 years of professional experience. He began his career in 1979 at the Saudi Fund for Development until 1997 as an Economic Advisor. In 1997, he became an Advisor to the Executive Director for Saudi Arabia at the World Bank. In 2000, he became the Alternate Executive Director for Saudi Arabia at the World Bank. From 2006, he served as the Executive Director for Saudi Arabia at the World Bank until 2012. He has been the Alternate Governing Board Representative for Saudi Arabia at the OPEC Fund for International Development since 2012. He has been the chairman for Saudi Real Estate Company (listed on the Tadawul under the Real Estate sector) since 2013, board member of National Commercial Bank since 2012, board member of the Saudi Stock Exchange Company since 2014, vice-chairman of Tadawul and chairman of Bahri since 2014. Since 2012, he has also served as the Acting Secretary General of the Public Investment Fund.

Mohommed Abdulaziz Al-Sarhan

- Nationality: Saudi Arabian
- Position: Vice Chairman
- Education: Bachelor of Science in Mathematics and minor in Computer Science Oregon State University, Oregon, USA (1977).
- Experience: Mohommed Al-Sarhan has around 36 years of professional experience in various industries including the oil and food industries. Since 2001 he has been the Vice President of Al Faisaliah Group. He began his career in 1977 with Riyadh Petromin in Refinery where he was a Manager until 1980 and then General Director from 1980 until 1989. In 1989, Mohommed Al-Sarhan joined SMREC as Vice President, a role he held until 1993. Since then he moved to Al Faisaliah Group to manage Alsafi until he became the vice president of Al Faisaliah Group in 2001.

  He has also been a Board Member of Saudi Arabian Public Transport Company (listed on the Tadawul under the transport sector) from 2002 to 2012 and chairman of Al Safi Danone Co. since 2010, a board member of Al-Faisaliah Group Holding Co. Ltd since 2011, a board member of Civil Aviation Holding Company since 2011, and on the board of trustees at Al Yamamah University since 2011. He was also the chairman of Bahri Dry Bulk from 2010 to 2013 and has been the chairman of National Chemical Carriers since 2014 and a Director of the Company since 2008. He also sits in the Board of foreign companies and financial institutions.

Esam Hamad Al-Mubarak

- Nationality: Saudi Arabian
- Position: Director
- Education: Bachelor of Quantitative Methods, King Saudi University, Saudi Arabia (1982).
- Experience: Esam Al-Mubarak has around 31 years of professional experience. Since beginning his career, he has held several important positions within the Ministry of Commerce & Industry, including as trade attaché to Geneva and Director General to External Trade. He has been Deputy Minister for International Trade since 2013. Prior to that, he was the Assistant Deputy Minister for Industry Affairs from 2010 until 2013, and an Advisor to the Minister of Commerce & Industry from 2007 until 2010.

  Esam Al-Mubarak was a Board Member of Saudi Railways Organization between 2006 and 2010 and a Board member of the Technical and Vocational Training Corporation between 2010 and 2012. He has been a member of the Preparatory Committee of Supreme Council of Petroleum and Minerals Affairs from 2010 until 2013, the Acting General Secretary of the Saudi Export Development Authority from 2011 until 2012 and the Acting Secretary General of the Saudi Commission for Accredited Foreign Resident since 2012. He is also the chairman of Bahri Dry Bulk since 2014 and has been a Director of the Company as a representative of PIF since 2005.

Abdulaziz Abdulrahman Al-Modaimigh

- Nationality: Saudi Arabian
- Position: Director
- Education: Bachelor of Civil Engineering, King Saudi University, Saudi Arabia (1981).
- Experience: Abdulaziz Al-Modaimigh has around 32 years of professional experience. He has been the CEO of Asas Universal Company Ltd since 1990 and project manager from 1987 until 1990. He was project engineer in the General Administration of Military Work at Ministry of Defence from 1981 until 1987. He has been a board member in Tawuniya (listed on Tadawul under the insurance sector) since 2008 and MEFIC Capital since 2012.

Saleh Abdullah Al Debasi

- Nationality: Saudi Arabian
- Position: Director
- Education: Masters in Public Management, University of Pittsburgh, USA (1987).

  Bachelors in Geography, Imam Muhammad Ibn Saud Islamic University, Saudi Arabia (1981).
- Experience: Saleh Al Debasi has around 26 years of professional experience. He was the Head of the Military sector of the Ministry of Finance for Budget and Organizational Affairs between 2001 and 2010. He has since been promoted to his current role of Assistant Deputy Minister. He has also been a board member of Marafiq Utility Company and Saudi-Moroccan Company since 2012 (in each case, as a representative of the Saudi Government). He has been a Director of the Company as a representative of PIF since 2008. He has been a board member of Saudi Railway Company since 2012.

Farraj Mansour Abothenain

- Nationality: Saudi Arabian
- Position: Director
- Education: Bachelor in Industrial Management, Milwaukee University of Engineering, USA (1981).

  Associate Credit Programme, Chase Manhattan Bank, New York, USA (1983).
- Experience: Farraj Abothenain has around 32 years of professional experience. He was a Senior Vice President for Finance & Investment at National Industrialization Company (listed on the Tadawul under the petrochemical industries sector) between 1999 and 2008. He has also been a board member of Astra Industrial Group (listed on Tadawul under the industrial sector) since 2009, The National Petrochemical Company "Petrochem" (listed on the Tadawul under the petrochemical industries sector) since 2010, and Bawan Company (listed on the Tadawul under the building and construction sector) since 2011. He has been a Director of the Company since 2008. He has been chairman of Central Company for Development since 2008.

Abdullah Ali Al-Ajaji

- Nationality: Saudi Arabian
- Position: Director
- Education: Masters in Law (LLM), Case Western Reserve University, Ohio, USA (2000).

  Bachelor in Social Science, Imam Muhammad Ibn Saud Islamic University (1984)
- Experience: Abdullah Al-Ajaji has around 29 years of professional experience. He has been a Director of Legal Affairs in Public Pension Agency PPA and a Deputy Governor of the Public Pension Agency PPA for Pension Affairs since 2008. He has been a board member of Qassim Cement Company (listed on the Tadawul under the cement segment) since 2010. He has been a Director of the Company since 2011.

6 - 2 The Secretary of the Board

Ahmed Sulaiman Al-Eidan

- Nationality: Saudi Arabian
- Position: Assistant Chief Executive Officer, Board Secretariat & Communication
- Education: Internal Auditor Fellowship, US General Accounting Office, Washington, D.C., USA (1988). Bachelor of Science in Business Administration, California State University, California, USA (1981).
- Experience: Ahmed Al-Eidan has around 47 years of professional experience in the transportation and government sectors and in the areas of accounting, financial and operations auditing. He began his career with the General Auditing Bureau, Riyadh in 1966 and held various positions, the last being Director General, Audit in 1990. He joined the Company in March 1990 as Internal Audit Department Manager & Secretary to the Board and was promoted to Internal Audit Director in 1991. In 1993, he was assigned as VCEO-Fleet Management Division and was transferred and assigned to become Regional Manager (Eastern Region), Dammam in 1996. In 2000, he was assigned back to Riyadh as Director, Internal Audit Department and was made Internal Audit Director & Board Secretary in 2004. Ahmed Al-Eidan was promoted to Vice Chief Executive Officer, Internal Audit & Control and Board Secretary in 2007 and was then promoted again in 2008 to Assistant Chief Executive Officer, Board Secretariat & Communication.

6 - 3 SADC Board Appointees

Under the terms of the Transaction, and pursuant to the proposed amendments to the By-Laws, SADC, as a Shareholder, will have the right to appoint two Board members.

It is currently anticipated that the following two individuals will be appointed to the Board by SADC. The individuals are well qualified and respected individuals in the Saudi Arabian business community.

Table 6-3: SADC Board Appointees

Name	Nationality	Position	Status	Independence	Direct or indirect Share ownership immediately after the Transaction
Said A. Al-Hadrami	Saudi Arabian	Member	Non-executive	Non-Independent	1,000
Bader A. Ghouth	Saudi Arabian	Member	Non-executive	Non-Independent	1,000

Resumes of SADC Board Appointees

Said A. Al-Hadrami

- Nationality: Saudi Arabian
- Position: Director
- Education: Master of Business Administration, King Fahd University of Petroleum and Minerals, Saudi Arabia (1990). Bachelor in Industrial Management, King Fahd University of Petroleum and Minerals, Saudi Arabia (1985).
- Experience: Said Al Hadrami has been the President & CEO of Saudi Aramco Products Trading Company (Aramco Trading) since January, 2011. Prior to assuming his position in Aramco Trading, he worked for approximately 5 years with the Saudi Consolidated Electric Company beginning in 1985, following which he spent 21 years with Saudi Aramco. Said Al-Hadrami has held various management positions with Saudi Aramco and served on the boards of several Saudi Aramco joint ventures including Saudi Aramco Lubricating Oil Company, Arab Petroleum Pipelines Company, Saudi Aramco Total Refining and Petrochemical Company, Saudi Petroleum Overseas Ltd., and Saudi Petroleum Ltd.

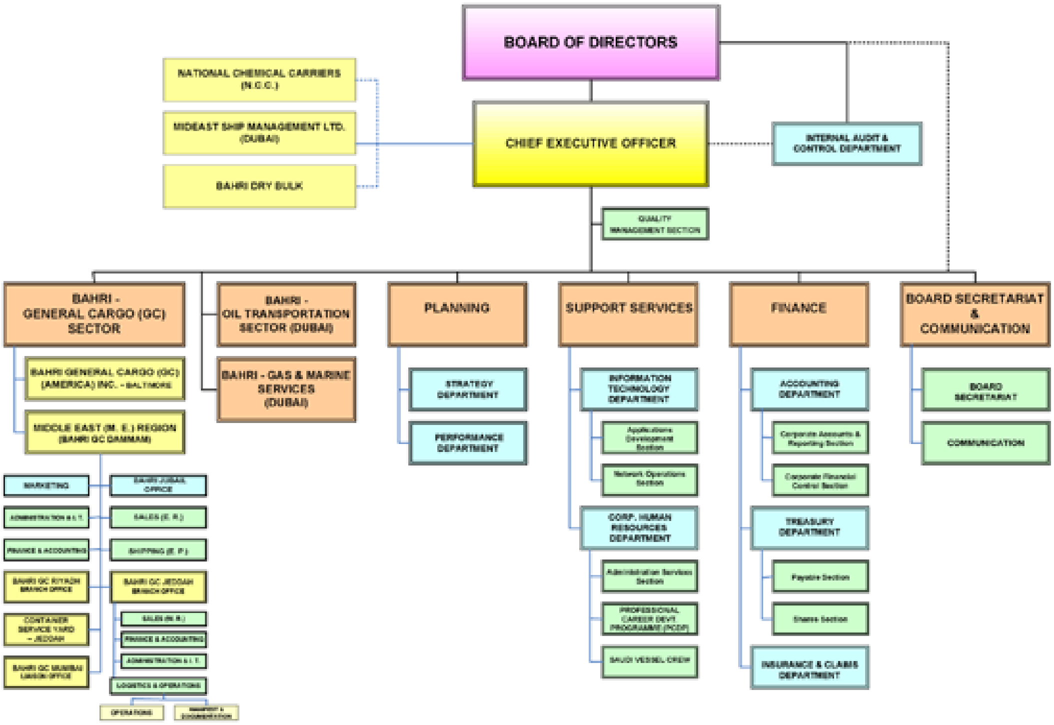
Bader A. Ghouth

- Nationality: Saudi Arabian
- Position: Director
- Education: MSC Planning & Management, Polytechnic Central London (1986).
- Experience: Bader Ghouth has been the Manager of Saudi Aramco's Marine Department since April, 2011. Prior to assuming this position, he worked for approximately 3 years as the Managing Director of Saudi Petroleum Ltd. in London. Previously he worked with Vela as a Marine Operation Manager for approximately 6 years. He started his carrier with Saudi Aramco in the Terminal Operation Department where he was the port captain of all Saudi Aramco ports and terminal from 1987 until 2002.

6 - 4 Senior Management

The Company is managed by a highly experienced team with the appropriate knowledge and skills to manage the Company's operations. The Company is organised into eight departments/sectors and three subsidiary companies, each of which reports to the CEO. The organisation of the Company's senior management is set out in the structure chart below:

Figure 7-1: Organisation Structure Chart



Source: Company

The Company's senior management team is comprised of the following:

Table 6-2: Company's Senior Management

Name	Position	Nationality	No. of Shares held as of 31/3/2014G
Saleh Nasser Al-Jasser	CEO	Saudi Arabian	210,835
Mohammed Omair Al-Otaibi	Vice Chief Executive Officer, Finance and acting Vice Chief Executive Officer, Planning & Business Development	Saudi Arabian	-
Saleh Abdulrahman Al-Shamekh	Acting President of Oil Transportation and President of Gas & Offshore	Saudi Arabian	-
Ahmed Sulaiman Al-Eidan	Assistant Chief Executive Officer, Board Secretariat & Communication	Saudi Arabian	-
Abudlaziz Abdulrahman A. AlArifi	Treasury Manager	Saudi Arabian	-
Mansour Ibrahim Bin Dokhi	Human Resources and Corp. Administration Manager	Saudi Arabian	-
Majed Hamad Al-Shenaiber	Vice Chief Executive Officer, Support Services	Saudi Arabian	-

Source: Company

6 - 4 - 1 Resumes of Senior Management

Saleh Nasser Al-Jasser

- Nationality: Saudi Arabian
- Position: CEO
- Education: Saudi Oxford Advance Management Programme, Oxford University, U.K (2009). Advanced Management Programme, Harvard Business School, USA, (2007). General Management Programme, Cranfield University, UK (2002). Marketing Telecommunications, INSEAD, France (2001). Master of Business Administration, King Saud University, Riyadh, Saudi Arabia (1995). Associate Credit Programme, Chase Manhattan Bank, New York, USA (1991). Bachelor of Science in Industrial Engineering, King Abdulaziz University, Jeddah, Saudi Arabia (1990).
- Experience: Saleh Al-Jasser has around 30 years of professional experience with rich experience in general management. He was appointed as a CEO of Bahri in November 2010. As part of his role as CEO, he is a board member in Bahri's subsidiaries Mideast Ship Management Limited, National Chemical Carriers and Bahri GC (America) since November 2010 and a board member of Bahri Dry Bulk since January 2011. Before joining the Company Saleh was a Managing Director for Lexus operations from 2003 to 2006, and a Managing Director for Toyota Operations at Abdul Latif Jameel Group from 2006 to 2010.

  In addition, Saleh Al-Jasser has been a board member of Saudi Research and Marketing Group (listed on the Tadawul under the media and publishing sector) since May 2009. He has also been a board member of Etihad Etisalat MOBILY (listed on the Tadawul under the telecommunication and information technology sector) since December 2009. In March 2011, he became a board member of BUPA Arabia (listed on the Tadawul under the insurance sector) and became a board member of Saudi Arabian Airlines in 2012.

Mohammed Omair Al-Otaibi

- Nationality: Saudi Arabian
- Position: Vice Chief Executive Officer, Finance and acting Vice Chief Executive Officer, Planning & Business Development
- Education: Advanced Management Programme, Harvard Business School, USA, (2013). Executive Management Program, University of Michigan, USA (2001). Banking Strategy and Management, International Ireland Development, Ireland (1996). Master of Business Administration, Western Michigan University, Haworth Business School, Michigan, USA (1993).
- Experience: Mohammed Al-Otaibi has around 30 years of professional experience in the transportation and banking sectors. He began his career with Saudi Arabian Airlines in 1983 and held various positions in Ticketing & Sales. Prior to joining the Company, he held managerial positions with the Samba Financial Group between 2003 and 2005 including as Assistant General Manager of Commercial & Islamic Banking. During his career, he has also worked for Saudi Hollandi Bank as both Relationship Manager and Head of Islamic Banking. Mohammed Al-Otaibi joined the Company in May 2005 as Treasury Manager and was promoted in September 2006 to Vice Chief Executive Officer – Finance and in 2014 he was made Vice Chief Executive Officer – Business Development and Planning. Alongside his role with the Company, Mohammad Al-Otaibi was

a board member of Arabian United Float Glass from 2006 to 2013 and a board member of National Chemical Carriers from 2009 to 2013 and is a current board member of Mideast Ship Management and NSCSA America Inc., West of England and International Shipowners Reinsurance Company. Appointments he has held since January 2011, May 2011 and September 2012 respectively.

Saleh Abdulrahman Al-Shamekh

- Nationality: Saudi Arabian
- Position: Acting President of Oil Transportation and President of Gas & Offshore
- Education: Master of Business Administration, Minnesota State University, Minnesota, USA (1985). Bachelor of Science in Business Administration, Minnesota State University, Minnesota, USA (1981). Associate in Arts, Willmar Community College, Minnesota, USA (1979).
- Experience: Saleh Al-Shamekh has around 32 years of professional experience in the liner/tanker shipping and oil and gas sectors. He began his career in 1981 as an Administrative Assistant at the SA National Guard Hospital. Between 1982 and 1986 he was a Lecturer and Teaching Assistant at King Khalid Military Academy, National Guard, Riyadh, following which he served at the King Faisal Specialist Hospital, Riyadh as a Planning Analyst from 1986 until 1988. Saleh Al-Shamekh first joined the Company in 1988 as Marketing Manager. In early 1992, he was promoted to Regional General Manager (Middle East) and then in April 1992 he was appointed Vice Chief Executive, Corporate Planning & Development. He left the Company later that year but re-joined in 1994 as Vice Chief Executive, Corporate Planning & Development and in 1995 was made Acting Vice Chief Executive Officer-Lines. In 1997, he was made Vice Chief Executive Officer-Lines. Between 2001 and 2005, he served as Vice Chief Executive Officer, Tanker Division before being made Vice President (Oil & Gas) and subsequently made President (Oil & Gas) in 2007. He was also appointed as President of Bahri Oil & Gas, Dubai in 2005 and Gas & Offshore in 2013 and is the acting president of Oil Transportation.

Ahmed Sulaiman Al-Eidan

(See Section 6.2 "The Secretary of the Board" for resume details).

Abdulaziz Abdulrahman A. Al-Arifi

- Nationality: Saudi Arabian
- Position: Treasury Manager
- Education: Master of Business Administration, Stanford University, Graduate School of Business, California, USA (2010). Bachelor of Science in Business Management (magna cum laude), Babson College, Massachusetts, USA (2004).
- Experience: Abdulaziz Al-Arifi has around 9 years of professional Experience mainly in the areas of finance and investment. He has held various positions with the Capital Market Authority, Riyadh, including as Corporate Finance Officer between 2004 and 2008 and as Head of Financial & Investment Sector Listing between 2010 and 2012. Abdulaziz Al-Arifi has also worked briefly for Passport Capital in California, USA as a Summer Analyst and as a Summer Associate for Booz & Company in Dubai, UAE. He joined the Company in October 2012 as Treasury Manager, Finance Division.

Mansour Ibrahim Bin Dokhi

- Nationality: Saudi Arabian
- Position: Human Resources and Corporate Administration Manager
- Education: Certificate in Personnel Practice, Chartered Institute of Personnel & Development, UK (2010). Bachelor of Arts in English Language and its Arts, Al-Imam Muhammad Ibn Saud Islamic University, Riyadh, Saudi Arabia (2000).
- Experience: Mansour Ibrahim Bin Dokhi has around 13 years of professional experience in human resources development and management. He began his career in 2000 as a Trainer Assistant (Unit Command & Operations) at Vinnell Arabia where he worked until 2005. In 2005, he joined Olayan Financing Company, Riyadh as Group Recruitment & Manpower Planning Manager. Between 2008 and 2012, he worked at International Systems Engineering Ltd. Co. Riyadh as HR Manager-Recruitment, Resourcing & Reward. He joined the Company in September 2012 as Human Resources & Corporate Administration Manager.

Majed Hamad Al-Shenaiber

- Nationality: Saudi Arabian
- Position: Vice Chief Executive Officer for Support Services
- Education: Management Acceleration Programme, INSEAD (France & Singapore), (2009). Diploma in Operation Systems, The Institute of Public Administration, Riyadh, Saudi Arabia (1994).
- Experience: Majed Al-Shenaiber has around 19 years of professional experience in the area of computer and information technology. He has been with the Company since September 1994 when he started his career as a Trainee. He has held various positions within the IT Department such as System Operator, Systems Administrator, Supervisor-Computer Operations, Supervisor-Network Management & Operations, and Acting Manager. He was the Manager of the IT Department from 2001 until 2013. In 2014, he became the Vice Chief Executive Officer for Support Services.

6 - 5 Corporate Governance

The Company endeavours to ensure that its internal policies comply with best corporate governance practices. To this end, the Company's corporate governance regulations (the "**Company Corporate Governance Regulations**") were approved by the Board on 20/12/2009G and are based on the Company's Articles of Association and internal regulations. The Company Corporate Governance Regulations are consistent with the Corporate Governance Regulations and the Companies Law.

The Company considers the adoption of high standards of corporate governance as an important factor in its success. Adherence to the Company Corporate Governance Regulations will help to ensure that the Board fulfils its obligations and acts in the best interests of the shareholders.

The Board comprises seven Directors appointed for a term not exceeding three years. The term of the current Board will run until no later than 31/12/2016G.

The Company has internal control systems which have been adopted in all its departments. As at the date of this Prospectus, the Company has three Board committees: the Strategy and Investment Committee; the Audit Committee; and the Nomination and Remuneration Committee. The committees oversee and review the Company's operations within their particular areas of expertise and present their findings and suggestions to the Board.

The Board endeavours to ensure that:

- each committee has clear terms of reference that outline its specific roles and responsibilities; and
- minutes of all meetings are prepared, reviewed and approved by the Board.

6 - 5 - 1 Strategy and Investment Committee

The duties and responsibilities of the Strategy and Investment Committee include the following:

- overseeing the development of the Company's strategy and future plans;
- reviewing and assessing the Company's strategic principles and their implementation on a periodic basis;
- providing recommendations to the Board to support and adopt certain investment projects;
- recommending investment projects with a view to diversifying the Company's sources of income sources;
- reviewing and assessing the performance of the Company's executive management;
- reviewing the Company's monthly financial performance;
- reviewing, amending, recommending and assessing compliance with (on a periodic basis) the Company's operational plan and estimated budget; and
- considering any issues referred to it by the Board.

The Strategy and Investment Committee is comprised of the following members:

Table 6-3: Strategy & Investment Committee Members

Name	Role
Farraj Mansour Abothenain	Chairman
Esam Hamad Al-Mubarak	Member
Abdulrahman Mohammad Al-Mofadhi	Member

Source: Company

6 - 5 - 2 Audit Committee

The Audit Committee oversees the adequacy of the Company's internal control systems to ensure that they safeguard the interests of shareholders. The Audit Committee is authorised to examine all relevant information, data, reports, records and/or any other relevant matters, which it considers important to access; review the interim and annual financial statements and accounting policies; nominate the Company's auditor for the respective fiscal year and verify the independence of the Company's internal auditors. The duties and responsibilities of this committee include the following:

- engaging or dismissing the external auditors and recommending their compensation to the Board;
- supervising the activities of the external auditors including approving any activity beyond the agreed scope of work;
- reviewing the comments of the external auditors on the annual financial statements and following-up on the decisions that have been taken in light of the comments;
- reviewing the interim and annual financial statements prior to presenting them to the Board;
- supervising the Company's internal auditing department to monitor its effectiveness in carrying out the tasks and duties assigned to it by the Board;
- reviewing the internal auditing system and drafting a written report with its recommendations;
- reviewing the internal audit reports and pursuing the implementation of the recommendations set out therein;
- reviewing and commenting on the audit plan with the external auditor; and
- reviewing and commenting on the applicable accounting policies and providing the Board with recommendations thereon.

The Audit Committee is comprised of the following members:

Table 6-4: Audit Committee Members

Name	Role
Saleh Abdullah Al Debasi	Chairman
Nasser Mohammad Al-Kahtani	Member
Abdullah Ali Al-Ajaji	Member
Dr Saad Saleh Al-Rwaita	Member

Source: Company

6 - 5 - 3 Nomination and Remuneration Committee

The duties and responsibilities of the Nomination and Remuneration Committee include the following:

- the nomination of the members of the Board for each term;
- the annual review of the needs and skills required for membership of the Board;
- the ongoing review of the structure of the Board including recommending changes as necessary;
- identifying any weaknesses within the current Board and making proposals to have them addressed in the next term;
- confirming, on an annual basis, the independence of any appointed independent Directors and ensuring that there are no conflicts of interest; and
- developing clear performance based policies for compensation and emoluments of the members of the Board and the senior executives.

The Nomination and Remuneration Committee is comprised of the following members:

Table 6-5: Nomination and Remuneration Committee Members

Name	Role
Mohommed Abdulaziz Al-Sarhan	Chairman
Abdulaziz Abdulrahman Al-Modaimigh	Member
Saleh Abdullah Al Debasi	Member

Source: Company

6 - 6 Internal Audit

The Internal Audit and Control Department seeks to ensure that the Company's business units and offices comply with any applicable rules, standards, policies, procedures, controls, government laws and legislation.

The Internal Audit and Control Department has implemented control systems applications (the "**Control Systems**") which monitor both the Company and the Group Companies. The Control Systems are designed to protect the assets of the Company, maintain and protect its accounting records against any unauthorised use, and ensure that the Company's accounting policies are consistently applied, so as to obtain reliable financial reporting.

The Internal Audit and Control Department has implemented the Governance, Risk and Compliance Management System ("**GRCM**"), which is a component of the unified Enterprise Resource Planning ("**ERP**") system. GRCM was introduced to improve the Company's audit functions, enhance transparency, control risk and provide a system for the overall control of the Company's dealings and operations. GRCM has facilitated the ability of the Company to convert its internal audit functions into an electronic operating system.

6 - 7 Service Contracts

6 - 7 - 1 Directors

The members of the Board are appointed in accordance with the By-Laws and exercise their powers pursuant to the By-Laws and the Companies Regulations. The members of the current Board have been appointed for a period ending on 2/4/1438H (corresponding to 31/12/2016G).

The responsibilities of the Chairman and the other members of the Board can be summarised as follows:

6 - 7 - 1 - 1 The Chairman

- Ensuring the clarity of the Board's functions, framework of duties, and the basis for the division of responsibilities;
- Ensuring the clarity and precision of the Board's business plan and priority of topics brought before the Board;
- Ensuring that the Board's responsibilities adhere to and fulfil the vision and strategy of the Company;
- Leading the Board in selecting the CEO;
- Supporting the committees through administrative guidance and performance evaluation;
- Voting in relation to the appointment of senior management and executive officers; and
- Assessing the performance of the Directors.

6 - 7 - 1 - 2 The Board

- Approving the mission and vision statements;
- Participating in the overall direction and planning of the Company's future plans;
- Overseeing the Strategy and Investment Committee in ensuring the effective implementation of policies and objectives of the Company;
- Participating in determining the Company's strategies and priorities and monitoring the effective and efficient utilization of the Company's assets;
- Approving the appointment of the CEO, the members of the senior management and executive officers;
- Documenting the deliberations and the resolutions issued by the Board through minutes executed by its members;
- Including any related-party transactions on the agenda of the General Assemblies to approve the same;
- Assisting in the evaluation and assessment of the executive officers and Board members; and
- Approving the Company's annual budget.

6 - 7 - 2 CEO

Saleh Al-Jasser is employed as the Chief Executive Officer of the Company under an employment contract dated 1 November 2010. The term of the agreement is unspecified.

Saleh Al-Jasser's remuneration consists of a monthly salary, housing and transportation allowances as well as medical, social security, retirement benefits and an annual bonus linked to the Company's performance which is approved by the Board.

As at 30/5/1435H corresponding to 31/3/2014G, Saleh Al-Jasser holds 210,835 shares in the Company. This direct shareholding in the Company represents approximately 0.07 per cent. of the Company's share capital.

6 - 7 - 3 CFO

Mohammed Al-Otaibi is employed as the Chief Financial Officer of the Company under an employment contract dated 1 May 2005. The term of the agreement is unspecified.

Mohammed Al-Otaibi's remuneration consists of a monthly salary, housing and transportation allowances as well as medical, social security, retirement benefits and an annual bonus linked to the Company's performance which is approved by the Board.

As at 28/2/1435H corresponding to 31/12/2013G, Mohammed Al-Otaibi holds no shares in the Company.

6 - 7 - 4 Remuneration of Directors and Executive Management

The total remuneration paid to the Directors for the financial years ended 31 December 2011, 2012 and 2013 amounted to SAR 3,898,000, SAR 3,777,000 and SAR 3,846,877 respectively.

The total remuneration paid to the Company's Senior Officers for the years ended 31 December 2011, 2012 and 2013 amounted to SAR 8,270,000, SAR 11,736,000, and SAR 16,034,000 respectively.

The Directors and the CEO are prohibited from voting on decisions relating to their own remuneration. The Directors and the Senior Officers of the Company are prohibited from borrowing from the Company.

6 - 7 - 5 Declarations of the Board of Directors

The Board of Directors, the CEO, the CFO, the Secretary and the other Senior Officers declare that:

- they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- they have not been employed in a managerial or supervisory capacity by an insolvent company in the five years preceding the date of this Prospectus;
- they do not themselves, nor do any of their relatives or affiliates, have any material interest in any written or verbal contract or arrangement in effect or contemplated at the date of the Prospectus which is significant in relation to the business of the Company or its subsidiaries;
- except as disclosed in this Section 6 "Management of the Company", neither they nor any of their relatives have a direct or an indirect interest in the Shares or the business of the Company or its subsidiaries;
- no commissions, discounts, brokerages or other non-cash compensation were granted by the Company or its subsidiaries to any member of the Board, senior manager, promoter or expert in connection to the issue or sale of any securities in the three years immediately preceding the date of this Prospectus;
- there has been no interruption in the Company's business or the business of its subsidiaries that may affect or have a significant impact on its financial situation during twelve months preceding the date of this Prospectus;
- no material change in the nature of the business of the Company is contemplated;
- neither the Company nor its subsidiaries has a policy on the research and development of new products and production processes;
- neither the Company nor its subsidiaries had any employee share schemes in place prior to the application for registration and admission to listing of the Consideration Shares or any other arrangements involving the employees in the capital of the Company;
- except as disclosed in Section 8 "Management Discussion and Analysis", neither the Company

nor its subsidiaries has holdings in contractually based securities or other assets whose value may be subject to fluctuations or be difficult to ascertain with certainty, noting that the Company and its subsidiaries do have outstanding swap contracts entered into the ordinary course of business to hedge their respective financing costs;

- neither the Company nor its subsidiaries have made any alterations to their respective share capital within the three years immediately preceding the date of application for registration and admission to listing;
- there has been no material adverse change in the financial or trading position of the Company or its subsidiaries in the three years immediately preceding the date of this Prospectus and during the period from the end of the period covered in the external auditor's report to the date of this Prospectus;
- except as disclosed in Section 12.2 "Legal information relating to the Company", the Company has not issued any debt instruments, nor does it have any other term loans or any other material outstanding borrowings or indebtedness (including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments);
- except as disclosed in Section 12.2 "Legal information relating to the Company", none of the Company's other material assets are under mortgage, right or charge;
- the Company does not have any material contingent liabilities or guarantees;
- the Board has reviewed the expected cash flow requirements and declares that the Company will have sufficient working capital for at least twelve months from the date of this Prospectus;
- they do not have any powers or rights to borrow from the Company;
- they do not have the right to vote on their respective remuneration or on any contract or proposal in which they have a material interest;
- the Company has been in compliance with the Corporate Governance Regulations; and
- the Company is in compliance with Articles 69 and 70 of the Companies Regulations and will comply with the relevant provisions of the Corporate Governance Regulations.

6 - 8 Employees and Saudization

As of 31 December 2013, the Bahri Group had approximately 370 employees. Approximately 186 of the Bahri Group's employees are based in Saudi Arabia while 184 employees work internationally. As of 31 December 2013, the Company alone employed 115 Saudi nationals and 71 expatriates, representing approximately 61.83% and 38.17% respectively of the Company's total workforce based in Saudi Arabia and NCC employs 10 of the Saudi nationals and seven expatriates, representing 58.82% and 41.18% respectively of its total workforce based in Saudi Arabia.

The split between Saudis and Non-Saudis in the senior management of the Company is set out in the table below.

Table 6-6: Senior Management for the Company and its subsidiaries

	Saudis	Non Saudis	Total
31 December 2011			
CEO Office	1	0	1
Communication	1	0	1
Finance	1	0	1
Business Development	1	0	1
Bahri Oil & Gas	1	0	1
NCC	1	0	1
Mideast	0	1	1
NSCSA (America) Inc.	0	1	1
Total as at 31 December 2011	6	2	8
	Saudis	Non Saudis	Total
31 December 2012			
CEO Office	1	0	1
Communication	1	0	1
Finance	1	0	1
Business Development	1	0	1
General Cargo	1	0	1
Bahri Oil & Gas	1	0	1
NCC	1	0	1
Mideast	0	1	1
NSCSA (America) Inc.	0	1	1
Total as at 31 December 2012	7	2	9
	Saudis	Non Saudis	Total
31 December 2013			
CEO Office	1	0	1
Communication	1	0	1
Finance	1	0	1

	Saudis	Non Saudis	Total
Business Development	1	0	1
General Cargo	1	0	1
Bahri Oil & Gas	1	0	1
NCC	1	0	1
Mideast	0	1	1
NSCSA (America) Inc.	0	1	1
Total as at 31 December 2013	7	2	9

Source: Company

The split between Saudis and Non-Saudis in the administrative and operational staff of the Company is set out in the table below:

Table 6-7: Administrative and Operational Staff for the Company and its subsidiaries

	Saudis		Non-Saudis		Total
	Administrative	Operational	Administrative	Operational	
31 December 2011					
Corporate Office	26	17	31	9	83
General Cargo	12	37	10	29	88
Bahri Oil & Gas	0	2	3	7	12
Bahri (Mumbai)	0	0	4	4	8
NSCSA(America)Inc.	0	0	13	24	37
Mideast	4	0	42	40	86
NCC	7	0	7	0	14
Total as at 31 December 2011	49	56	110	113	328
31 December 2012					
Corporate Office	36	14	24	14	88
General Cargo	12	44	7	26	89
Bahri Oil & Gas	1	1	4	6	12
Bahri (Mumbai)	0	0	4	4	8
NSCSA(America)Inc.	0	0	15	22	37
Mideast	3	0	42	45	90
NCC	10	0	6	1	17

	Saudis		Non-Saudis		Total
	Administrative	Operational	Administrative	Operational	
Total as at 31 December 2012	62	59	102	118	341
31 December 2013					
Corporate Office	51	14	12	14	91
General Cargo	12	55	7	21	95
Bahri Oil & Gas	1	1	4	7	13
Bahri (Mumbai) Representative Office	0	0	4	4	8
NSCSA(America)Inc.	0	0	15	24	39
Mideast	2	0	42	63	107
NCC	10	0	6	1	17
Total as at 31 December 2013	76	70	90	134	370

Source: Company

The strength and success of the Company can be attributed to the expertise and experience of its employees. It is our policy to ensure that the staff have adequate experience and receive the necessary training to enable them to perform their duties and tasks effectively and efficiently.

A total of 3019 hours of training on various subjects were utilised by the Company's employees during 2013G.

6 - 8 - 1 Saudization Policies

The table below illustrates the Company's present Saudi based workforce, broken down by department.

Table 6-8: Saudization by Division in Saudi Arabia*

	2011		2012		2013	
	Saudi	Non-Saudi	Saudi	Non-Saudi	Saudi	Non-Saudi
Bahri (KSA)	57.14%	42.86%	59.89%	40.11%	61.83%	38.17%
NCC	53.33%	46.67%	58.82%	41.18%	58.82%	41.18%
Total	56.84%	43.16%	59. 79%	40.21%	61. 58%	38.42%

Source: Company

*Bahri Dry Bulk is currently managed by the Company

As at 31 December 2013, approximately 115 (excluding NCC employees) of the Company's employees who are based in Saudi Arabia were Saudi nationals. The Company has been, and continues to be, fully committed to achieving the Government's policy on Saudization. For this reason, training and the development of Saudi skills and capabilities are a high priority of the Company. The Company has worked closely with the Ministry of Labour in this regard and as a result has implemented a comprehensive plan to increase the number of Saudi nationals that it employs in order to continue to exceed the national goal.

7. Overview of Vela and Saudi Aramco Development Company

7 - 1 Vela International Marine Limited

Vela was incorporated in the Republic of Liberia on 28/12/1404H (corresponding to 24/9/1984G) under the Liberian Business Corporation Act. The issued share capital of Vela is 500 shares of no par value, all of which are owned by Saudi Aramco. Vela's registered office is at 80 Broad Street Monrovia, Republic of Liberia and its headquarters are at 28th Floor, Armada Tower 2, Cluster P, Jumeirah Lake Towers, Sheikh Zayed Road, P.O.Box 26373, Dubai, United Arab Emirates.

7 - 1 - 1 Business activities

Vela is engaged in the carriage of crude oil and refined products for the Saudi Aramco Group and celebrated 25 years of its operations in 2010G. Vela manages one of the world's largest VLCC crude-oil transportation fleets to service the VLCC crude oil transportation requirements of Saudi Aramco. Vela is the current owner of the Target Assets. Vela has received ISO 9001/2008 and ISM accreditation for its safe ship operations and environmental policies.

7 - 1 - 2 Directors and management

The directors of Vela are Mr. Abdulrahman F. Al-Wuhaib (as chairman), Mrs. Huda M. Al-Ghoson, Mr. Salah M. Al-Hareky and Mr. Talal A. Bakheet. Vela's management is divided into the groups set out in the table below:

Table 7-1: Division of Vela's management

	Group	Managed by
1.	Planning & Budgeting Group	Mr. Faisal A. Al-Faqeeh
2.	Marine Operations Department	Mr. Abdulaziz Sabri
3.	Technical & Support Department	Mr. Abdullah Mudara
4.	Commercial Department	Mr. Naser M. Al-Abdulkareem
5.	Human Resources Division	Mr. Faisal A. Al-Faqeeh
6.	Accounting Division	Mr. Omar Babkr
7.	Security Operations Group	Mr. Evgemy Vlasenko

Source: Vela

7 - 1 - 3 Employees

As at 31/12/2013G, Vela employed a total of 409 employees of which 92 employees worked in Vela's shore based operations and 317 worked aboard Vela's vessels. In addition, to satisfy the full crewing requirements for the Vela Vessels, Vela has also separately contracted for the services of a further 420 crew members for its vessels through manning agencies with such crew members not being employees of Vela.

7 - 1 - 4 VLCCs owned by Vela

The Vela Vessels comprise 14 VLCCs and one single-hull floating storage VLCC. The tables below set out the average number of voyages made by each of these VLCCs between (and including) 2009G and 2013G and their utilisation in this period:

Table 7-2: Vela Vessel Voyages

Vessel	State of the vessels (in number of days)				Cargo (Tons)	Percentage utilisation of vessels		
	Total Days	In Port	Ballast	Loaded		Port	Ballast	Load
Double Hull VLCCs								
Albutain Star	1826	475	268	1084	9,936,640	26%	15%	59%
Almizan Star	1826	635	397	794	22,199,179	35%	22%	43%
Antares Star	1350	495	212	644	22,799,649	37%	16%	48%
Aries Star	1826	500	314	1013	18,896,400	27%	17%	55%
Capricorn Star	1826	542	319	966	19,315,420	30%	17%	53%
Homam Star	1096	321	210	565	12,556,216	29%	19%	52%
Janah Star	1826	445	267	1114	11,122,047	24%	15%	61%
Leo Star	1826	550	257	1019	13,685,833	30%	14%	56%
Matar Star	1157	313	143	702	5,964,633	27%	12%	61%
Pisces Star	1826	493	425	909	10,388,699	27%	23%	50%
Saiph Star	1747	451	314	981	13,495,909	26%	18%	56%
Sirius Star	1826	487	252	1087	8,712,341	27%	14%	60%
Vega Star	1826	438	317	1071	10,474,396	24%	17%	59%
Virgo Star	1479	390	228	861	7,623,669	26%	15%	58%
TOTAL	23263	6533	3922	12809	187,171,031	28%	17%	55%
Single Hull VLCC								
Alphard Star	1826	118	317	685	29,264,714	65%	17%	38%
TOTAL	1826	1188	317	685	29,264,714	65%	17%	38%

Source: Saudi Aramco

7 - 2 Saudi Aramco Development Company

SADC was commercially registered in the Kingdom of Saudi Arabia on 16/7/1434H (corresponding to 26/5/ 2013G) as a limited liability company with commercial registration number 2052002216. It is a wholly-owned subsidiary of Saudi Aramco and has a share capital of SAR 500,000. SADC's registered office is at P.O.Box 5000, Dhahran 31311, Kingdom of Saudi Arabia.

7 - 2 - 1 Business activities

SADC's object is the participation in other companies.

7 - 2 - 2 Directors

The directors of SADC as at 16/7/1434H (corresponding to 26/5/ 2013G)[11] are set out in the table below:

Table 7-3: SADC's board of directors

	Name	Position
1.	Mr. Motassim A. Al-Ma'ashouq	Chairman
2.	Mr. Basil A. Abulhamayel	Member and CEO
3.	Mr. Nabeel A. Al-Jama	Member
4.	Ms. Huda M. Ghoson	Member

Source: Saudi Aramco

7 - 2 - 3 Holder of the Consideration Shares

Pursuant to the arrangements contemplated in the BAPA, Vela has directed the Company to issue the Consideration Shares to SADC. The Consideration Shares will be issued to SADC shortly after the Final Consideration Share Vessel Transfer Date but not later than the Consideration Shares Longstop Date as further described in Section 1.6, "The Consideration Shares". The Company has not entered into any contractual arrangement with SADC in its capacity as a shareholder of the Company governing the terms of their relationship. However, Saudi Aramco, as the parent company of SADC, has entered into the Relationship Agreement with the Company. The Relationship Agreement governs the relationship and mutual rights and obligations between the Company and Saudi Aramco. Further details of this can be found in Section 1.10, "Relationship with Saudi Aramco" and Section 12.1.1.2, "Summary of the principal terms of the Relationship Agreement". Pursuant to the BAPA, SADC will have the right to appoint two representatives to the Bahri board with effect on and from the Consideration Shares Delivery Date.

7 - 2 - 4 Related parties or Parties acting in concert

As at the date of this Prospectus, there are no related parties to SADC or parties acting in concert (as such terms are defined in the Listing Rules) with SADC in relation to the acquisition of the Consideration Shares.

7 - 3 Other Saudi Aramco Subsidiaries

7 - 3 - 1 Bolanter Corporation N.V.

Bolanter was incorporated in Curaçao on 28/8/1404H (corresponding to 30/5/1984G) as a limited liability company. It is a wholly-owned subsidiary of Saudi Aramco and has a share capital of US$30,000. Bolanter's registered office is at Kaya Richard J. Beaujon, Willemstad, P.O. Box 827, Curaçao. Bolanter's objects include the export of raw materials. Bolanter is a party to the Contract of Affreightment and, pursuant to the Relationship Agreement, Saudi Aramco shall undertake to Bahri at First Completion that Bolanter shall remain an affiliate of Saudi Aramco until the termination of the Contract of Affreightment in accordance with its terms.

11 W&C to provide updated details

7 - 3 - 2 Saudi Aramco Products Trading Company

SAPTC was commercially registered in the Kingdom of Saudi Arabia on 8/6/1432H (corresponding to 11/5/2011G) as a limited liability company. It is a wholly-owned subsidiary of Saudi Aramco and has a share capital of SAR 131,250,000. SAPTC's registered office is at P.O. Box 5000, Dhahran 31492, Kingdom of Saudi Arabia. SAPTC's objects include engaging in the sale and purchase of petroleum products and the chartering of maritime vessels. SAPTC is a party to the Time Charter Agreement and, pursuant to the Relationship Agreement, Saudi Aramco shall undertake to Bahri at First Completion that SAPTC shall remain an affiliate of Saudi Aramco until the termination of the Time Charter Agreement in accordance with its terms.

8. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management discussion and analysis of financial condition and results of operations section provides an analytical review of the Company's operational performance and financial condition during the financial years ended 31 December 2011G, 2012G and 2013G. It is based upon, and should be read in conjunction with, the Company's audited financial statements for the financial years ended 31 December 2011G, 2012G and 2013G, and the notes thereto (the "**Audited Financial Statements**"). The Company's Audited Financial Statements for the financial years ended 31 December 2011G, 2012G and 2013G were audited by PricewaterhouseCoopers, BDO Dr. Mohamed Al-Amri & Co., and Ernst & Young, respectively, and are included in this Prospectus.

All amounts are in SAR, unless stated otherwise. Further, amounts are rounded off to nearest millions and along with the percentages, presented to one decimal place. References to "CAGR" refer to Compound Annual Growth Rate over the financial years ended 31 December 2011G to 31 December 2013G.

PricewaterhouseCoopers, BDO Dr. Mohamed Al-Amri & Co. and Ernst & Young do not themselves, nor do any of their relatives or affiliates have any shareholding or interest of any kind in the Company. They have furnished and not withdrawn their written consent to the reference in the Prospectus to their role as auditors of the Company for the consolidated financial years ended 31 December 2011G, 2012G and 2013G, respectively.

This discussion and analysis may contain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those indicated in any forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under Section 2, "Risk Factors".

8 - 1 Directors' Declaration for Financial Information

The Board of Directors declare to the best of their knowledge and belief that the financial information presented in this section is extracted without material changes from the Audited Financial Statements and that the Audited Financial Statements have been prepared in accordance with SOCPA Accounting Standards.

The Board of Directors declare that there has been no material adverse change in the financial or trading position of the Company during the financial years ended 31 December 2011G, 2012G and 2013G, and the date up to and including the date of this Prospectus.

The Board of Directors further declare that the Company will have sufficient funds to meet the working capital requirements for 12 months effective from the date of the Prospectus.

The Board of Directors, the CEO, the Secretary and the Senior Executives declare that they have not at any time been bankrupt or been subject to bankruptcy proceedings as at the date of this Prospectus.

The Board of Directors declare that no shares of the Company are under option as at 31 December 2013G.

Save as disclosed herein, the Board of Directors declare that there are no other mortgages, rights and charges on the Company's properties or the properties of the members of the Bahri Group, as of the date of this Prospectus, except as disclosed in this section and elsewhere in this Prospectus.

8 - 2 Company Overview

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

The Company is engaged in the purchase, charter and operation of vessels for the transportation of crude oil, liquefied petroleum gas, petrochemicals, cargo, passengers and other activities related to the maritime transportation industry.

The Company owns seventeen VLCCs, which are operating in the spot charter market. In addition, the Company owns six RoCons operating on the liner trade between North America, Europe, the Middle East and the Indian Subcontinent.

8 - 2 - 1 Subsidiaries/Affiliates overview

The Company's investments in subsidiaries/affiliates is summarised in the table below. The Audited Financial Statements include the activities of the Company and its subsidiaries, in which the Company owns more than 50 per cent. of shareholders' equity and/or has control over those subsidiaries.

Table 8-1: Subsidiaries and affiliates

Name of the Company	Ownership %	Relation	Activity	Country of Establishment	Date of incorporation	Geographical scope of activity
Subsidiaries						
National Shipping Company of Saudi Arabia (America) Inc.	100.0%	Subsidiary	Bahri Ships Agent	USA	1991	Global
National Chemical Carriers Company Limited	80.0%	Subsidiary	Petrochemical Transportation	KSA	1990	Global
Bahri Dry Bulk	60.0%	Subsidiary	Dry Bulk Transportation	KSA	2010	Global
Mideast Ship Management Limited (JLT)	100.0%	Subsidiary	Technical Ship Management	UAE	1996	Global
National Chemical Carriers	80.0%	Subsidiary	Petrochemical Transportation	UAE	2009	Global
Affiliates						
Petredec Limited	30.3%	Affiliate	LPG Transportation	Bermuda	1980	Global

Source: Company

Note: National Chemical Carrier JLT (formerly NCC Odfjell Chemical Tankers JLT) was previously owned 50% by National Chemical Carriers Limited and accordingly the indirect ownership of Bahri in the affiliate was 40%. Based on an agreement signed on 9/4/2013G, NCC acquired Odfjell's 50% stake in NCC-Odfjell (renamed as National Chemical Carriers JLT as of 1 June 2013) at the net book value with such share purchase being effective from 1st June 2013 and thereby become a 100 percent owner of National Chemical Carriers JLT.

NSCSA (America) Inc.

NSCSA (America) Inc. was incorporated in 1991G in the United States of America. It is engaged in the shipping agency business as general agent for the Company in the United States and Canada.

National Chemical Carriers ("NCC")

NCC is a limited liability company with a share capital of SAR 610 million. The Company owns 80 per cent. of NCC's share capital while the remaining 20 per cent. is owned by Saudi Basic Industries Corporation.

NCC signed a 50:50 joint venture agreement with Odfjell SE of Norway on 22/06/1430H (corresponding to 15 June 2009G), 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 fleets of coated chemical tankers in a pool, for the transportation of chemicals, vegetable oils and refined petroleum products on a world-wide basis, with a focus on the growing production and export market of the Arabian Gulf Region. NCC-Odfjell Chemical Tankers JLT commenced operations in 2010G.

NCC signed an agreement with Odfjell on 9 April 2013G, to acquire Odfjell's 50 per cent. stake in NCC-Odfjell Chemical Tankers JLT at net book value, thereby becoming a 100 per cent. owner. The purchase was effective from 1 June 2013G and the registered name of NCC-Odfjell Chemical Tankers JLT was changed to National Chemical Carriers JLT, effective from the same date.

Bahri Dry Bulk

On 28th August 2010G, the Company entered into an agreement with Arabian Agricultural Services Company ("**ARASCO**") to establish Bahri Dry Bulk for dry bulk cargo transportation, with a capital of SAR 200 million, of which 60 per cent. is owned by the Company while the remaining 40 per cent. is owned by ARASCO. Bahri Dry Bulk commenced its commercial operations in the second quarter of 2012G.

Bahri Dry Bulk's operations focus on transporting agricultural output and other dry bulk cargo globally.

Mideast Ship Management Limited (JLT) ("Mideast")

Mideast provides professional ship management services to the Company's fleet and its subsidiaries. Mideast currently manages 49 vessels, including the Company's VLCCs, RoCons, dry bulk vessels owned by Bahri Dry Bulk and the chemical carriers owned by NCC. The key services offered by Mideast include insurance and claim handling, technical management, periodic financial reporting, technical and marine consultancy services in relation to the Company's vessels.

Petredec Limited

In 2005G, as part of its strategic expansion and diversification, the Company acquired a minority shareholding in Petredec, a company incorporated in Bermuda. Petredec operates largely in the trade and transport of liquefied petroleum gas and as at 31/12/2013G (corresponding to 28/2/1435H) is supported by a fleet of specialised liquefied petroleum gas carriers, consisting of 74 vessels of various sizes, of which 15 are owned by Petredec itself, three carriers are on Bareboat Charter contracts, 31 carriers are on Time Charter agreements, 25 carriers operate in the spot market.

Petredec's operations cover the Asian, European, Caribbean and Middle Eastern markets.

8 - 2 - 2 Strategic shipping segments overview

The Company's management operates its business on the basis of the following independent strategic shipping segments:

- Oil Transportation
- Gas and Offshore
- Chemical Transportation
- General Cargo Transportation
- Dry Bulk Transportation
- Ship Management

Oil Transportation

The oil transportation segment is the largest operating segment of the Company in terms of assets owned and operating revenue. This segment is engaged in the marine transportation of Crude Oil through its fleet of double hulled VLCCs. It operates the VLCCs under spot and long-term charter agreements. The Company determines the charter rates based on internationally acceptable prevailing rates at the time of signing the contracts while the prevailing market prices are applied in the case of spot market charters.

The 17 double hull VLCCs operated by the Company are operating in the spot market. Each VLCC represents a capacity of 2.2 million barrels and DWT of more than 300,000 deadweight tons.

Gas & Offshore

This segment is responsible for Bahri's investment in Petredec Limited. In addition, it is also overlooking the feasibility study conducted by Bahri, Saudi Aramco and Sembcorp Marine for a potential world-class maritime yard project in the Kingdom as per the memorandum of understanding signed by the three parties.

In addition, Petredec operates a fleet of specialised LPG carriers, consisting of 74 vessels of various sizes, and has operations covering the Asian, European, Caribbean and Middle Eastern markets.

Chemical Transportation

The Company operates in this segment through NCC. NCC owns 24 chemical tankers, out of which three were leased to Odfjell SE, a Norwegian company, on 30 January 2009G under a bareboat capital lease arrangement, 12 are operating in a pool with NCC JLT and nine are chartered to International Shipping and Transportation Company Limited, a subsidiary of Saudi Basic Industries Corporation.

General Cargo Transportation

The general cargo transportation segment provides liner services, cargo transportation, freight forwarding and container services through its fleet of RoCons, conventional and container vessels. It offers liner service by operating RoCons/Conventional/Container vessels in the Arabian Gulf–Indian sub-continent, Red Sea, Mediterranean and the US-Canada (East Coast).

Dry Bulk Transportation

The Company signed a joint venture agreement with ARASCO for the incorporation of Bahri Dry Bulk, a specialised dry bulk cargo transportation company and with an ownership percentage of 60 per cent. by the Company and 40 per cent. by ARASCO respectively. The new subsidiary commenced its commercial operations in the second quarter of 2012G. The Company Dry Bulk's operations focus on transporting wheat, corn and other dry bulk cargo globally.

Ship Management

The Company operates this segment through its fully owned subsidiary in the UAE, Mideast Ship Management Limited (JLT). Mideast provides professional ship management services to the Company's fleet and its subsidiaries. Mideast currently manages 49 vessels, including the Company's VLCCs, RoCons, dry bulk vessels owned by Bahri Dry Bulk and the chemical carriers owned by NCC. The key services offered by Mideast include insurance and claim handling, technical management, periodic financial reporting, technical and marine consultancy services in relation to the Company's vessels.

8 - 3 Share Capital

The authorised and paid-up capital of the Company is SAR 3,150 million comprised of 315,000,000 shares with a nominal value of SAR 10 each as of 31 December 2013G and there has been no change in authorised and paid-up capital since 2011G.

8 - 4 Main Factors Affecting the Results of Operations

A discussion about the most significant factors that have affected, or are expected to affect, our financial condition and results of operations has been included in Section 2, "Risk Factors".

8 - 5 Seasonality/Business Cycles

The business of the Company is affected by seasonality and business cycles which is also reflected in global shipping rates.

8 - 6 Significant Accounting Policies

The Audited Financial Statements for the years ending on 31 December 2011G, 2012G and 2013G, and the notes thereto, which are included elsewhere in this Prospectus, have been prepared in compliance with the standards and regulations promulgated by SOCPA and with the relevant provisions of the Companies Law and the By-Laws relating to the preparation and presentation of financial statements. The Company publishes its financial statements in SAR.

The Company's accounting policies are integral to understanding its results of operations and financial condition presented in the financial statements and related notes thereto. The summary of the Company's principal significant accounting policies is set out in Note 2 of the Notes to the Consolidated Financial Statements as of and for the years ended 31 December 2011G, 2012G and 2013G and are summarised below.

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and of income and expenses during the relevant reporting period. These estimates and judgments are based on the management's best knowledge of current events and actions. The Company's management believes that the following significant accounting policies, due to the judgment, estimates and assumptions inherent in the application thereof, are critical to an understanding of the Company's financial statements.

8 - 6 - 1 Revenue recognition

The Company has adopted the completed voyage policy to determine the revenues and expenses for the period of the voyages.

General Cargo Transportation: the Company follows a complete voyage policy in determining the revenues and expenses of the period for vessels transporting general cargo i.e. RoCons. A voyage is considered to be a "Completed Voyage" when a vessel has sailed from the last discharging port of a voyage. Incomplete voyages are shown at the net amount in the consolidated balance sheet under "Incomplete Voyages".

Oil Transportation: the Company follows a complete voyage policy in determining the revenues and expenses of the period for vessels transporting crude oil. A voyage is considered to be a "Completed Voyage" from the date the vessel unloads its previous voyage load up to the date of unloading the current voyage load at the final destination port.

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

8 - 6 - 2 Bunker subsidy

Bunker subsidy is a compensation paid by the Saudi Arabian Government through Saudi Aramco to Saudi Arabian shippers, in accordance with the government legislation, which stipulates a number of criteria that need to be met to qualify for the subsidy. Bunker subsidy is computed on bunker fuel quantities consumed and recorded in the consolidated income statement on purchase. Provisions are made against any amounts that might not be collectable.

8 - 6 - 3 Borrowing costs

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

8 - 6 - 4 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 qualify for hedge accounting, if any, are recorded in the hedging reserve which is included in shareholders' equity; the hedging reserve is adjusted based on the periodical valuation of commission rate swaps.

8 - 6 - 5 Deferred Dry-docking costs

Deferred Dry-docking costs are amortised 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 amortisation period, any unamortised balance of deferred costs related to the previous Dry-docking of the vessel is amortised in the consolidated statement of income in the period that ends at the beginning of the new Dry-docking operation.

8 - 7 Results of Operations

8 - 7 - 1 Income statement

The following table sets out the Company's income statements for the financial years ended 31 December 2011G, 2012G, and 2013G:

Table 8-2: Consolidated Income Statement

SAR' million	Year ended 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Operating revenues	1,991.1	2,464.6	2,846.7	23.8%	15.5%
Bunker cost	(801.2)	(875.1)	(943.4)	9.2%	7.8%
Other Operating expenses	(1,063.3)	(1,253.3)	(1,478.0)	17.9%	17.9%
Gross operating income before bunker subsidy	126.7	336.2	425.3	165.5%	26.5%
Bunker subsidy	176.5	200.6	171.1	13.7%	(14.7%)
Gross operating income	303.2	536.8	596.4	77.1%	11.1%
General and administration expenses	(73.7)	(83.1)	(94.2)	12.8%	13.3%
Operating income	229.5	453.8	502.3	97.7%	10.7%
Company's share in profit (loss) of affiliates- net	139.7	147.7	291.2	5.7%	97.2%
Financing charges	(51.9)	(59.8)	(60.4)	15.2%	1.0%
Other income (expenses) - net	20.6	20.1	105.9	(2.4%)	426.9%
Profit before Zakat, tax, and minority interest	337.9	561.8	839.0	66.3%	49.3%
Zakat& TAX Provision	(25.5)	(36.3)	(49.9)	42.4%	37.5%
Profit before minority interest	312.4	525.5	789.1	68.2%	50.2%
Minority interest in consolidated subsidiaries' net profit	(24.6)	(21.5)	(36.9)	(12.6%)	71.6%
Net profit for the year	287.8	504.0	752.2	75.1%	49.3%

Source: Company.

The operating revenue of the Company increased at a compound annual growth rate of 19.6 per cent. between 2011G and 2013G. Oil transportation segment contributed, on average, 58.1 per cent. to the total operating of the Company during the period from 1 January 2011G to 31 December 2013G.

Variations in the operating revenue during 2011-12G were largely attributable to the fluctuations of the shipping industry in the region and worldwide. A sharp decline in the freight rates, particularly for VLCCs, during 2011G affected the Company's revenue during that period. Similarly the subsequent recovery of revenue and profits in 2012G reflect the general improvement in the shipping activity and freight rates in the industry. The acquisition of the 100 per cent. ownership of National Chemical Carrier JLT (formerly NCC Odfjell Chemical Tankers JLT), by NCC and the cessation of pool arrangement with Odfjell was a driver for revenue growth in 2013G.

Bunker cost represents fuel costs for the vessels in operation during the year. Bunker costs ranged between 33.1 per cent. and 40.2 per cent. of the total operating revenue during the period from 1 January 2011G to 31 December 2013G. The oil transportation segment accounted for, on average, 79.9 per cent. of the total bunker consumption cost during period from 1 January 2011G to 31 December 2013G. Bunker fuel costs increased by SAR 142.2 million, or at a compound annual growth rate of 8.5 per cent. over the period 2011G to 2013G. The increase in bunker costs can be traced to an increase in average fuel costs as well as to an increase in operating days for the VLCCs engaged in spot market operations and chemical transportation vessels.

Other operating expenses mainly represent ship running costs (mainly crew costs), depreciation and amortisation expenses. Other operating expenses averaged 52.1 per cent of total operating revenue during the period from 1 January 2011G to 31 December 2013G. It increased at a compound annual growth rate of 17.9 per cent. between 2011-13G mainly due to the increase in the number of vessels in operation during the period between 1 January 2011G and 31 December 2013G.

The Company's gross operating income and net income increased by SAR 233.7 million and SAR 216.2 million respectively during 2012G as compared to 2011G. This was followed by a further increase in gross operating income and net income, by SAR 59.6 million and SAR 248.2 million respectively, in 2013G as compared to 2012G. The growth in gross operating income and net income can be explained mainly by the movement in the Company's operating revenues and Company's share in profit from its affiliates.

Key performance indicators

The key performance indicators for the Company are set out in the table below:

Table 8-3: Key performance indicators

	Year ended 31 Dec		
	2011	2012	2013
	Audited	Audited	Audited
Gross operating income margin	15.2%	21.8%	21.0%
Operating income margin	11.5%	18.4%	17.6%
Net profit margin	14.5%	20.4%	26.4%
Return on assets	2.7%	4.6%	6.3%
Asset turnover	18.7%	22.3%	23.7%
Return on equity	5.4%	8.8%	12.2%
Fixed asset turnover	27.5%	32.8%	33.4%

	Year ended 31 Dec		
	2011	2012	2013
	Audited	Audited	Audited
Interest coverage	7.04	10.04	14.28
Earnings per share from gross operating income (SAR)	0.96	1.70	1.89
Earnings per share from net profit (SAR)	0.91	1.60	2.39
Debt to equity	0.89	0.82	0.80
Debt to capital	150.8%	149.8%	156.9%
Current ratio	1.10	1.14	1.05

Source: Company.

Operating revenues

Following is a table of the Company's operating revenues by segment during the years ended 31 December 2011G, 2012G, and 2013G:

Table 8-4: Operating revenues by segment

SAR' million	Year ended 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Oil transportation	1,227.4	1,474.5	1,506.8	20.1%	2.2%
Chemical	362.5	440.9	663.9	21.6%	50.6%
General cargo	401.1	510.1	562.2	27.2%	10.2%
Dry bulk	-	39.2	113.9	-	190.6%
Total	1,991.1	2,464.6	2,846.7	23.8%	15.5%

Source: Company.

Oil transportation

The oil transportation segment contributed, on average, 58.1 per cent. of total operating revenue during the financial years ended 31 December 2011G, 2012G, and 2013G and was the primary driver for the 23.8 per cent. growth in the Company's operating revenues during 2012G.

In 2012G, the Company signed a long term shipping contract with Saudi Aramco. The long term contract includes a minimum guaranteed rate for the provision of shipping services from Bolanter where Long-Haul Voyages are performed by Company-owned vessels, in order to reduce the exposure of the Company to shipping rate volatility, particularly when shipping rates fall below such minimum guaranteed rate. Conversely, when shipping rates exceed an agreed threshold, the Company is required to reimburse a proportion of such excess to Bolanter for any payment it has previously received pursuant to the minimum guaranteed rate mechanism, limited to the amounts it so received.

Operating revenue from the oil transportation segment increased by SAR 247.1 million or 20.1 per cent. in 2012G, as compared to 2011G mainly due to:

- Global recovery in the spot market time charter equivalent rates during 2012G, which resulted in increase in the average time charter equivalent rates for the Company's vessels, from SAR 81,880/day during 2011G to SAR 118,033/day in 2012G.
- An increase in the operating days for the VLCCs operating in the spot market by 766 days, resulting from the three vessels that were shifted to spot market operations in 2011G (and were engaged in spot market operations throughout 2012G) and one additional VLCC, Harad. The time charter agreement for Harad was cancelled earlier than the agreed expiry, which resulted in additional revenue of SAR 26 million in the form of cancellation charges received from the charterer.

Operating revenue from the oil transportation segment increased by SAR 32.3 million or 2.2 per cent. in 2013G, as compared to 2012G mainly due to an increase in the revenue from VLCCs operating in the spot market, from SAR 1,280.3 million in 2012G to SAR 1,358.5 million in 2013G, resulting from:

- Average time charter equivalent rates obtained by the Company's vessels operating in the spot market increased by 11.9 per cent. (from SAR 118,033 /day to SAR 132,060/day), in line with the movement of time charter equivalent rates in the global markets.
- Shifting of the VLCC Harad to the spot market and a decline in dry-dock days, which resulted in 96 incremental operating days in 2013G, for VLCCs operating in the spot market.

Chemical

Operating revenue from the chemical transportation segment increased by SAR 78.4 million or 21.6 per cent., in 2012G, as compared to 2011G. This was mainly due to the commissioning of six new vessels in 2011G and four new vessels in 2012G, which led to an increase in the operating days by 1,594 days in 2012G, as compared to 2011G.

Operating revenue from the chemical transportation segment increased by SAR 223.0 million or 50.6 per cent., in 2013G, as compared to 2012G. This was mainly due to the cessation of the pool arrangement with Odfjell and the addition of one new chemical transportation vessel to the Company's fleet, which increased the operating days from 5,851 days in 2012G to 8,426 days in 2013G.

General cargo

Operating revenues from the general cargo segment increased at a compound annual growth rate of 18.4 per cent. between 2011G and 2013G. The growth in revenue from the general cargo segment was mainly driven by the agreement to provide transportation and logistics to the Ministry of Defence ("**MoD**"), which is effective from September 2011G. This resulted in additional revenue of SAR 102.4 million and SAR 80.0 million in 2012G and 2013G respectively, as compared to 2011G and 2012G.

Dry bulk segment

The dry bulk segment commenced operations in the second quarter of 2012G. Operating revenue from the dry bulk segment increased by SAR 74.7 million, or 190.6 per cent. in 2013G, as four time chartered vessels and one owned vessels were included in the Company's fleet. The delivered vessels will replace the chartered vessels in operation previously.

Bahri Dry Bulk received delivery of two dry bulk vessels in January 2014G, one vessel in February 2014G and one vessel in March 2014G.

Bunker cost

The following table summarises segment wise bunker costs during the years ended 31 December 2011G, 2012G and 2013G.

Table 8-5: Bunker consumption cost by segment

SAR' million	Year ended 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Oil transportation	661.5	724.6	701.5	9.5%	(3.2%)
Chemical	-	-	109.5	-	nm
General cargo	139.7	150.5	132.3	7.7%	(12.1%)
Total	801.2	875.1	943.4	9.2%	7.8%

Source: Company

Bunker consumption cost represents fuel costs for the vessels in operation during the year. Bunker fuel is mainly sourced from Saudi Aramco. The oil transportation segment accounted for, on average, 79.9 per cent. of the total bunker consumption cost during the period from 1 January 2011G to 31 December 2013G.

Bunker consumption cost for the oil transportation segment increased by SAR 63.1 million, or 9.5 per cent. in 2012G as a result of increase in the operating days for the VLCCs engaged in the spot market operations, which led to an increase in the consumption of bunker fuel, combined with an increase in the average bunker fuel price, which moved up from US$ 701/MT in 2011G to US$ 731/MT in 2012G.

Bunker consumption cost for the oil transportation segment decreased by SAR 23.0 million, or 3.2 per cent., in 2013G, as compared to 2012G, mainly as a result of a 5.5 per cent. decline in the average bunker fuel price (to US$ 691/MT) in 2013G. This was partially offset by an increase in bunker consumption cost as a result of 108 incremental VLCC operating days during 2013G, as compared to 2012G.

Chemical transportation tankers operated in a pool arrangement (through a 50:50 joint venture with Odfjell) and third party charters in 2011G and 2012G, resulting in no bunker cost. During 2013G, NCC acquired 100 per cent. ownership of National Chemical Tankers JLT (formerly NCC Odfjell Chemical Tankers JLT), ending the pool arrangement. As a result, a bunker fuel consumption cost of SAR 109.5 million was recorded in 2013G.

Bunker fuel consumption cost of the general cargo transportation sector increased by SAR 10.8 million in 2012G mainly as a result of the increase in the average bunker price by USD 30/MT, as compared to 2011G. This was followed by a decline in the bunker fuel consumption cost by SAR 18.2 million, or 12.1 per cent., as result of better fuel efficiency of the new vessels inducted in the Company's fleet during 2013, leading to lower bunker fuel consumption.

Other operating expenses

The following table summarises details of other operating expenses during the years ended 31 December 2011G, 2012G and 2013G:

Table 8-6: Other operating expenses

SAR ‹ million		Year ended 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Vessel related expenses	409.1	489.9	574.6	19.8%	17.3%
Cargo related expenses	138.0	184.9	222.6	34.0%	20.4%
Voyage related expenses	132.0	142.1	204.3	7.7%	43.8%
Depreciation and amortisation	374.2	423.1	459.6	13.1%	8.6%
Others	10.0	13.3	16.8	33.0%	26.3%
Total	1,063.3	1,253.3	1,478.0	17.9%	17.9%

Source: Company

Other operating expenses mainly represent vessels related (ship running costs), depreciation and amortisation expenses, which together averaged 72.2 per cent. of the total other operating expenses during 2011-13G. Other operating expenses averaged 52.1 per cent. of total operating revenue during the period from 1 January 2011G to 31 December 2013G and increased at a compound annual growth rate of 17.9 per cent. during 2011-13G.

Vessel related cost

Vessel related costs increased by SAR 80.8 million, or 19.8 per cent., in 2012G as compared to 2011G, mainly due to the addition of four chemical carriers in the chemical transportation and dry bulk transportation segments of the Company.

Vessel related costs increased by SAR 84.7 million, or 17.3 per cent. in 2013G, as compared to 2012G, mainly as a result of the cessation of pool arrangement for chemical transportation vessels with Odfjell. This led to 965 incremental operating days for the Company's vessels, leading to the increase in vessel related costs.

Cargo related expenses

Cargo related expenses represent mainly cargo loading/unloading and agency fees and commission relating to the general cargo segment. Cargo related expenses increased by SAR 46.9 million or 34.0 per cent. during 2012G in comparison with the 2011G mainly due to increase in average TEU rate by SAR203. This was followed by a SAR 37.7 million increase or 20.4% increase in 2013G, as compared to 2012G, mainly due to increased shipment volume related to the MOD contract (referred to above).

Voyage related expenses

Voyage related expenses mainly included port charges, Suez Canal charges and brokerage/agency commissions.

Voyage related expenses increased by SAR 10.1 million, or 7.7 per cent., in 2012G compared to 2011G. The increase in the voyage costs resulted mainly from the shifting of four VLCCs from time charter to the spot market operations and an increase in average bunker fuel rates.

Voyage related expenses increased by SAR 62.2 million, or 43.8 per cent in 2013G, as compared to 2012G, mainly due to additional bunker costs incurred as a result of the shifting of vessels previously operating in pool arrangement with Odfjell, to charter agreements.

Depreciation and amortisation

Depreciation costs related to the depreciation of the vessels owned by the Company, while amortisation costs represent the allocation of the vessels' Dry-docking costs over a period of between two to five years.

Depreciation and amortisation expense increased by SAR 48.9 million in 2012G as compared to the 2011G, mainly due to the addition of four chemical carrier vessels to the fleet in 2012G. Depreciation and amortisation expense increased by SAR 3.5 million in 2013G, as compared to 2012G and was mainly attributable to the addition of four cargo transportation vessels to the Company's fleet and the cessation of the pool arrangement for the chemical transport vessels with Odfjell.

Others

Other mainly includes administrative expenses related to the Company's Dubai office out of which the Company's Oil transportation operations are managed.

Bunker subsidy

The Company receives 30 per cent. of bunker fuel cost as subsidy from the Saudi Arabian Government through Saudi Aramco on fulfilment of certain voyage and cargo related conditions.

The following table provides a segment wise breakdown of the bunker subsidy received during the financial years ended 31 December 2011G, 2012G, and 2013G.

Table 8-7: Bunker subsidy by segment

SAR' million	Year ended 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Oil transportation	137.4	157.5	143.9	14.6%	(8.6%)
Chemical	-	2.2	6.5	nm	195.5%
General cargo	39	40.9	20.7	4.9%	(49.4%)
Dry bulk	-	-	-	nm	nm
Total	176.5	200.6	171.1	13.7%	(14.7%)

Source: Company

Bunker subsidy represented 22 per cent., 22.9 per cent. and 18.1 per cent. of bunker cost for 2011G, 2012G and 2013G respectively.

Bunker subsidy income for 2012G increased by SAR 24.1 million, or 13.7 per cent., as compared to 2011G. The increase was mainly due to higher operating days for the VLCCs, which led to higher bunker fuel consumption and increased subsidy received from the Saudi Arabian Government through Saudi Aramco.

Bunker subsidy income decreased by SAR 29.5 million, or 14.7 per cent., in 2013G as compared to 2012G, mainly due to increased bunker refuelling outside KSA (for which no subsidy is provided), combined with a decline in average bunker costs during the year.

General and administration costs

The following table summarises the Company's general and administration costs for the financial years ended 31 December 2011G, 2012G and 2013G.

Table 8-8: General and administration costs

SAR' million	Year ended 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Employees' cost	54.3	66.5	73.6	22.5%	10.7%
Other general and administrative expenses	11.9	8.6	14.3	(27.7%)	66.3%
Depreciation	3.1	3.3	3.6	6.5%	9.1%
Boards of directors expenses for the company and its subsidiaries	4.4	4.7	2.6	6.8%	(44.7%)
Total	73.7	83.1	94.2	12.9%	13.4%

Source: Company

General and administrative expenses represented 3.7 per cent., 3.4 per cent. and 3.3 per cent. of the total operating revenues during 2011G, 2012G and 2013G respectively. General and administration costs mainly comprised employees' costs, which averaged 77.3 per cent. of the total general and administration costs.

General and administration costs increased at a compound annual growth rate of 13.1 per cent. during 2011-13G mainly due to increase in employees' costs. Employees' costs increased by SAR 12.2 million, or 22.5 per cent. in 2012G as compared to 2011G largely as a result of appraisal in salary packages and an increase in bonus payments during 2012G. This was followed by a further increase of SAR 7.1 million in 2013G as a result of salary increments implemented during 2013G.

Other general and administrative expenses represented prior period adjustments and other miscellaneous expenses.

Board of directors' expenses decreased by SAR 2.1 million, or 44.7 per cent., in 2013G as compared to 2012G, mainly as a result of the reclassification of certain expenses.

Company's share in profit (loss) of affiliates

The following table summarises the Company's share to the results of the respective affiliated entities, recorded in the financial years ended 31 December 2011G, 2012G and 2013G.

Table 8-9: Share of income (loss) of affiliates and joint ventures

SAR' million		Year ended 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Petredec Ltd.	135.4	143.9	291.2	6.3%	102.4%
NCC-Odfjell Chemical Tankers JLT	4.3	3.8	-	(11.6%)	(100.0%)
Total	139.7	147.7	291.2	5.7%	97.2%

Source: Company

The share of income from affiliates increased by SAR 8.0 million and SAR 143.5 million during 2012G and 2013G, respectively, as compared to 2011G and 2012G, mainly due to the better trading performance of Petredec.

Finance charges

The following table summarises finance charges recorded in the financial years ended 31 December 2011G, 2012G and 2013G.

SAR' million		Year ended 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Finance charges	51.9	59.8	60.4	15.2%	1.0%

Source: Company

Finance charges represented interest paid on financing utilised by the Company during the period. Finance charges increased by SAR 7.9 million and SAR 0.6 million in 2012G and 2013G respectively, as compared to 2011G and 2012G, mainly due to incremental finance facilities utilised during the period.

Other income/ (loss)

The following table shows other income of the Company for the financial years ended 31 December 2011G, 2012G and 2013G.

Table 8-10: Other income

SAR' million		Year ended 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Gain on sale of fixed assets	0.0	12.5	75.5	nm	504.0%
Net income from investments	6.3	7.3	18.5	15.9%	153.4%
Recovery on cancelled ships construction contracts	-	-	16.3	nm	nm
Excess recovery from insurance claim	7.5	1.5	6.7	(80.0%)	346.7%
Settlement of repair ships	-	-	5.2	nm	100.0%

SAR' million		Year ended 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Impairment in the value of available for sale of asset	-	-	(17.7)	nm	nm
Recovery against law suit	6.1	-	-	(100.0%)	nm
Other	0.7	(1.2)	1.4	(271.4%)	216.7%
Total	20.6	20.1	105.9	(2.5%)	426.9%

Source: Company

Other income during 2011G mainly comprised recovery from insurance claim of SAR 7.5 million and settlement of a law suit amounting to SAR 6.1 million. Recovery from insurance claim was against repairs performed on NCC Mekka, while compensation of SAR 6.1 million was received from settlement of legal suit against a container yard.

Other income in 2012G mainly comprised gain on sale of fixed assets of SAR 10.7 million on the sale of a 6,164 sqm piece of land located in Riyadh, KSA and SAR 1.8 million on account of gain due to the disposal of containers present in ports in Saudi Arabia during 2012.

Other income increased by SAR 85.8 million in 2013G, as compared to 2012G, mainly due to:

- Gain on sale of fixed assets of SAR 75.5 million in 2013G, representing the sale of cargo transportation vessels; Saudi Abha, Diriyah, Hofuf and Tabuk and cargo containers.
- Recovery on cancelled ship construction contract for NCC Badar.
- Increase in income from investments by SAR 11.2 million in 2013G, due to gain on sale of the Company's held for trading investments.
- Recovery against insurance claim SAR 6.7 million in 2013G, relating to NCC Jubail and NCC Qassim.

This was offset by an impairment loss of SAR 17.7 million on the Company's investment in Arabian Float Glass Company.

Zakat and Tax provision

The following table shows Zakat and Tax provision during the financial years ended 31 December 2011G, 2012G and 2013G.

Table 8-11: Zakat and Tax Provision

SAR' million		Year ended 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Zakat provision	21.6	32.9	43.6	52.3%	32.5%
Tax provision	3.9	3.4	6.3	(12.8%)	85.3%
Total	25.5	36.3	49.9	42.4%	37.5 %

Source: Company

The main components of the Company's Zakat base according to the Zakat and Income Tax Regulations comprises of shareholders' equity, provisions as of the beginning of the year, long-term loans and adjusted net income, subtracted from which are the net book values of fixed assets, investments and some other items.

The Company's Zakat and tax status

The Company has submitted Zakat returns for all years up to 2012G. The Company has submitted all withholding tax returns up to October 2013G and paid all Zakat and withholding tax relating to the submitted returns. It received an additional Zakat and withholding tax final assessment for the years 2001G to 2007G amounting to SAR 22 million. The Company objected to these additional assessments and its calculation method to the Department for Zakat and Income Tax ("**DZIT**").

The Company has not received a final assessment for the years from 2008G until 2012G. Since the application of the new tax law, the Company has paid withholding taxes deducted from payments to non-resident parties on due time. The Company believes that adequate provision is maintained at 31 December 2013G for any potential Zakat and tax claims by DZIT for the concerned years.

Zakat and Tax status for the subsidiary (NCC)

NCC has submitted the Zakat returns for all fiscal years up to 2012G along with all withholding tax returns up to November 2013G and paid the Zakat and withholding tax due according to these returns. NCC received additional Zakat and withholding tax assessments for the years 1991G to 2004G amounting to SAR 59 million. NCC appealed against some of the items shown on the assessments and the way they were treated by DZIT. In April 2010G, NCC reached an agreement for a final settlement relating to the mentioned assessments for the amount of SAR 54 million. Accordingly, it paid SAR 26 million during 2011G and requested to pay the remaining amount on instalments over 5 years starting July 2012G. NCC believes it maintains an adequate provision for Zakat and withholding tax at 31 December 2013G.

Zakat returns are prepared separately for the Company and NCC.

Zakat and Tax status for Bahri Dry Bulk

Bahri Dry Bulk was registered with the DZIT and obtained its unique number. During 2013G, Bahri Dry Bulk paid the accrued Zakat and tax for 2012G, and it will submit the Zakat and tax and withholding tax returns for the years up to 2013G, in 2014G. Bahri Dry Bulk believes it maintains an adequate provision for Zakat and tax liability as at 31 December 2012G.

Minority interest in consolidated subsidiaries' net profit

Minority interest in the consolidated income statement represented the share of net income belonging to the consolidated subsidiaries.

8 - 7 - 2 Balance sheet

The following table sets out the Company's balance sheet as at the years ended 31 December 2011G, 2012G and 2013G:

Table 8-12: Summary balance sheet

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Current assets	1,042.3	1,143.1	1,426.8	9.7%	24.8%
Non-current assets	9,580.9	9,919.4	10,569.7	3.5%	6.6%
Total assets	10,623.2	11,062.6	11,996.5	4.1%	8.4%

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Current liabilities	944.2	1,006.1	1,355.1	6.6%	34.7%
Non-current liabilities	4,323.0	4,330.7	4,454.1	0.2%	2.8%
Equity	5,355.9	5,725.7	6,187.4	6.9%	8.1%
Total liabilities and equity	10,623.2	11,062.6	11,996.5	4.1%	8.4%

Source: Company

Current assets

The following table sets out the Company's current assets as at the years ended 31 December 2011G, 2012G and 2013G.

Table 8-13: Current assets

SAR' million	As at 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Bank balances and cash	144.8	105.7	106.5	(27.0%)	0.8%
Murabaha and short-term deposits	274.5	292.7	237.9	6.6%	(18.7%)
Trade receivables, net	288.5	252.8	608.6	(12.4%)	140.8%
Bareboat lease receivable, net	7.5	10.1	15.3	34.7%	51.5%
Prepaid expenses and other receivables	40.5	141.7	79.6	249.9%	(43.8%)
Agents' current accounts	21.3	27.8	27.5	30.5%	(1.1%)
Inventories	145.0	132.1	223.0	(8.9%)	68.9%
Accrued bunker subsidy- net	87.8	132.6	123.9	51.0%	(6.5%)
Incomplete voyages	12.1	21.4	4.5	76.9%	(78.9%)
Investments held for trading	20.3	26.4	-	30.0%	(100.0%)
Total current assets	1,042.3	1,143.1	1,426.8	9.7%	24.8%

Source: Company

Trade receivables, inventory and investments in Murabaha and short-term deposits together formed 75.0 per cent. of the Company's current assets at 31 December 2013G and individually contributed 42.7 per cent., 15.6 per cent. and 16.7 per cent. to the total current assets, respectively.

As at 31 December 2012G, an increase in prepaid expenses and accrued bunker subsidy by SAR 101.2 million and SAR 44.8 million respectively, as compared to 31 December 2011G, was partially offset by a SAR 39.1 million decline in cash and cash equivalents and SAR 35.7 million decline in trade receivables and other debit balances, leading to an overall increase of SAR 100.9 million in the current assets as compared to 31 December 2011.

The Company's current assets increased by SAR 283.6 million at 31 December 2013G, as compared to 31 December 2012G, mainly due to a SAR 355.8 million increase in trade receivables and other debit balances and SAR 90.9 million increase in inventory balance.

Cash, bank balances, investment in Murabaha and short-term deposits

Cash and cash equivalents represent cash in hand and at local and foreign financial institutions. Movement in the period-end cash balances was driven by the operating and investing cash flows of the Company. The Company follows a policy of investing surplus cash in low risk Murabaha deposits.

Trade receivables and other debit balances – net

The following table sets out the details of the trade receivables and other debit balances as at 31 December 2011G, 2012G and 2013G.

Table 8-14: Trade receivables

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Total balance before doubtful debts	301.1	265.9	616.9	(11.7%)	132.0%
Provision for doubtful debts	(12.6)	(13.2)	(8.2)	4.8%	(37.9%)
Total receivables and other debit balances	288.5	252.8	608.6	(12.4%)	140.8%

Source: Company

Trade receivables of the Company mainly represent freight amounts outstanding from general cargo and VLCCs charterers, and formed 2.7 per cent., 2.3 per cent. and 5.1 per cent. of the Company's total assets at 31 December 2011G, 2012G and 2013G respectively. Receivables and other debit balances decreased by SAR 35.7 million at 31 December 2012G, as compared to 31 December 2011G, mainly as a result of reclassification of insurance claims, employee receivables and certain other debit balances to prepaid expenses and other debit balances.

The Company's trade receivables increased by SAR 355.8 million at 31 December 2013G, as compared to 31 December 2012G. The increase was mainly attributable to:

- Recording of receivables from Vela related to minimum guaranteed rates under the Interim Contract of Affreightment, which resulted in a SAR 149.6 million increase in incremental receivables.
- Increase in trade receivables of NCC, by SAR 107.6 million, representing uncollected charter receivables, cost compensation from International Shipping & Transportation Company Limited, bunker subsidy and guarantee claims.
- Increase in receivables relating to oil transportation segment, by SAR 75.0 million, as a result of revenue growth.

The provision for doubtful debts is based on specific provisioning, based on the management's expectation of the collectability of the outstanding amount

According to the provisioning policy, provision for doubtful debts will be considered as follows;

- All outstanding freight for two years or more;
- All outstanding freight that is subject to legal proceedings;
- In case the agent is terminated due to any reason and there is outstanding freight against that agent, which was not paid by him before or after the termination of his role as an agent.
- In addition to the above, all such outstanding freight for which agents, branches, regional offices and general cargoes are recommended as doubtful.

Pre-paid expenses and other debit balances

The following table summarises prepaid expenses as at 31 December 2011G, 2012G and 2013G.

Table 8-15: Pre-paid expenses and other receivables

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Prepaid expenses	40.5	59.0	57.9	45.7%	(1.9%)
Advances to suppliers	-	7.5	9.6	nm	28.0%
Insurance claims	-	15.5	4.3	nm	(72.3%)
Employee receivables	-	5.3	3.1	nm	(41.5%)
Due from related parties	-	50.1	-	nm	(100.0%)
Others	-	4.4	4.7	nm	6.8%
Prepaid expenses	40.5	141.7	79.6	249.9%	(43.8%)

Source: Company

Pre-paid expenses of the Company are mainly on account of Protection & Indemnity insurance, and hull insurance, financing cost. Pre-paid expenses increased by SAR 18.5 million at 31 December 2012G, as compared to 31 December 2011G, as a result of certain reclassifications. This was followed by a decline by SAR 1.1 million at 31 December 2013G mainly due to prepaid financing cost of RoCon vessels.

Insurance pre-payments mainly relate to pool insurance arrangements with North of England Protection & Indemnity Association and West of England Protection & Indemnity Association. Pre-paid re-financing costs relate to various fees, such as: arrangement fee, administration fee, annual agency fee etc., paid initially on the finalisation of the financing agreements. The pre-paid financing costs are amortised over the term of the loan.

Advances to suppliers, insurance claims, employee receivables, due from related parties and other debit balances were reclassified from trade receivables and other debit balances to pre-paid expenses and other debit balances in the audited financial statements for the year ended 31 December 2013G.

Advances to suppliers relate to the various materials and service providers to the Company. Advances to suppliers increased by SAR 2.1 million at 31 December 2013G, as compared to 31 December 2012G, mainly due to higher balance for advance payments made against certain voyage related expenses.

Insurance claims mainly comprise cargo claims and insurance claims from insurance companies. The claims decreased by SAR 11.2 million at 31 December 2013G as compared to 31 December 2012G mainly as a result of collection of insurance claims in 2013G.

Employee receivables comprise shore employees' salaries and allowances paid in advance and personal loans. Employee receivables declined by SAR 2.2 million at 31 December 2013G, as compared to 31 December 2012G, mainly as a result of change in the Company's policy for providing employee loans.

Due from related parties of SAR 50.1 million at 31 December 2012G was on account of working capital related to vessels previously operating in pool arrangement with Odfjell. This amount was settled in full in 2013G.

Other debit balances mainly include advances to government agencies and miscellaneous receivables.

Bareboat lease receivable – net

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

Bareboat lease receivables- net represents the current amount of the total bareboat receivable of NCC, from Odfjell, on account of the agreements signed on 30 January 2009G for the charter of three vessels under a bareboat lease arrangement for a period of 10 years. The arrangement qualifies as a capital lease as it transfers substantially all the risks and rewards to Odfjell and also gives it a purchase option.

The following table sets out the details of bareboat receivables at 31 December 2011G, 2012G and 2013G.

Table 8-16: Bareboat receivables

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Future minimum lease payments	467.0	411.4	354.1	(11.9%)	(13.9%)
Un-guaranteed residual value at the end of the lease term	247.9	247.9	247.9	-	-
Total	714.9	659.3	602.0	(7.8%)	(8.7%)
Unearned income	(302.5)	(254.5)	(207.3)	(15.9%)	(18.5%)
Total	412.4	404.8	394.7	(1.8%)	(2.5%)
Current bareboat receivables - net	7.5	10.1	15.3	34.7%	51.5%
Non-current portion	404.8	394.7	379.4	(2.5%)	(3.9%)
Total	412.3	404.8	394.7	(1.8%)	(2.5%)

Source: Company

The present value of the future minimum lease payments is recorded using annual cash flows stipulated in the terms of the agreement, discounted to arrive at the net present value.

Agents' current account

The following table summarises Agent's current account at 31 December 2011G, 2012G and 2013G.

Table 8-17: Agents' current account

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Agents' current account	21.3	27.8	27.5	30.5%	(1.1%)

Source: Company

Agent's current account relate to advances outstanding with the broker agents in lieu of voyages and expenses. The advances increased from SAR 21.3 million at 31 December 2011G to SAR 27.5 million at 31 December 2013G, mainly due to an increase relating to agents' current account of the general cargo transportation.

Inventory

Inventory primarily represents stores of bunker fuel and lubricant oil on-board the vessels of the Company.

The following table sets out the details of inventory at 31 December 2011G, 2012G and 2013G.

Table 8-18: Inventory

SAR' million	As at 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Fuel	122.8	108.1	198.2	(12.0%)	83.3%
Lubricants	22.2	24.0	22.4	8.1%	(6.7%)
Other	-	-	2.5	nm	nm
Total	145.0	132.1	223.0	(8.9%)	68.8%

Source: Company

The movement in the inventory held reflected the increase in the operating days for the VLCCs operating in the spot market, variation in the average bunker price and the number of incomplete voyages at each of 31 December 2011G, 2012G and 2013G.

Investments held for trading

The following table sets out investments held for trading as at 31 December 2011G, 2012G and 2013G.

Table 8-18: Investments held for trading

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Investments held for trading	20.3	26.4	-	30.0%	(100.0%)

Source: Company

Investments held for trading represent an investment portfolio in local equities, stated at period end fair value. These investments were redeemed in 2013G for a gain of SAR 9.9 million.

Accrued bunker subsidy-net

Net accrued bunker subsidy represents receivables from the Saudi Aramco against the subsidy provided on the sale of bunker fuel to the Company on voyages qualifying for the subsidy.

The following table sets out the gross net accrued bunker subsidy as at 31 December 2011G, 2012G and 2013G.

Table 8-19: Accrued Bunker subsidy-net

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Accrued bunker subsidy	130.4	171.1	146.2	31.2%	(14.5%)
Provision for doubtful bunker subsidy	(42.6)	(38.5)	(22.3)	(9.6%)	(42.0%)
Accrued bunker subsidy-net	87.8	132.6	123.9	51.0%	(6.6%)

Source: Company

The Company maintains a provision, representing 6 per cent. and 25 per cent. of the accrued bunker subsidy against RoRo and VLCCs voyages, respectively which is recorded at period end, on the basis of the historic collection of the subsidies.

Net accrued bunker subsidy increased by SAR 44.8 million at 31 December 2012G, as compared to 31 December 2011G as result of an increase in the purchase of bunker fuel resulting from an increase in the operating days of the VLCCs operating in the spot market, partially contributed by an increase in the rate of bunker fuels per MT by USD 30.

Net accrued bunker subsidy declined by SAR 8.7 million at 31 December 2013G, as compared to 2012G, mainly as a result of lower bunker consumption by RoRo vessels during 2013G.

Incomplete voyages

Revenues and operating expenses associated with voyages that are in progress as at the respective period end dates are recorded in the balance sheet. The status of a voyage is considered incomplete if it has yet to sail from the last discharge port of the voyage.

General Cargo Transportation: the Company follows the completed voyage policy in determining the revenues and expenses of the year for vessels transporting general cargo (RoCons). A voyage is considered to be a "Completed Voyage" when a vessel has sailed from the last discharging port of a voyage. Incomplete voyages are shown at the net amount in the 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.

Crude Oil Transportation: the Company follows the completed voyage policy in determining the revenues and expenses of the year for vessels transporting crude oil. A voyage is considered to be a "Completed Voyage" from the date the vessel unloads its previous voyage load up to the date of unloading the current voyage load at the final destination port.

Non-current assets

The following table sets out the non-current assets of the Company at 31 December 2011G, 2012G and 2013G.

Table 8-20: Non-current assets

SAR' million	As at 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Bareboat lease receivable- net	404.8	394.7	379.4	(2.5%)	(3.9%)
Investments held to maturity	30.6	40.6	40.6	32.7%	-
Investments available for sale	48.1	57.8	14.4	20.2%	(75.1%)
Investments in associated companies	540.2	652.0	842.0	20.7%	29.1%
Deferred dry-docking costs, net	67.2	98.7	104.7	46.9%	6.1%
Fixed assets, net	7,252.9	7,503.7	8,512.2	3.5%	13.4%
Ships under construction and other	1,237.1	1,172.0	676.5	(5.3%)	(42.3%)
Total non-current assets	9,580.9	9,919.5	10,569.7	3.5%	6.6%

Source: Company

The non-current assets of the Company mainly comprise fixed assets and ships under construction and formed 86.9 per cent. of the total non-current assets and 76.6 per cent. of the total assets of the Company as at 31 December 2013G.

Total non-current assets increased by SAR 338.6 million at 31 December 2012G as compared to 31 December 2011G, mainly as a result of addition of chemical tankers to NCC's fleet and an increase in the investments in affiliates.

Total non-current assets of the Company increased by SAR 650.3 million at 31 December 2013G as compared to 2012G, mainly due to SAR 1,008.5 million increase in net fixed assets, (representing the addition of general cargo, bulk and chemical transportation vessels) and SAR 190.0 million increase in investment in affiliates and others.

Bareboat lease receivables – net

Bareboat lease receivables represent the payments receivable after one year, under the Bareboat charter agreement for three vessels with Odfjell, for a period of 10 years. The non-current bareboat receivables decreased from SAR 404.8 million at 31 December 2011G to SAR 379.4 million at 31 December 2013G in accordance with the provisions of the agreement.

Investments held to maturity

Investment held to maturity mainly represents the Company's investment in sukuk with a total principal amount of SAR 30.6 million. It increased by SAR 10 million in the year ended 31 December 2012G due to NCC's investments in sukuks during 2012G. The maturity date of the sukuk is 30 December 2019G.

In addition, investments held to maturity include an amount of US$ 145,000 placed as collateral by NSCSA (America) Inc., for United States Custom bonds. The bonds were obtained as part of agency services provided to the Company.

Investments available for sale

Investments available for sale represents the Company's investments in mutual funds managed by CMA authorised persons and its 4.69 per cent. ownership of Arabic United Float Glass Company.

The Company participated in establishing Arabian United Float Glass Company. It was established through a Ministerial Decision No. (1299) dated 11/05/1427H (corresponding to 8 June 2006G). The affiliate is engaged in the manufacturing of float glass and commenced its operations in April 2009G.

An investment of SAR 20 million was made for the ownership of 2,000,000 fully paid shares, representing 10 per cent. of the share capital. In addition, the Company paid SAR 1,200,000 by 30th September 2012G as its share of the establishment and development costs of the company. The Company also subscribed SAR 10 million in a rights issue in 2012G, representing 1,000,000 additional shares. Accordingly, the total investment became SAR 30.0 million and the Company's ownership reached 10.9 per cent. of the share capital because some of the shareholders did not participate in the rights issue and the Company decided to limit the increase to the subscribed amount.

Arabian United Float Glass Company decreased its capital on 15/7/1434H corresponding to 25/5/2013G from SAR 275,000,000 to SAR 113,048,410 through writing off losses of SAR 161,951,590. Then, the capital was increased from SAR 113,048,410 to SAR 263,048,410 through a rights issue. As a result of the capital reduction, Bahri's shares decreased from 3,000,000 shares to 1,233,255 shares. In addition, given that Bahri did not participate in the rights issue, its ownership got diluted from 10.9 per cent. to 4.69 per cent.

Investments in affiliates and others

The following table sets out the details for the investments in affiliates and joint ventures as at 31 December 2011G, 2012G and 2013G.

Table 8-21: Investment in affiliates

SAR' million	As at 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Opening balance	455.8	540.2	652.0	18.5%	20.7%
Company's share in affiliate's net income	139.7	147.7	291.2	5.7%	97.2%
Reclassification the Investment in Arabic United Float Glass Company to Available for sale	(21.2)	-	-	(100.0%)	nm
Dividends received during the year	(34.1)	(35.9)	(96.6)	5.3%	169.1%
Transferred to subsidiaries	-	-	(4.6)	nm	nm
Closing balance	540.2	652.0	842.0	20.7%	29.1%

Source: Company

Total investments in affiliates increased at a CAGR of 24.8 per cent. during the financial year 31 December 2011G to 31 December 2013G. This increase was mainly due to the increase in the Company's share of net income of Petredec, a Bermuda based company, offset by dividends received during the period from Petredec.

Deferred Dry-docking costs

Consistent with shipping industry operations, the Company's vessels are also subject to regularly scheduled Dry-docking. The cost of Dry-docking is deferred and amortised over a period of two-five years. The following table sets out the movement in the deferred Dry-docking costs between 31 December 2011G and 31 December 2013G.

Table 8-22: Deferred Dry-docking costs

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Opening balance	40.4	67.2	98.7	66.3%	46.8%
Additional Dry-docking cost	61.7	69.5	52.0	12.7%	(25.2%)
Transfer to fixed assets	(6.7)	-	-	(100%)	nm
Amortization expense	(28.3)	(38.1)	(46.0)	34.6%	20.7%
Closing balance	67.2	98.7	104.7	46.8%	6.1%

Source: Company

During the year ended 31 December 2012G, additional expense of SAR 69.5 million was made, mainly representing the costs of major scheduled Dry-docking expense of SAR 55.8 million for the VLCCs.

Deferred Dry-docking increased by SAR 6.0 million at 31 December 2013G, mainly as a result of additional Dry-docking expense of SAR 52.0 million, partially offset by amortisation of Dry-docking costs incurred in the prior periods. Additional Dry-docking costs in 2013 mainly represented the scheduled Dry-docking of Ramlah, Habari, Jana and Hawtah during the year.

Net fixed assets

Table 8-23: Fixed assets, net

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Land	13.6	1.9	1.9	(86.0%)	nm
Buildings and improvements	38.2	36.6	36.3	(4.2%)	(0.8%)
Fleet and equipment	7,184.1	7,450.6	8,459.9	3.7%	13.5%
Containers and trailers	0.1	0.1	0.1	-	-
Furniture and fixtures	2.0	1.6	1.9	(20.0%)	18.8%
Tools and office equipment	0.3	0.2	0.3	(33.3%)	50.0%
Motor vehicles	0.2	0.3	0.1	50.0%	(66.7%)
Computers equipment	12.6	10.2	9.5	(19.0%)	(6.9%)
Container yard	1.7	2.3	2.0	35.3%	(13.0%)
Others	-	0.0	0.3	nm	nm
Net fixed assets	7,252.9	7,503.7	8,512.2	3.5%	13.4%

Source: Company

The Company's fixed assets principally comprise VLCCs, RoRos and the specialised chemical transportation vessels owned by NCC.

Four chemical tankers were commissioned in NCC's fleet in 2012G. The addition of the costs of these vessels resulted in the fleet and equipment increasing by SAR 283.1 million or, 3.9 per cent. as compared to 31 December 2011G.

During 2012G, the Company sold a 6,146 sqm piece of land located in Riyadh, with a carrying value of SAR 13.6 million. A gain of SAR 10.7 million was recorded on this sale in 2012G.

Fleet and equipment balance of the Company increased by SAR 1,009.3 million, or 13.5 per cent., at 31 December 2013, as compared to 31 December 2012G. The increase was mainly attributable to the addition of one petrochemical vessels, four new general cargo transportation vessels and one dry bulk transportation vessels in the Company's fleet, during 2013G.

In accordance with its depreciation policy, the Company depreciates its fixed assets on a straight line basis, as per the following annual rates:

Table 8-24: Depreciation rates

Depreciation rates	
Items	**Rate**
Buildings and improvements	5 - 33.3%
Fleet and equipment	4 - 15%
Containers and trailers	8.33 - 20%
Furniture and fixtures	10%
Tools and office equipment	2.5 - 25%
Motor vehicles	20 - 25%
Computers equipment	15 - 25%
Container yard	10 - 25%
Others	7 - 15%

Source: Company

Ships under construction

The following table sets out the movement in the balance for the ships under construction at 31 December 2011G, 2012G and 2013G.

Table 8-25: Ships under construction

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Opening balance	1,011.5	1,237.1	1,172.0	22.3%	(5.3%)
Additions	1,025.8	584.2	975.5	(43.0%)	67.0%
Transfers to fixed assets	(800.1)	(649.3)	(1,471.0)	(18.8%)	126.5%
Closing balance	1,237.1	1,172.0	676.5	(5.3%)	(42.3%)

Source: Company

The balance of ships under construction mainly represents costs incurred by the Company and its subsidiaries, NCC and Bahri Dry Bulk, towards the contracts for construction of new RoCons and chemical tankers and bulk carriers.

On 6 March 2011G, the Company signed four contracts with Hyundai MIP of South Korea to construct four RoCons for a total cost of SAR 1,030 million. On September 2011G, the Company contracted for the construction of two additional RoCons. Four of these vessels have been delivered to the Company in 2013G and the remaining two vessels will be delivered in 2014G.

The Company's subsidiary, NCC, signed a contract with ShinaSB yard Co. Ltd ("**SLS**") of South Korea in 2007 to build six chemical carriers for a total cost of SAR 1.2 billion. These tankers were scheduled to be delivered during the period 2010G to 2012G. One vessel was received in September 2011 and another four vessels were received during 2012 and were put in to operation in the pool arrangement with NCC Odfjell Chemical Tankers JLT.

On 24 December 2012G, NCC terminated the contract for building the last vessel as a result of SLS's failure to deliver it according to the agreed schedule for delivery. The contract grants to NCC a refund of all instalments paid to SLS amounting to USD 41.6 million, which is guaranteed by the Export-Import bank of Korea, in addition to compensation.

NCC has also signed a contract on 4 July 2010G with Daewoo Shipbuilding and Marine Engineering Co. Ltd of South Korea to build a specialised chemical tanker for a total cost of SAR 245.0 million, which was delivered in 2013G.

Bahri Dry Bulk Company, a subsidiary of the Company, signed a contract in April 2012G with one of the leading shipbuilding yards to build five vessels specialised in bulk transportation, for a total cost of SAR 600.4 million. One vessel was delivered in 2013G, and the remaining vessels will be delivered during the first half of 2014G.

The transfer of SAR 800.1 million to the fixed asset balance in 2011G, reflects the completion and commissioning of six chemical carriers in 2011G. During 2012G, four new chemical tankers were made part of the NCC fleet. This is represented by the transfer to SAR 649.3 million to the fixed assets. The transfer to fixed assets of SAR 1,471.0 million in 2013G represents the four RoCon vessels, one bulk transportation vessels and one chemical transportation vessels, which were completed and commissioned in the Company's fleet during 2013G.

Current liabilities

The following table sets out the current liabilities of the Company as at 31 December 2011G, 2012G and 2013G.

Table 8-26: Current liabilities

SAR' million	As at 31 Dec		Increase/(Decrease)		
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Accounts payable and accruals	288.9	230.3	282.8	(20.3%)	22.8%
Murabaha financing and long-term loans-current portion	456.0	466.1	564.3	2.2%	21.1%
Short term Murabaha financing	64.0	160.0	337.0	150.0%	110.6%
Unclaimed dividends	30.7	30.9	32.1	0.7%	3.8%
Provision for zakat and tax	104.6	118.8	138.9	13.6%	16.9%

SAR' million	As at 31 Dec		Increase/(Decrease)		
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Total current liabilities	944.2	1,006.1	1,355.1	6.6%	34.7%

Source: Company

The current liabilities of the Company mainly represent trade payables and loans. Total current liabilities increased by SAR 410.9 million, or 43.5 per cent., from 31 December 2011G to 31 December 2013G. The increase mainly resulted from higher loan repayments due within one year and additional short term finance availed in 2012G and 2013G.

Accounts payables and other credit balances

The following table sets out the accounts payables and other debit balances of the Company as at 31 December 2011G, 2012G and 2013G.

Table 8-27: Accounts payables and other credit balances

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Trade payables	235.2	176.3	242.1	(25.0%)	37.3%
Accrued expenses	31.4	28.9	17.6	(8.0%)	(39.1%)
Value of shares sold belonging to old shareholders	22.3	22.1	22.0	(0.9%)	(0.5%)
Other credit balances	-	3.0	1.0	nm	(66.7%)
Total account payables and other credit balances	288.9	230.3	282.8	(20.3%)	22.8%

Source: Company

Trade payables and accrued expenses mainly comprise outstanding payments to the Company's suppliers and accrued ship running costs, such as: fuel costs, insurance charges, brokerage agency expenses and port charges.

Decline in trade payables by SAR 58.9 million at 31 December 2012G, as compared to 31 December 2011G, and the subsequent increase of SAR 65.8 million at 31 December 2013G, as compared to 31 December 2012G, was mainly attributable to a variation in the bunker clearing account, which represents outstanding payment for the purchase of bunker fuel.

Accrued expenses decreased by SAR 2.5 million, or 8.0 per cent., at 31 December 2012G as compared to 31 December 2011G. This was mainly due to a decrease in accruals to ship running costs for VLCCs and RoRos and bunker fuel consumption during 2012G due to settlement before the year end. Accrued expenses further declined by SAR 11.3 million at 31 December 2013G, as compared to 31 December 2012G mainly as a result of decline in accrued hull and machinery insurance.

Payables to existing shareholders represent the profit on the sale of unclaimed shares of the Company.

Current portion of long-term financing, Murabaha and short term financing

Current portion of Murabaha and long-term finance represents instalments payable against long-term financing obtained by the Company, within a 12 months period from the balance sheet date. Balance for the current portion of Murabaha and long-term finance payable accounted for 48.3 per cent., 46.3 per cent. and 41.6 per cent. of the total current liabilities at 31 December 2011G, 2012G and 2013G.

Short term finance payable of SAR 337.0 million at 31 December 2013G, represents balance outstanding working capital Murabaha facilities obtained by the Company.

Zakat & tax provisions

Zakat and tax payables accounted for 11.1 per cent., 11.8 per cent. and 10.3 per cent. of the total current liabilities at 31 December 2011G, 2012G and 2013G. Zakat and tax payables increased by SAR 14.2 million and SAR 20.1 million at 31 December 2012G and 31 December 2013G respectively, as compared to 31 December 2011G and 31 December 2012G, as a result of increase in profitability and hence Zakat expense during 2012G and 2013G.

Non-current liabilities

The following table sets out the non-current liabilities of the Company as at 31 December 2011G, 2012G and 2013G.

Table 8-28: Non-current liabilities

SAR' million	As at 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Murabaha financing and long-term finance	4,295.0	4,253.7	4,376.6	(1.0%)	2.9%
Employees' end of service benefits	28.1	40.2	46.8	43.1%	16.4%
Other liabilities	-	36.8	30.7	nm	(16.6%)
Total non-current liabilities	4,323.0	4,330.7	4,454.1	0.2%	2.8%

Source: Company

Murabaha financing and long-term loan

The Company and its subsidiaries have entered into various Murabaha financing and long term loan agreements, mainly to finance the building of new VLCCs, chemical carriers, dry bulk vessels and a new office in Dubai. Some of the Company's VLCCs, NCC's petrochemical carriers and Bahri Dry Bulk vessels are mortgaged in favour of the financing banks.

The following table details the Murabahas and other long term finance obtained by the Company:

Table 8-29: Murabahas and long-term finance

SAR' million	As at 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Murabaha Finance	3,099.9	3,159.1	3,783.9	1.9%	19.8%
Commercial Finance	121.6	345.0	0.0	183.8%	(100.0%)
Public Investment Fund finance – Murabaha	1,050.0	1,155.0	825.0	10.0%	(28.6%)
Public Investment Fund finance – Commercial	479.5	60.8	331.9	(87.3%)	445.9%
Total Murabahas and long-term finance	4,751.0	4,719.8	4,940.9	(0.7%)	4.7%

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Current portion of Murabahas and long term finance	(456.0)	(466.1)	(564.3)	2.2%	21.1%
Non-current portion of Murabahas and long term finance	4,295.0	4,253.7	4,376.6	(1.0%)	2.9%

Source: Company

Non-current portion of Murabahas and long-term finance payables comprised 81.5 per cent., 79.7 per cent. and 75.3 per cent. of the total liabilities of the Company at 31 December 2011G, 2012G and 2013G. Balance for non-current portion of Murabahas and long-term finance payable increased by SAR 122.9 million at 31 December 2013G, as compared to 31 December 2012G mainly due to drawdown of the Murabaha finance facility obtained for the construction of cargo transportation vessels.

Employees' end of service benefits

The Company has provided for employees' end of service benefits in compliance with the labour law provisions of the Kingdom. End of service benefits comprised 0.5 per cent., 0.8 per cent. and 0.8 per cent. of the total liabilities at 31 December 2011G, 2012G and 2013G, respectively. The benefits increased by SAR 12.1 million, or 43.1 per cent., and SAR 6.6 million, or 16.4 per cent. as at 31 December 2012G and 31 December 2013G respectively, as compared to 31 December 2011G and 31 December 2012G mainly as a result of upward revision in employees' salaries and combined with an increase in the period of employment of the Company's and its subsidiaries' employees.

Other liabilities

The Company's subsidiary, NCC, received compensation from SLS (a shipyard) amounting to SAR 36.8 million during 2012G. This compensation is to be offset against future Dry-docking costs related to six vessels. During 2012G, repairs were performed for one of the vessels, leading to a decline in the other liabilities by SAR 6.1 million at 31 December 2013G as compared to 31 December 2012G. The Company currently has no plan to carry out Dry-docking for five remaining vessels against the compensation received and accordingly the compensation amount has been treated as non-current liability as at 31 December 2013G.

Shareholders' equity

The following table summarises the breakdown of shareholders' equity ending as at 31 December 2011G, 2012G and 2013G.

Table 8-30: Shareholders' equity

SAR' million		As at 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Paid-up share capital	3,150.0	3,150.0	3,150.0	-	-
Statutory reserve	872.4	922.8	998.1	5.8%	8.2%
Retained earnings	1,039.7	1,335.7	1,697.8	28.5%	27.1%
Unrealised gains on investments available for sale	0.5	2.3	(0.1)	360.0%	(104.3%)
Total shareholders' equity	5,062.6	5,410.9	5,845.7	6.9%	8.0%
Minority interest	293.3	314.8	341.7	7.3%	8.5%
Total	5,355.9	5,725.7	6,187.4	6.9%	8.1%

Source: Company

The Company's share capital is SAR 3,150 million, divided into 315.0 million ordinary shares with a nominal value of SAR 10 each as of 31 December 2013G.

In accordance with Article 125 of the Companies Regulations, 10 per cent. of a company's net annual income is required to be transferred to the statutory reserve under shareholders' equity. The Company may resolve to discontinue such transfers when the reserve totals a minimum of 50 per cent. of the share capital. This reserve is not available for distribution.

Retained earnings accounted for 20.5 per cent., 24.7 per cent. and 29.0 per cent. of total shareholder's equity as at 31 December 2011G, 2012G and 2013G. Retained earnings increased from SAR 1,039.7 million as at 31 December 2011G to SAR 1,697.8 million as at 31 December 2013G due to the net income recorded by the Company in 2012G and 2013G.

Unrealised gains on investments held for sale are recorded in the shareholders' equity in accordance with applicable accounting policy.

Commitments and contingencies

The Company's capital commitments aggregated to SAR 355.2 million as at 31 December 2013G, which related to the construction of RoRos for the general cargo transportation segment and Bahri Dry Bulk.

The Company has contingent liabilities represented by outstanding letters of guarantee amounting SAR 236.9 million as at 31 December 2013G which were issued in the ordinary course of business.

8 - 7 - 3 Cash flow statement

The following table sets out a summary of the cash flows of the Company for the years ended 31 December 2011G, 2012G and 2013G.

Table 8-31: Summary cash flow

SAR' million		Year ended 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Cash from operating activities	398.3	686.6	640.1	72.4%	(6.8%)
Cash from investing activities	(1,439.5)	(658.5)	(765.2)	(54.3%)	16.2%
Cash from financing activities	340.6	(92.5)	74.2	(127.2%)	(180.2%)
Net cash flow	(700.5)	(64.4)	(50.9)	(90.8%)	(21.0%)
Opening cash and equivalents	1,085.3	384.8	320.5	(64.5%)	(16.7%)
Closing cash and equivalents	384.8	320.5	269.6	(16.7%)	(15.9%)

Source: Company

The Company's net cash flows during the reporting period were principally driven by the positive net cash flows from operating activities, loan finance obtained/repayment and investment in the construction of new vessels.

The Company made payments of SAR 1,025.8 million for the various vessels under construction during the year ended 31 December 2011G. The investments were financed through operating cash flows of SAR 398.3 million and additional Murabaha financing of SAR 934.6 million. Net cash flow outflow during the period was SAR 700.5 million.

The Company reported a net cash outflow of SAR 64.4 million during the year ended 31 December 2012G mainly due to additions of SAR 584.2 million for ships under construction and repayments of Murabaha financing and long-term loans of SAR 688.8 million.

The Company reported net cash outflow of SAR 50.9 million in the year ended 31 December 2013G mainly as a result of payments of SAR 975.5 million for the various vessels under construction. This was partially offset by operating cash inflow of SAR 640.1 million and net utilisation of finance facilities of SAR 398.0 million in 2013G.

Cash flow from operating activities

Table 8-32: Cash flow from operating activities

SAR' million	Year ended 31 Dec			Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Net income for the year	287.8	504.0	752.3	75.1%	49.3%
Adjustments to reconcile net income for the year to net cash flows from operating activities:					
Depreciation	352.3	392.2	423.5	11.3%	8.0%
Amortisation of deferred dry-docking costs	28.3	38.1	46.0	34.6%	20.7%
Unrealised gain on investments held for trading	(1.5)	(6.1)	-	306.7%	(100.0%)
Unrealised gain on available for sale investment	-	-	(2.6)	nm	nm
Share in results of associated companies	(135.4)	(147.7)	(291.2)	9.1%	97.2%
Share in results of Joint Venture	(4.3)	-	-	(100.0%)	nm
Gains from sale of fixed assets	(0.1)	(12.5)	(75.5)	nm	504.0%
Non-controlling interests in net income of consolidated subsidiaries	24.6	21.5	36.9	(12.6%)	71.6%
Provision for zakat (zakat and tax)	25.5	36.3	49.9	42.4%	37.5%
Employees end of service benefits provision- net	(3.5)	12.2	6.5	(448.6%)	(46.7%)
Change in operating assets and liabilities:					
Trade receivables, net	(113.3)	(1.8)	(355.9)	(98.4%)	nm
Bareboat lease receivable, net	6.6	7.5	10.1	13.6%	34.7%
Prepaid expenses and other receivables	(0.4)	(63.7)	62.1	nm	(197.5%)
Agents' current accounts	(6.1)	(6.5)	0.3	6.6%	(104.6%)
Inventories	(11.7)	13.0	(91.0)	(211.1%)	(800.0%)
Accrued bunker subsidy- net	(21.9)	(44.8)	8.7	104.6%	(119.4%)
Incomplete voyages	(12.8)	(9.3)	16.9	(27.3%)	(281.7%)
Investment held for trading	-	-	26.4	nm	nm
Accounts payable and accruals	34.5	(60.4)	52.5	(275.1%)	(186.9%)
Zakat and tax paid	(50.4)	(22.1)	(29.7)	(56.1%)	34.4%
Other Liabilities		36.8	(6.0)	nm	(116.3%)
Net cash provided by operating activities	398.3	686.6	640.1	72.4%	(6.8%)

Source: Company

Cash flow from operating activities mainly comprises the inflow of profits earned by the Company. Variations in the net cash position during the reporting period were driven by the fluctuations in the net income and the operating assets and liabilities of the Company, as explained earlier.

In 2012G, cash flow from operating activities increased by SAR 288.3 million, or 72.4 per cent., mainly as a result of a SAR 216.2 million, or 75.1 per cent., increase in net income for the year.

Cash flow from operating activities decreased by SAR 46.5 million in 2013G, as compared to 2012G, mainly due to SAR 354.1 million increase in trade receivables. This increase in trade receivables was attributable to the recording of receivables from Vela related to minimum guaranteed rates under the Interim Contract of Affreightment, which resulted in a SAR 149.6 million increase in incremental receivables

Cash flow from investing activities

Table 8-33: Cash from investing activities

SAR' million		Year ended 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Investments in Murabaha and short-term deposits	3.5	(43.4)	2.9	nm	(106.7%)
Investment in government bonds	0.0	-	-	(100.0%)	nm
Investments held to maturity	-	(10.0)	-	nm	(100.0%)
Investments available for sale investments	1.1	(7.9)	43.6	(818.2%)	(651.9%)
Associated company transferred to subsidiary	-	-	4.6	nm	nm
Dividends receivable from affiliate	34.1	35.9	96.6	5.3%	169.0%
Additions of fixed assets	(391.0)	(23.9)	(21.3)	(93.9%)	(10.9%)
Additional discount on delivered ships	-	-	17.1	nm	nm
Proceeds from sale of fixed assets	0.3	44.6	118.8	nm	166.4%
Ships under construction and other- net	(1,025.8)	(584.2)	(975.5)	(43.0%)	67.0%
Deferred Dry-docking costs	(61.7)	(69.5)	(52.0)	12.7%	(25.2%)
Net cash provided by (used in) investing activities	(1,439.5)	(658.5)	(765.2)	(54.3%)	16.2%

Source: Company

Net cash used in investing activities mainly represented the construction costs of vessels during the reporting period. Cash outflows of SAR 1,025.8 million, SAR 584.2 million, and SAR 975.5 million represented the construction costs of vessels under construction during the years ended 31 December 2011G, 2012G and 2013G respectively.

Cash flow from financing activities

Table 8-34: Cash from financing activities

SAR' million		Year ended 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Short-term Murabaha finance	64.0	96.0	177.0	50.0%	84.4%
Murabaha financing and long-term loans	934.6	657.6	807.8	(29.6%)	22.8%
Repayments against Murabaha financing and long term loans	(326.7)	(688.8)	(586.8)	110.8%	(14.8%)
Dividends paid	(311.2)	(157.3)	(313.9)	(49.5%)	99.5%
Change in minority interest	(20.0)	-	(10.0)	(100.0%)	nm
Net cash provided by (used in) financing activities	340.6	(92.5)	74.2	(127.2%)	(180.3%)

Source: Company

Cash flow from financing activities of the Company was mainly driven by contractual re-payments of loans obtained from financing institutions and additional draw-downs.

Additional long term loans of SAR 934.6 million, SAR 657.6 million and SAR 807.8 million, obtained in financial year 2011G, 2012G and 2013G respectively were utilised to finance the construction of new vessels. Short term Murabaha finance was utilised mainly for meeting the working capital requirements of the Company and its subsidiaries.

The Company paid regular dividends comprising on average 55.8 per cent. of the opening cash and cash equivalents balance during the years ended 31 December 2011G, 2012G and 2013G.

The following table summarises the cash and cash equivalents balance of the Company as at 31 December 2011G, 2012G and 2013G.

Table 8-35: Cash and cash equivalent

SAR' million		Year ended 31 Dec		Increase/(Decrease)	
	2011	2012	2013	2012	2013
	Audited	Audited	Audited	Audited	Audited
Cash in hand and at banks	144.8	105.7	106.5	(27.0%)	0.8%
Amounts restricted by banks	(16.6)	(10.7)	(9.4)	(35.5%)	(12.1%)
Net cash in hand and at banks	128.2	95.0	97.1	(25.9%)	2.3%
Investments in Murabaha & short-term deposits	274.5	292.7	237.9	6.6%	(18.7%)
Amounts restricted by banks	(17.9)	(67.2)	(65.5)	275.4%	(2.6%)
Net investment in Murabahas and short term deposits	256.6	225.5	172.5	(12.1%)	(23.5%)
Total cash and cash equivalents	384.8	320.5	269.6	(16.7%)	(15.9%)

Source: Company

Cash and cash equivalents represent cash in hand, bank balances, investments 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. They are presented net of amounts restricted by banks for the purpose of repayments of term loans.

8 - 7 - 4 Funding Structure

The Company has maintained strong relationships with local and international financial institutions over the past years and adopted Sharia-compliant investment financing policies. This combined with a strong financial position and abundant surplus cash, enables the Company to meet its obligations and finance its various projects.

As a result of adopting a Sharia-compliant financing strategy, conventional loans of the Company comprised only 6.3 per cent. of the total outstanding financing availed as at 31 December 2013G. This is expected to gradually reduce and upon repayment of the last loan instalment due in October 2014G, reach nil.

The Company has a centralised treasury department located at its head office that is responsible for investing and managing its cash flows and funding profile. Historically the Company has pursued a conservative financial policy in the investment of its surplus cash in low risk investments, allowing easy access to additional liquidity when required.

Existing financing agreements

The following tables sets out the breakdown of the finance facilities availed by the Company as at 31 December 2013G:

Table 8-36: Existing financing agreements – the Company

Facility	Approved limit SAR' million	Type	Purpose	Grant date	Utilisation at 31 December 2013 SAR ‹ million	Outstanding amount at 31 December 2013 SAR ‹ million	Maturity date	No. of instalments	Security
Long term									
A	375.0	Conventional	Finance construction of four VLCCs	3-Sep-02	Fully utilised	23.3	16-Oct-14	20	Mortgaged 4 VLCCs
B	316.5	Murabaha	Finance construction of VLCCs	18-Mar-07	Fully utilised	184.63	8-Aug-17	40	Mortgage 1 VLCC
C	1,641.9	Murabaha	Finance construction of six VLCCs	25-Jun-07	Fully utilised	474.9	2-Mar-19	40	Mortgaged 3 VLCCs

Facility	Approved limit SAR' million	Type	Purpose	Grant date	Utilisation at 31 December 2013 SAR ‹ million	Outstanding amount at 31 December 2013 SAR ‹ million	Maturity date	No. of instalments	Security
D	1,050.0	Murabaha	Refinance existing facilities and part finance the construction of three VLCCs	21-Apr-09	Fully utilised	825.0	2-Mar-19	14	Mortgaged 2 VLCCs
E	822.6	Murabaha	Finance construction of four cargo vessel	22-Jun-11	740.3	721.88	30-Apr-24	40	After delivery of vessels, will be mortgaged 4 Ro-Ro Container Ships
F	450.0	Murabaha	Finance construction of two cargo vessel	3-Jul-12	Fully utilised	444.4	2-Oct-23	40	Mortgaged 2 Ro-Ro Container Ships
Short term									
G	200	Murabaha	Working capital finance	20-Mar-13	Fully utilised	200	20-Mar-14	na	Corporate Guarantee
H	125.0	Murabaha	Working capital finance	21-Aug-13	37	37.0	21-Aug-14	na	Corporate Guarantee
I	200.0	Murabaha	Working capital finance	30-Sep-13	100	100.0	30-Sep-14	na	Corporate Guarantee

Source: Company

As at 31 December 2013G the Company had unutilised long term finance facilities of 82.3 million and the term of the outstanding Murabahas and long term finance agreements ranged between one month to 11 years.

9. Shares and Shareholders

9 - 1 Shares and Share Capital

The share capital of the Company is SAR 3,150,000,000, consisting of 315,000,000 Shares with a nominal value of SAR 10 per Share, all of which are ordinary shares.

The Shares may not be issued at less than their nominal value. However, the Shares may be issued at a price higher than their nominal value, in which case the difference in value is to be added to the statutory reserve after deducting any related expenses. A Share is treated as indivisible by the Company. In the event that a Share is owned by more than one person, they must select one of them to exercise, on their behalf, the rights pertaining to the Share, and such persons are jointly responsible for the obligations arising from the ownership of the Share. The transfer of Shares is governed by, and may only be transferred in compliance with, the regulations governing companies listed on Tadawul. Transfers made other than in accordance with such regulations are void.

9 - 2 General Assembly of Shareholders

A General Assembly that is duly convened is deemed to represent all of the Shareholders and as such any resolutions that are passed at a General Assembly shall be binding on all of the Shareholders. Any Shareholder who holds 10 Shares has the right to attend a General Assembly. Each Shareholder may authorise another Shareholder (other than a member of the Board of Directors or employees of the Company) to attend the General Assembly on his behalf.

The general meetings of the Shareholders are either Ordinary General Assemblies or Extraordinary General Assemblies. With the exception of those matters specifically reserved for Extraordinary General Assemblies, Ordinary General Assemblies may deal with all matters concerning the Company. Ordinary General Assemblies must be convened at least once a year, within six months following the end of the Company's fiscal year.

An Extraordinary General Assembly has the power to amend the By-Laws (to the extent permissible under Companies Law). Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of an Ordinary General Assembly, subject to the same rules and requirements applicable to an Ordinary General Assembly.

Resolutions relating to (i) increasing or decreasing the share capital; (ii) extending the Company's duration; (iii) liquidation of the Company or merger with another company; or (iv) disposal of the business which the Company was incorporated to undertake shall not be valid unless passed by the majority of three quarters of the Shares represented in a duly convened Extraordinary General Assembly.

9 - 3 Convening a General Assembly

The General Assembly must be convened by the Board of Directors. The Board of Directors must convene a meeting of the Ordinary General Assembly if requested to do so by the auditors or by Shareholders representing at least five per cent. of the Company's capital. The Company must publish an invitation to Shareholders to attend the General Assembly in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least 25 days prior to the date of the General Assembly. The invitation must include the agenda of the meeting. A copy of the notice and the agenda shall also be sent during the notice period set out above to the Companies Department at MOCI. A list of Shareholders attending the General Assembly in person or by proxy (including by way of remote voting) shall be prepared.

9 - 4 Quorum of a General Assembly

A meeting of the General Assembly (whether it is an Ordinary General Assembly or an Extraordinary General Assembly) is quorate if attended by Shareholders representing at least 50 per cent. of the Company's capital. If such quorum is not present at the first meeting, a second meeting must be held within thirty days following the time set for the first meeting. The quorum for such second meeting would be the attendance of Shareholders representing at least 25 per cent. of the Company's capital if it was an Extraordinary General Assembly and any number of shares represented in the second meeting if it was an Ordinary General Assembly. Notice of such meeting must be published in compliance with the procedures set out in paragraph 9.3 above.

9 - 5 Overview of rights attaching to Shares

Under Article 108 of the Companies Regulations, a Shareholder is vested with all the rights attached to Shares, which include the right to receive a share in the profits declared for distribution, the right to a share in the Company's assets upon liquidation, the right to attend General Assemblies and participate in the deliberations and vote on the resolutions proposed at such meetings, the right to dispose of Shares, the right to access to the Company's books and documents, the right to supervise the acts of the Board of Directors, the right to institute proceedings against the Directors and the right to contest the validity of the resolutions adopted at General Assemblies. According to the Companies Regulations, Shareholders are not entitled to require the Company to buy-back their Shares.

9 - 6 Substantial Shareholders in Bahri

The Public Investment Fund has been a Shareholder since the Company was established (by Royal Decree No. M/5 dated 12/02/1398H (corresponding to 22/01/1979G)) and, as at the date of this Prospectus, holds 28.20 per cent. of the Company's entire issued share capital on a fully diluted basis.

The Public Investment Fund was established by Royal Decree No. M/24, dated 25/06/1391H (corresponding to 17/08/1971G) to provide financing support to commercial projects which are deemed by the Government as strategically significant for the development of the Saudi Arabian economy.

Following the issuance of the Consideration Shares, SADC will hold 20 per cent. of the Company's entire issued share capital on a fully diluted basis. The change in the shareholding of the Company following the issuance of the Consideration Shares is depicted in the table below.

As of 31/3/2014G, SAIMCO owned 1,016,359 shares in the Company, equivalent to a shareholding of 0.32%. Saudi Aramco provided a confirmation on 27/6/1435H (corresponding to 27/4/2014G) that SAIMCO and SADC are both wholly-owned subsidiaries of Saudi Aramco. Furthermore, SAIMCO has provided a written confirmation to the Company on 27/6/1435H (corresponding to 27/4/2014G) that SAIMCO will not vote at the Transaction EGM. Furthermore, Saudi Aramco provided a confirmation on 6/6/1434H (corresponding to 16/4/2013G) that, as at the date of this Prospectus, apart from SAIMCO's shareholding in the Company (mentioned above) neither it nor any member of the Saudi Aramco Group has any direct or indirect interest in the Company.

Table 9-1: Shareholding structure pre and post Transaction

Shareholder	Pre- Transaction				Post-Transaction		
	Shares	Capital (SAR)	Percentage	Number of Consideration Shares	Shares	Capital (SAR)	Percentage
Public Investment Fund	88,808,202	888,082,020	28.19%	nil	88,808,202	888,082,020	22.55%
SADC	nil	nil	nil	78,750,000	78,750,000	787,500,000	20.00%
Public	218,163,648	2,181,636,480	69.26%	nil	218,163,648	2,181,636,480	55.41%
Directors* and Senior Officers	8,028,150	80,281,500	2.55%	nil	8,028,150	80,281,500	2.04%
Total	315,000,000	3,150,000,000	100%	78,750,000	393,750,000	3,937,500,000	100.00%

Source: Company as of 30/5/1435H corresponding to 31/3/2014G

* The shareholding of each of the Directors is set out on page iv of this Prospectus.

** Subject to the Adjustment, if required.

9 - 7 Historical information on the changes in Bahri's Share Price

The following chart illustrates the three-year performance of the Shares against the Tadawul's All U Share Index. The chart also shows the market price of the Shares at the following key Transaction milestones:

Three-year price performance

Figure 9-1: Three-year performance of the Company's Shares based on the Tadawul All-Share Index rebased to the Company's share price

Source: FactSet as at 28 April 2014

Key Transaction milestones:

The Company’s share price at the key Transaction milestones were as follows:

- 27 June 2012: signing of the MoU, closing price for the prior day SAR 17.80
- 20 October 2012: the Board Approval of the Transaction: closing price for the prior trading day SAR 18.60
- 4 November 2012: signing of the Transaction Agreements: closing price for the same trading day was SAR 19.30

10. Dividend Policy

The distribution of any dividends will be recommended by the Board before being approved by the Shareholders at a General Assembly meeting. The Company is under no obligation to distribute any dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the Company's Zakat position as well as legal and regulatory considerations. The distribution of dividends is subject to certain limitations contained in the By-Laws. If declared, dividends will be distributed in Saudi Riyals.

The table below sets out the dates that dividends were declared and distributed by the Company since 2008G and the respective amounts distributed:

Table 10-1: Dividends Distributed 2009-2013

Financial Year	Distributed Dividends (SAR)	Date that Dividends were Declared	Date that Dividends were Distributed	Percentage of Distributable Net Income *
2009	315,000,000	3 April 2010	11 April 2010	85%
2010	315,000,000	29 March 2011	13 April 2011	76%
2011	157,500,000	22 April 2012	9 May 2012	55%
2012	315,000,0000	30 March 2013	15 April 2013	63 %
2013	315,000,0000	31 March 2014	15 April 2014	44 %

Source: Company

Distributable Net Income refers to net income after income tax and Zakat provisions and after the transfer of 10% to statutory reserves.

11. Summary of the Company's By-Laws

The current provisions of the By-Laws are summarised below (not taking account any of the amendments to the By-Laws proposed in the Transaction EGM Resolution to be voted on by the Shareholders in the Transaction EGM).

11 - 1 Name of the Company

The National Shipping Company of Saudi Arabia, a Saudi Joint Stock Company.

11 - 2 Head Office

The head office of the Company is in Riyadh, Saudi Arabia with two branches in Jeddah and Dammam. The Board of Directors may open branches, offices or agencies within or outside of Saudi Arabia.

11 - 3 Objectives of the Company

The objectives of the Company are as follows:

- Purchase and sell vessels and other floating means of transportation;
- Transport Saudi Arabian exports;
- Transport goods, commodities and livestock to and from Saudi Arabia by sea;
- Recruit Saudi engineers, officers and seamen to work on vessels, at dry docks in the maintenance of vessels and in other shipping related activities and to train Saudi nationals in these areas;
- Participate in all activities related to marine transportation such as salvage, shipping agency, brokerage, cargo clearance, stowage, storage and other activities related to the shipping industry;
- Obtain concessions, benefits or rights from different governments with the aim to serve the Company's interests;
- Undertake all activities related to the facilitation of tourism and Hajj; and
- Import and export of shipping equipment.

11 - 4 Participation in Other Companies

The Company may participate in establishing or acquiring other companies, purchase assets relating to its business both inside and outside Saudi Arabia.

11 - 5 Term of the Company

The Company has an unlimited term.

11 - 6 Capital of the Company

The share capital of the Company is SAR 3,150,000,000 consisting of 315,000,000 Shares with a nominal value of SAR 10 per Share. Shares should not be issued at less than the par value.

11 - 7 Share Register

The nominal Shares shall be transferred by recording such transfers in the Shareholders' register containing the names of the Shareholders, their nationalities, their addresses, the serial numbers of the Shares owned by them, and the amount paid-up on such Shares. The transfer of title to a Share shall not be effective vis-à-vis the Company or any third party except from the date on which the transfer is recorded in the Shareholders' register. Ownership of the Shares by a Shareholder entails the acceptance by the Shareholder of the Company's By-Laws and his submission to the resolutions duly passed by the General Assemblies.

11 - 8 Increase of Capital

The Extraordinary General Assembly may issue a resolution (based on a recommendation by the Board) to increase the Company's capital by issuing new Shares having the same nominal value as the original Shares, provided that the original Shares have been paid in full. If the new Shares are issued at a price higher than their nominal value, any such amount in excess of the nominal value shall be added to the Company's statutory reserve after deducting any related expenses. Such resolution should specify the amount of the increase, the price at which the Shares will be issued and whether the existing shareholders will have priority to subscribe for the Shares issued pursuant to such increase.

11 - 9 Decrease of Capital

The Company may reduce its capital by a resolution of the Extraordinary General Assembly based on a recommendation made by the Board. Such resolution shall specify the amount of the reduction and method for undertaking such reduction.

11 - 10 Constitution of the Board of Directors

The Board comprises of seven members, three of whom are appointed by the Government (represented by the Public Investment Fund). The remaining four members are elected to the Board by the General Assembly.

11 - 11 Qualification Shares

Each member of the Board shall be a holder of a number of Shares having a nominal value of no less than two thousand Shares. Such Shares shall be deposited in a bank designated by the Minister of Commerce and Industry within 30 days from the date of the appointment of the Director. Should a Director fail to submit such qualification Shares within the specified period, his appointment to the Board shall be deemed null and void.

11 - 12 Vacancies

A Director's membership of the Board shall be terminated upon the expiry of the Board's term, on the Director's resignation or death or if he becomes ineligible to be a director of a listed company pursuant to any applicable laws or regulations in the Kingdom. If the seat of a Director becomes vacant, the Board may appoint a temporary member to the vacant seat, provided that such appointment shall be laid before the next Ordinary General Assembly. The new Director shall complete the rest of his predecessor's term.

If the number of Directors falls below the quorum required for a Board meeting, an Ordinary General Assembly must be convened as soon as possible to appoint new Directors to the vacant seats on the Board.

11 - 13 Powers of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with the widest powers to manage the business of the Company. The Board may mortgage the Company's assets to guarantee its debts.

11 - 14 Chairman, Managing Director and Secretary

The Board shall appoint a Chairman and Vice Chairman from among its members. The Board of Directors shall also appoint a managing director (the "**Managing Director**") from among its members or a chief executive officer for the Company. The Chairman shall have the power to convene the Board to meet, preside over its meeting and represent the Company.

The Board of Directors shall appoint a Secretary from among its members or otherwise and shall specify his duties, remuneration, and terms of service.

11 - 15 Board Meetings

The Board of Directors shall be convened upon notice given by the Chairman or Vice Chairman. Such notice shall be in writing. The Chairman shall call a meeting of the Board if so requested in writing by any two Directors. The Board shall convene at least six times a year.

11 - 16 Quorum and Representation

A Board meeting shall be quorate only if attended by at least 50 per cent. of the Board members (provided that the number of members attending in person shall not be less than five). A Director may appoint in writing another Board member to attend a Board meeting as his proxy and such proxy shall have two votes. It is not permissible for a Board member to represent more than one Director at the same meeting.

Resolutions of the Board shall be adopted with the approval of the majority vote of the members present. In case of an equality of votes, the Chairman of the Board or the Director presiding over the Board in the absence of the Chairman shall have a casting vote.

11 - 17 Minutes of Meetings

Deliberations and resolutions of the Board shall be recorded in the form of minutes. Such minutes shall also be recorded in a register to be signed by the Chairman and the Secretary. Board members who expressed an opposing opinion to the resolution that was passed at the Board meeting may request to record their opposing opinion in such register.

11 - 18 Committees of the Board

The Board of Directors may appoint an appropriate number of committees as per the Company's requirements. The Board of Directors shall specify the term, powers and purpose of each committee and shall also specify how the Board will supervise such committee.

11 - 19 General Assembly

A General Assembly that is duly convened is deemed to represent all of the Shareholders and as such any resolutions that are passed at a General Assembly shall be binding on all of the Shareholders. Any Shareholder who holds 10 Shares has the right to attend a General Assembly. Each Shareholder may authorise another Shareholder (other than a member of the Board of Directors or employees of the Company) to attend the General Assembly on his behalf.

11 - 20 Ordinary General Assembly

The general meetings of the Shareholders are either Ordinary General Assemblies or Extraordinary General Assemblies. With the exception of those matters specifically reserved for Extraordinary General Assemblies, Ordinary General Assemblies shall have full jurisdiction over all matters related to the Company. Ordinary General Assemblies must be convened at least once a year, within six months following the end of the Company's fiscal year at the Company's head office or at the place and time announced in the invitation for the meeting.

11 - 21 Extraordinary General Assembly

Without prejudice to the limitations set out in the Companies Law, the Extraordinary General Assembly shall have the power to:

- amend the Company's By-Laws;
- dissolve the Company or merge with another company or establishment;
- dispose of the business which the Company was incorporated to undertake; and
- increase or reduce in the Company's capital.

Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, subject to the same requirements applicable to the Ordinary General Assembly.

11 - 22 Manner of Convening General Assemblies

The General Assembly must be convened by the Board of Directors. The Board of Directors must convene a meeting of the Ordinary General Assembly if requested to do so by the auditors or by Shareholders representing at least five per cent. of the Company's capital. The Company must publish an invitation to Shareholders to attend the General Assembly in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least 25 days prior to the date of the General Assembly. The invitation must include the agenda of the meeting. Alternatively, the Company may send a notice containing the invitation to the Shareholders to attend the General Assembly by registered mail during the period set out above. A copy of the notice and the agenda shall also be sent during the notice period set out above to the Companies Department at MOCI.

11 - 23 Quorum of Ordinary General Assembly

A meeting of the Ordinary General Assembly shall be quorate if attended by Shareholders representing at least 50 per cent. of the Company's capital. If such quorum is not present at the first meeting, a second meeting shall be held within 30 days following the time set for the first meeting. The quorum for such second meeting shall be any number of Shares represented in such second meeting.

11 - 24 Quorum of Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall be quorate if attended by Shareholders representing at least 50 per cent. of the Company's capital. If such quorum is not present at the first meeting, a second meeting shall be convened in the same manner as set out for the Ordinary General Assembly. The Companies Law provides that the quorum for such second meeting shall be the attendance by Shareholders representing at least 25 per cent. of the Company's capital.

11 - 25 Voting Rights

Each Shareholder shall have one vote for every 10 Shares he owns or represents at the General Assembly.

11 - 26 Voting Majorities

Resolutions of the Ordinary General Assembly shall be passed if supported by an absolute majority of the Shares represented at the meeting. Resolutions of the Extraordinary General Assembly shall be passed if supported by a majority of at least two-thirds (2/3) of the Shares represented at the meeting. If the resolution to be adopted at a General Assembly relates to an increase or reduction of the Company's share capital, dissolving the Company prior to the expiry of its term or merging the Company with another company or establishment, then such resolution shall be passed if supported by a majority of at least three-quarters (3/4) of the Shares represented at the meeting.

11 - 27 Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman or, in his absence, the Vice-Chairman. The Chairman shall appoint a secretary for the meeting. A list shall be prepared showing the names of the Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attaching to such Shares. Any interested person shall be able to view such list.

11 - 28 Appointment of Auditor

The Company shall have one auditor or more to be selected from the auditors licensed to practice in Saudi Arabia. The auditor shall be appointed by the General Assembly which shall determine its compensation. The auditor shall audit the Company's accounts both inside and outside the Kingdom relating to the year for which it was appointed.

11 - 29 Financial Year

The Company's fiscal year shall commence on 1 January and expire on 31 December of each Gregorian year.

11 - 30 Annual Accounts

The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits. The Board of Directors shall prepare such documents at least 60 days prior to the convening of the annual Ordinary General Assembly. The Board of Directors shall provide such documents to the auditor at least fifty five days prior to the time set for convening the annual Ordinary General Assembly. Such documents shall be signed by the Chairman of the Board and a set thereof shall be available at the Company's head office for inspection by Shareholders at least 25 days prior to the time set for convening the General Assembly. The Chairman shall prompt the Company's balance sheet, profit and loss account, a comprehensive summary of the Board of Directors' report, and the full text of the auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at MOCI at least 25 days prior to the date set for convening the annual Ordinary General Assembly.

11 - 31 Distribution of Annual Profits

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- 10 per cent. of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when the statutory reserve totals one-half (1/2) of the Company's capital; and
- the remainder shall be distributed to the Shareholders.

11 - 32 Dissolution and Liquidation

The Company shall be dissolved whenever the amount of its losses equals half of its capital unless an Extraordinary General Assembly of the Company decides otherwise. In the event of dissolution of the Company, an Ordinary General Assembly shall determine the method of liquidation and appoint the liquidator. The Board's mandate will expire upon the appointment of a liquidator but the General Assembly's authority shall last throughout the liquidation period.

11 - 33 The Companies Law

The Companies Law shall apply to all other matters not specifically provided for in the By-Laws.

12. Legal Information

12 - 1 Summary of Material Agreements

The Company has entered into a number of material agreements (i) in relation to the Transaction; (ii) with lenders and (iii) with customers. The Company is also a party to a number of leases pertaining to premises occupied by members of the Bahri Group. These agreements and/or leases (summarised below) may or may not be material. The material agreements relating to the Transaction are summarised below in Section 12.1.1 ("Summary of the Transaction Documents") while the other material agreements and leases, amongst other things, are summarised in Section 12.2 ("Legal information relating to the Company").

12 - 1 - 1 Summary of the Transaction Documents

The Company has entered into a number of key agreements in relation to the Transaction, a summary of each of which is provided below:

12 - 1 - 1 - 1 Summary of the principal terms of the BAPA

On 19/12/1433H (corresponding to 4/11/2012G) (the "**Execution Date**"), the Company and Vela entered into an agreement for the merger of Vela's entire fleet of vessels and operations related to these vessels with the Company which was amended by the Company and Vela on each of 3/9/1434H (corresponding to 11/7/2013G), 25/12/1434H (corresponding to 30/10/2013G), 28/2/1435H (corresponding to 31/12/2013G), 30/5/1435H (corresponding to 31/3/2014G) and 14/6/1435H (corresponding to 14/4/2014G). Pursuant to a deed of adherence dated 3/9/1434H (corresponding to 11/7/2013G) between SADC, the Company and Vela, SADC also became a party to the BAPA and accordingly assumed certain rights and obligations under the BAPA.

Under the terms of the BAPA, the Company will pay the Consideration, being an amount equal to SAR 4,875,000,000 (equivalent to US$1,300,000,000), to receive the Target Assets, which also reflects the Company's assessment of the value of the Shipping Agreements to the Company. The Consideration will comprise the Company:

- issuing the Consideration Shares to SADC, the value attributable to which is fixed, by reference to the Agreed Price, at an amount equal to SAR 1,752,187,500 (equivalent to US$467,250,000); and
- paying the Cash Consideration to Vela of an amount equal to SAR 3,122,812,500 (equivalent to US$832,750,000).

Vela has directed the Company to issue the Consideration Shares to SADC which is a wholly-owned subsidiary of Saudi Aramco incorporated in Saudi Arabia.

Completion in relation to each Vela Vessel is a complicated and protracted process that requires careful planning and execution. The exact timing of each such Completion is subject to various commercial and practical considerations, including, among others, completion of essential pre-delivery inspections and the requirement that each of the Vela Vessels be at a safe berth or anchorage and without cargo at the time of physical delivery to the Company or its nominee. Accordingly, the Company and Vela have agreed that the transfer of the legal ownership of each Vela Vessel will take place on a staggered basis whereby each Vela Vessel is expected to be transferred to the Company (or its nominee) over approximately six months starting with First Completion.

Where the legal ownership of a Vela Vessel is not transferred by Vela to the Company within this six month period due to damage that affects that Vela Vessel's class (for further details, see Section

12.1.2.1, "Summary of the principal terms of the Amended NSFs"), Vela has the option to either make good the relevant damage to the satisfaction of the Classification Society or alternatively enter into discussions with the Company to agree upon a corresponding reduction in the value of such Vela Vessel to take into account the costs for the repair of such damage. Where the legal ownership of a Vela Vessel is not transferred by Vela to the Company within this six month period due to a total loss of such Vela Vessel, Vela shall not be obliged to deliver the vessel and the Consideration will be reduced by an amount equal to that Vela Vessel's agreed value. In addition, at each Completion, the Company will also pay for any bunker fuels (in the case of the VLCCs, except the floating storage VLCC) and lubricants (in the case of each Vela Vessel) on board the relevant Vela Vessel at that time on the basis of certain reference rates agreed between Vela and the Company. The Consideration does not include the price of such bunker fuels and lubricants. As such, the Company will make the necessary payment(s) for them in cash to Vela at the time of the transfer of such Vela Vessel to the Company.

To the extent that the Company (i) approves or undertakes a Share Capital Reorganisation between the Execution Date and the Consideration Shares Delivery Date for any purpose, the Company undertakes to issue such additional number of Shares to SADC on the Consideration Shares Delivery Date so as to ensure that, on such date, the number of Shares held by SADC represents 20 per cent. of the entire issued share capital of the Company on a fully diluted basis or (ii) undertakes a Share Capital Reorganisation between the Consideration Shares Delivery Date and the Final Completion Date in connection with any financing or re-financing undertaken in respect of the Company or to reduce the debt of the Bahri Group, in each case in order to meet its obligations to pay the Cash Consideration, the Company shall issue such additional number of shares in the Company to SADC (without SADC or Vela being required to make any additional payment) so as to ensure that, at the date that such Share Capital Reorganisation becomes effective, the number of Shares held by SADC represents 20 per cent. of the Company's issued share capital (as at such date), on a fully diluted basis.

Consideration

The Consideration will first be satisfied by the issue of the Consideration Shares followed by the payment of the Cash Consideration, in each case as described below.

(i) Consideration Shares

In accordance with the staggered basis of delivery of the Vela Vessels (as described above), the Company and Vela have agreed that upon the transfer of each Consideration Share Vessel to the Company (excluding the Final Consideration Share Vessel), the Auditors will issue an Interim Auditors Certificate to the Company (a copy of which will be provided to Vela) and the Company will provide Vela with a Bahri Chairman Letter in relation to such Consideration Share Vessel. In relation to the Final Consideration Share Vessel Transfer Date, the Auditors will issue the Final Auditors Certificate to the Company (a copy of which will be provided to Vela) and the Company will provide Vela with a Bahri Chairman Letter in relation to such vessel subsequent to which the Company will update its Commercial Registration Certificate with MOCI and take all necessary steps to issue the Consideration Shares to SADC and register such shares on the Company's automated share register with Tadawul before the Consideration Shares Longstop Date.

The Consideration Shares will carry the same rights and obligations (including voting and dividend rights) as all other existing Shares in accordance with the Companies Law and the By-Laws. An overview of the rights attaching to the Shares in the Company is set out at Section 9.5, "Overview of rights attaching to Shares".

(ii) Cash Consideration

In relation to the Cash Consideration to be paid by the Company to Vela for the Target Assets, the Company, Vela and the Cash Escrow Agent have will enter into the Cash Escrow Arrangement. Under the Cash Escrow Agreement, the Company will transfer an amount of the Cash Consideration corresponding to the value of the relevant Vela Vessel to be transferred to the Company to a bank account with the Cash Escrow Agent no later than three Business Days after Vela has given five days' notice to the Company of the date on which Vela expects transfer of the relevant Vela Vessel. Upon the transfer of the relevant Vela Vessel to the Company, the Company and Vela shall jointly instruct the Cash Escrow Agent to release such amount to Vela.

Conditions to First Completion

First Completion (and thereby the Transaction) is subject to the satisfaction or waiver of the First Completion Conditions. As at the date of this Prospectus, the following First Completion Conditions, amongst others, have been satisfied (or waived (as applicable)):

- the Transaction Agreements being duly executed by the parties thereto;
- the valuation of the Target Assets, which also reflects the Company's assessment of the value of the Shipping Agreements to the Company stated in the valuation report prepared by the Financial Advisor, being not lower than the Consideration;
- approval from the CMA in relation to the publication of this Prospectus;
- Vela and the Company having agreed on the identity of at least 90 per cent. of the employees to be transferred from Vela to the Company under the terms of the Services Agreement;
- clearance having been obtained from the CCP in relation to the Transaction; and
- receipt of the necessary consent and waiver from Haydock Holdings Limited (a company incorporated in the British Virgin Islands) which is the joint venture partner of the Company in Petredec Limited in relation to the rights of Haydock Holdings Limited that relating to a change of control, under the shareholders' agreement entered into with the Company, in respect of Petredec Limited, which is one of the Bahri Group companies (for further details, see section 5.8.5 "Petredec");
- receipt of the necessary waiver and evidence of termination from the facility agent in relation to a facility agreement entered into by the Company dated 3 September 2002, which terminated in December 2013G; and
- receipt of the SCPMA Permission.

In addition, some of the other key First Completion Conditions that are still to be satisfied in order for First Completion to proceed (and which need to be satisfied by the Longstop Date or such later date later as agreed between Vela and the Company), or those that relate to events which if they were to occur, could prevent First Completion are:

- the Company having produced evidence satisfactory to Vela of the Company's ability to fund the Cash Consideration which will be met by executing the definitive agreements relating to the murabaha bridge facility (for further details, see Section 1.8 "Conditions to First Completion");
- approval from MOCI to convene the Transaction EGM and its agenda which will set out the Transaction EGM Resolution which will include the proposed amendments to the By-Laws;
- the approval of the Transaction EGM Resolution by the Shareholders at the Transaction EGM (for further details, see Section 1.15 "Extraordinary General Meeting");
- no Material Adverse Change having occurred;
- no firm intention to make an offer to acquire control of the Company having been announced by any person;
- no Environmental Contamination Event having occurred since the Execution Date, or, if a Environmental Contamination Event has occurred with the sole effect being the material

commercial impairment of the contaminating party or a member of its group, such event having been resolved by First Completion to the extent that there are no encumbrances arising from such event over a vessel belonging to the such contaminating party;

- no fact, matter or circumstance having arisen that would give rise to a breach of certain core warranties given by Vela and the Company under the BAPA which would in either case constitute a Material Adverse Change and which has not been remedied by the party responsible within 30 days (if capable of remedy) to the reasonable satisfaction of the other party.

Under the BAPA, the Company and/or Vela may waive any of the First Completion Conditions referred to in the list immediately above (with the exception of the approval of the Transaction EGM Resolution by the Shareholders at the Transaction EGM). Certain of those First Completion Conditions may be waived as follows:

- the Company may, at its sole discretion, waive a Material Adverse Change which occurred in relation to the Target Assets when such assets are still owned by Vela or a breach of certain core warranties given by Vela which could constitute a Material Adverse Change and which has not been remedied by Vela within 30 days (if capable of remedy to the reasonable satisfaction of the Company). It is expected that any such waiver would be provided by the Company only after taking into account relevant factors, including the effect of such a waiver on the expected benefits and risks for the Company of the Transaction.
- Vela may, at its sole discretion, waive a Material Adverse Change having occurred in relation to the Bahri Group or a breach of certain core warranties given by Bahri which could constitute a Material Adverse Change and which has not been remedied by Bahri within 30 days (if capable of remedy to the reasonable satisfaction of the Company). It is expected that any such waiver would be provided by Vela only after taking into account relevant factors, including the effect of such a waiver on the expected benefits and risks for Vela of the Transaction; and
- where a vessel operated by the Bahri Group or the Vela Group suffers an Environmental Contamination Event, the other party may waive this First Completion Condition in relation to such vessel. It is expected that such a waiver would be provided only in circumstances where it would not materially affect the expected benefits of the Transaction for the party giving the waiver.

Approval from the SCPMA

One of the key First Completion Conditions was obtaining the SCPMA Permission.

The SCPMA's function is to determine the Kingdom's policies and strategies for petroleum, gas and other hydrocarbon materials in light of national interests, including in cases of national emergencies. The SCPMA Permission was required because, under the terms of the Transaction, the Company will become the National Champion and be subject to the National Shipping Obligations.

In accordance with the terms of the BAPA, the SCPMA Permission was obtained on 10/6/1435H (corresponding to 10/4/2014G) for the transfer of Vela's entire fleet of vessels to the Company and for the Company to assume the National Shipping Obligations.

Key obligations of the Company

Under the BAPA, SADC has a right to appoint two nominees to the Board of Directors, from when it holds 20 per cent. of the Company's share capital on a fully diluted basis (for further details about the changes to the Board, see Section 1.14 "Changes to the Board of Directors following the Transaction"). Until such time as the two SADC nominees are appointed to the Board, the Company is subject to a number of restrictions under the BAPA, including:

- not amending the name of any company in the Bahri Group or taking any other steps which could constitute re-branding;

- except in order to pay the Cash Consideration (as provided for in the finance documents relating to the Company's financing of the Cash Consideration referred to in the BAPA), not increasing the Company's borrowings by a material amount, not entering into any new loan agreement or guarantee agreement with any bank or financial institution, not re-financing any financing arrangement entered into by the Bahri Group in relation to the Transaction and not issuing debt securities, in each case other than in the usual course of business or for executing investments set out in the Company's business plan before the Execution Date;
- not repaying, accelerating or otherwise amending the terms of any indebtedness of any of the companies in the Bahri Group other than in the usual course of business and not cancelling any facilities available to any of them;
- not announcing or declaring any dividend, bonus or other distribution to the Shareholders except for annual dividends (if any) for the financial years ending 18/2/1434H (corresponding to 31/12/2012G) and 28/2/1435H (corresponding to 31/12/2013G);
- not undertaking a Share Capital Reorganisation (other than the Capital Increase) in respect of any member of the Bahri Group, whether in connection with (i) the Company's financing of its obligation to pay the Cash Consideration, (ii) re-financing any financing raised by the Company in order to fund the Cash Consideration or (iii) allotting or issuing any securities convertible to shares (except to satisfy the valid vesting of any options or awards under any employee share schemes granted before the Execution Date);
- not redeeming or repurchasing the Company's share capital or that of any of the companies in the Bahri Group;
- not amending the constitutional documents of the Company other than in connection with obtaining the Shareholders' approval of the Transaction;
- not doing, or omitting to do, anything that could constitute a breach of condition of any material licence, permit or consent or which could result in their termination;
- not taking any action which the Company knows or reasonably believes could be prejudicial to Final Completion or which would or might reasonably be expected to have the effect of preventing or delaying the satisfaction of any of the First Completion Conditions that it is required to satisfy by the Longstop Date, subject to the requirements of its directors' duties and requirements under applicable laws; and
- not passing any Board resolution agreeing, or publicly announcing or announcing to a third party an intention to agree, to do any of the above (whether such action is intended to occur prior to or following the appointment of the two SADC nominees to the Board)

Apart from the restrictions on the Company and the Bahri Group as described above, as part of the SCPMA Permission for so long as the Contract of Affreightment is in effect, the Company will also become the National Champion and be subject to the National Shipping Obligations which will require it to maintain a fleet of vessels with minimum tonnage to transport crude oil to support national transportation priorities in times of national emergency in Saudi Arabia.

Key obligations of Vela

The BAPA imposes a number of restrictions on Vela in respect of each of the Target Assets during the period from the Execution Date up to and including the relevant Completion Date on which the legal ownership of each Target Asset is transferred to the Company. The restrictions include:

- not operating the Target Assets in a manner which is outside the ordinary course of Vela's business;
- not creating, amending or redeeming, or agreeing to create, amend or redeem, any charter, mortgage, lien or any other encumbrance over any Target Asset (to the extent applicable), in each case in a manner that would, or might reasonably have the effect of preventing or delaying the Transaction;
- not compromising or settling material litigation or arbitration proceedings or any action, demand

or dispute, or waiving any right in relation to such litigation or arbitration proceedings, in connection with any Target Asset, in each case in a manner that would or might prevent or delay the Transaction;

- conducting its business relating to the Target Assets materially in accordance with all applicable legal and administrative requirements in any jurisdiction; and
- not taking any action which Vela knows or reasonably believes could be prejudicial to Final Completion or which would or might reasonably be expected to have the effect of preventing or delaying the satisfaction of any of the First Completion Conditions that it is required to satisfy by the Longstop Date, subject to the requirements of its directors' duties and the requirements under applicable law.

Warranties by the Company

The Company has given various warranties to Vela and SADC as at the Execution Date and will give warranties to Vela and SADC on each Consideration Share Vessel Transfer Date. Such warranties relate to, amongst other things:

- the Company having legal and beneficial ownership of its vessels free from encumbrances save to the extent disclosed to Vela;
- the effect of the Transaction on certain key contracts to which the Company is party;
- the Consideration Shares will be duly authorised, validly issued and allotted as fully paid on the Consideration Shares Delivery Date;
- SADC will receive all legal and beneficial title to the Consideration Shares on the Consideration Shares Delivery Date;
- the accounts of the Company and the other members of the Bahri Group showing a true and fair view of the state of affairs of the Bahri Group;
- the Bahri Group having sufficient working capital for the period of 12 months from the Execution Date;
- since 6/2/1433H (corresponding to 31/11/2011G), the Bahri Group having been operated in the usual way;
- the material contracts of the Bahri Group being valid and legally binding;
- in the 12 months prior to the Execution Date, no material supplier or customer having stopped, or indicated an intention to stop, trading with the relevant Bahri Group company;
- the information in the BAPA regarding the structure of the Bahri Group, the existing vessels of the Bahri Group and the properties owned or leased by the Bahri Group being true and accurate;
- the Bahri Group having paid all relevant taxes, including (without limitation) any withholding tax under the Saudi Arabian income tax law and Zakat;
- the Bahri Group having obtained all permits or approvals required under the relevant environmental laws; and
- the Company's historic regulatory filings and its public disclosure having been made correctly, all statements of fact in such regulatory filings being true and accurate, such regulatory filings being in compliance with applicable securities laws at the relevant time and the Company's public disclosure not excluding any material facts that would have a material effect on the Company's share price or would require a public announcement.

Warranties by Vela

Vela gives various warranties to the Company in relation to the Vela Vessels as at the Execution Date and on each Completion Date. Such warranties relate to, amongst other things:

- the legal and beneficial ownership of such Vela Vessels by Vela, free of any encumbrance;
- the vessel IT systems, forming part of such Vela Vessels, being legally and beneficially owned by the Vela Group free of any encumbrance and being in good working order;

- each Vela Vessel's material books and records being up to date and properly completed; and
- Vela having complied with all requirements of the relevant codes of the International Maritime Organisation (a specialised agency of the UN responsible for the safety and security of shipping) in relation to such Target Assets.
- In addition, Vela also warrants to the Company as at the Execution Date (in certain cases with some qualifications) that:
- the payment by Vela of all material taxes in relation to the Target Assets;
- the entitlement of Vela to transfer all the information comprised in the Target Assets to the Company without breaching any data protection laws in the UAE and Saudi Arabia; and
- the standard terms and conditions of employment of the Vela Employees who will transfer to the Company under the Services Agreement, and which were provided to the Company, being complete and accurate in all material respects.
- Further undertakings by Vela

Under the terms of the BAPA, Vela also undertakes to the Company that, save in the event of a national emergency, from First Completion until the termination of the Contract of Affreightment, no Vela Group company will compete with the Bahri Group in the business of owning, operating and/or chartering VLCCs for the carriage of Crude Oil produced in the Kingdom.

However, there are certain limited circumstances (in addition to the occurrence of a national emergency) where the Vela Group may engage in a Competing Business, such as the entry into mergers, acquisitions and joint ventures subject to the satisfaction of certain procedures, the chartering of VLCCs for carrying fuel oil cargoes, the carriage of any hydrocarbon product or derivative other than Crude Oil and the servicing of vessels. In addition, neither any Vela Group company nor any joint venture in which any Vela Group company has an interest, is precluded from undertaking a Competing Business which was undertaken by such Vela Group company or joint venture prior to the Execution Date. Further, no Vela Group company is precluded from (i) undertaking a Competing Business whose annual revenues comprise 15 per cent. or less of the total annual revenue of such Vela Group company (as appropriate) which is undertaking such business or (ii) the acquisition of a target where the Competing Business comprises 15 per cent. or less of its annual revenues. However, if a Vela Group company undertook a Competing Business with associated annual revenues which are more than 15 per cent. of the total annual revenues of such Vela Group company, or if a Vela Group company proposed to acquire all of or a controlling interest in a Competing Business with associated annual revenues which are more than 15 per cent. of the total annual revenues of the business being acquired, the relevant Vela Group company shall notify the Company, and shall offer the Company a right of first refusal to acquire or participate in such Competing Business on terms to be agreed between the relevant Vela Group company and the Company.

Saudi Aramco has also given a similar undertaking not to compete with the Bahri Group, under the Relationship Agreement. For further details, see Section 12.1.1.2 "Summary of the principal terms of the Relationship Agreement".

Vela has also undertaken not to, and procured that any company over which Vela has board or voting control (or has equivalent rights in a contractual joint venture) will not, approach or solicit any employees transferred to the Bahri Group pursuant to the Services Agreement for a period of two years from the date of transfer of any such employee to the Bahri Group.

Dividends

Pursuant to the BAPA, the Company and Vela have agreed that in respect of any financial year where a Consideration Share Vessel Transfer Date falls, a tranche of the Consideration Shares whose value corresponds to the value of the Consideration Share Vessel(s) transferred on such date shall be deemed to be delivered to SADC on such date. If the Company declares a cash dividend in relation to such financial year (and assuming the Consideration Shares Delivery Date falls before the Dividend Record Date for such year), SADC will only be entitled to receive and retain a proportion of such cash dividend (the "**Aggregate Retained Dividend**"). The Retained Dividend in relation to each Consideration Share Vessel is calculated by reference to (i) each tranche of the Consideration Shares deemed to have been delivered to SADC during such financial year for such Consideration Share Vessel, and (ii) the proportionate number of days during that financial year when SADC was deemed to have been the holder of such Consideration Shares to the total number of days in that financial year. The Aggregate Retained Dividend is the sum of the Retained Dividends for all of the Consideration Share Vessels. Consequently, in relation to such financial year, the Company will pay the total dividend relating to the Consideration Shares to SADC and SADC will subsequently reimburse the Company with any excess above the Aggregate Retained Dividend (calculated as described above)

Limitations on liability

The total aggregate liability of (i) Vela and SADC and (ii) the Company for claims in relation to certain key warranties is an amount equal to SAR 4,875,000,000 (equivalent to US$1,300,000,000). In respect of any other warranty claims under the BAPA the total aggregate liability of (i) Vela and SADC, and (ii) the Company is, respectively, an amount equal to SAR 562,500,000 (equivalent to US$150,000,000).

The BAPA provides that neither Vela nor SADC will be liable to the Company, and the Company will not be liable to Vela or SADC, in relation to any warranty claim unless both:

- the value of such warranty claim exceeds an amount equal to SAR 7,500,000 (equivalent to US$2,000,000); and
- the aggregate value of all warranty claims exceeds an amount equal to SAR 75,000,000 (equivalent to US$20,000,000).

If Vela or SADC wishes to bring a warranty claim against the Company, or vice-versa, it must notify the party against whom it is bringing the claim within six months of the First Completion Date or (if later) the date on which the relevant warranty was given (as certain warranties are deemed to be repeated on each Completion until and including Final Completion).

Term and termination

The BAPA may be terminated in a limited set of circumstances before First Completion, including:

- by the mutual written agreement of the Company and Vela;
- automatically if First Completion has not occurred by the Longstop Date which is 4/10/1435H (corresponding to 31/7/2014G) (or such later date as agreed by Vela and the Company);
- by Vela, if the Company has suffered a Material Adverse Change in or affecting the condition of the business, assets, liabilities, financial or other condition, prospects and/or results of operations of either the Bahri Group (as a whole) or any company in the Bahri Group;
- by the Company, if there has been a Material Adverse Change in or affecting the business, assets and liabilities comprising, or the condition of, the Target Assets;
- automatically if a Force Majeure Event has occurred and is continuing more than 90 days after either the Company or Vela has notified the other of such occurrence;
- by either the Company or Vela, if, within 60 days of notification of the SCPMA imposing additional obligations on the Company in addition to its obligation to maintain the Emergency Fleet, they are unable to agree an appropriate amount of compensation to be paid to the Company to assume such additional obligations;
- by either the Company or Vela, if First Completion does not occur within 60 days of the First Completion Conditions Satisfaction Date as a result of a material breach of the BAPA or an Amended NSF by the other party.

- Following First Completion, the BAPA may only be terminated if a Force Majeure Event is continuing for more than 90 days after the notification of the Force Majeure Event by the Company to Vela (or vice versa).

12 - 1 - 1 - 2 *Summary of the principal terms of the Relationship Agreement*

Saudi Aramco and the Company entered into the Relationship Agreement, dated 19/12/1433H (corresponding to 4/11/2012G), which governs the relationship and mutual rights and obligations between the Company and Saudi Aramco. The Relationship Agreement includes an undertaking by Saudi Aramco which provides the Company with exclusivity in relation to the carriage of VLCC-sized Crude Oil cargoes (as described further below). In addition, the Relationship Agreement also imposes a non-compete obligation on members of the Saudi Aramco Group as further described below.

Exclusivity

The Relationship Agreement provides that the Company will, in accordance with the terms of the Contract of Affreightment, become the exclusive provider of VLCC shipping services to Saudi Aramco for all VLCC-sized Crude Oil cargoes that are sold by Saudi Aramco and/or its nominees that are to be shipped from terminals in the Kingdom, Sidi Kerir (an offshore location, off the coast of Egypt, that links to the Sumed oil pipeline) (in certain circumstances) and certain storage locations, provided that Saudi Aramco and/or its nominee are able to nominate the relevant vessel.

- Non-Compete obligation of the Saudi Aramco Group

Under the Relationship Agreement, Saudi Aramco undertakes to the Company that, save in the case of national emergency, from First Completion until the termination of the Contract of Affreightment, the Saudi Aramco and companies over which Saudi Aramco exercises voting or board control (including any contractual joint ventures over which it exercises such control) will not compete with the Bahri Group in the business of owning, operating and/or chartering VLCCs for the carriage of Crude Oil produced in the Kingdom.

However, there are certain limited circumstances (in addition to the occurrence of a national emergency), where a Saudi Aramco Group company may engage in a Competing Business, such as the entry into mergers, acquisitions and joint ventures subject to the satisfaction of certain procedures, the chartering of VLCCs for carrying fuel oil cargoes, the carriage of any hydrocarbon product or derivative other than Crude Oil and the servicing of vessels. In addition, neither any Saudi Aramco Group company, nor any joint venture in which any Saudi Aramco Group company has an interest, is precluded from undertaking a Competing Business which was undertaken by such Saudi Aramco Group company or joint venture prior to the Execution Date. Further, no Saudi Aramco Group company is precluded from (i) undertaking a Competing Business whose annual revenues comprise 15 per cent. or less of the total annual revenue of the relevant Saudi Aramco Group company or the joint venture which is controlled by the relevant Saudi Aramco Group company which is undertaking such business or (ii) the acquisition of a target where the Competing Business comprises 15 per cent. or less of the relevant Saudi Aramco Group company's annual revenues. However, if a Saudi Aramco Group company undertook a Competing Business with associated annual revenues which are more than 15 per cent. of the total annual revenues of such Saudi Aramco Group company, or if a Saudi Aramco Group company proposed to acquire all of or a controlling interest in a Competing Business with associated annual revenues which are more than 15 per cent. of the total annual revenues of the business being acquired, the relevant Saudi Aramco Group company shall notify the Company, and shall offer the Company a right of first refusal to acquire or participate in such Competing Business on terms to be agreed between the relevant Saudi Aramco Group company and the Company.

Supply of bunker fuels

From the First Completion Date and for so long as the Contract of Affreightment remains in force, Saudi Aramco undertakes to use commercially reasonable efforts to supply bunker fuels, to any vessel that is wholly owned by or bareboat-chartered by the Bahri Group at a port or terminal to be reasonably determined by Saudi Aramco, in priority over other commercial shipping vessel operators. However, no Saudi Aramco Group company shall be under any obligations to offer bunker fuels to a Bahri Group company if such action would result in such Saudi Aramco Group company not being able to satisfy its commitments to, and the needs of, any other Saudi Aramco Group company, or such action would result in Saudi Aramco or the relevant Saudi Aramco Group company being in breach of any pre-existing contractual arrangement with a third party, or any applicable law. There is no obligation on Saudi Aramco to guarantee the availability of bunker fuels to any Bahri Group company, or bunker fuels at a specific price or of any specific quality.

Future cooperation between Saudi Aramco and the Company

The Company and Saudi Aramco have agreed to discuss, where commercially feasible, the possibility of further cooperation between them in respect of other lines of business, including, but not limited to, chemicals, drybulks, terminals, logistics and offshore support services, in order to further the Company's aspiration of becoming a national shipping champion to serve the Kingdom's growing maritime transportation needs and developing the maritime industry in the Kingdom.

Term and termination

The Relationship Agreement is effective from the time that the First Completion Conditions have either been satisfied or waived in accordance with the BAPA. The Relationship Agreement will automatically terminate upon the earlier of the termination of the BAPA prior to the First Completion Date and the termination of the Contract of Affreightment.

12 - 1 - 1 - 3 Summary of the principal terms of the Services Agreement

The Company and Vela entered into an agreement on 19/12/1433H (corresponding to 4/11/2012G) as amended on 14/6/1435H (corresponding to 14/4/2014G), for the identification and transfer of the employment of certain shorebased and vesselbased employees of Vela to the Bahri Group (the "**Transferring Employees**") to ensure the smooth and seamless integration of the Target Assets into the Company's existing fleet of vessels.

Under the Services Agreement, the Company is obliged to make an offer of employment to each Transferring Employee on the same terms and conditions (including remuneration and allowances, such as for accommodation) as Vela had provided. If any Transferring Employee does not accept an offer of employment from the Company, he will remain an employee of Vela. To the extent that there is a difference between the remuneration that a Vela employee receives from Vela immediately prior to the transfer, and the remuneration that an employee holding an equivalent position, grade and level of seniority (including length of service) would receive if employed by the Company, Vela will reimburse the Company such excess amount for the period from the date of employment of the Transferring Employee by the Company until the date falling 365 days after the First Completion Date. The Company may amend the terms of employment of the Vela employees who accept the Company's offer of employment, with such amended terms taking effect on the date following 365 days after the First Completion Date.

As at the date of this Prospectus, the Company has offered contracts of employment to 409 Vela employees (317 vessel-based and 92 shore-based) of whom 387 employees (296 vessel-based and 91 shore-based) accepted such offer and 22 employees (21 vessel-based and 1 shore-based) rejected the offer.

The employment of the relevant vessel-based personnel by the Bahri Group will commence on the date of Completion of the relevant Vela Vessels on which they work. The relevant shore-based personnel will commence their employment with the Bahri Group on either First Completion or such other date as the Company and Vela agree, in accordance with their respective commercial and operational requirements.

Under the Services Agreement, Vela and the Company will indemnify each other so that neither bears any liability for a Transferring Employee in relation to the period of his employment with the other, or for any other employees of the other. The Company shall obtain and maintain (where applicable) all required authorisations, work permits and/or visas for the relevant Transferring Employee.

Term and termination

The Services Agreement is effective from the date of its execution (to enable the parties to commence preparations for the transfer of the Transferring Employees) until the earliest of the termination of the BAPA, the Final Completion Date and the date falling 365 days after the First Completion Date. Vela and the Company may also terminate the agreement with immediate effect by mutual consent at any time.

12 - 1 - 1 - 4 Summary of the principal terms of the Secondment Agreement

The Company and Saudi Aramco entered into an agreement on 19/12/1433H (corresponding to 4/11/2012G), whereby certain shorebased personnel of the Saudi Aramco Group may be seconded to the Bahri Group to fill certain positions relating to the Target Assets, as well as in the business of the Bahri Group (including chartering, scheduling, operations and marine planning). Either the Company or Saudi Aramco may propose a secondment on the basis of their requirements, and, if they agree that a secondment is appropriate, will agree the identity of the secondee, the services to be provided, the secondment period and location, and the billing rate payable by the Company to Saudi Aramco. The billing rate will be based on the equivalent remuneration that an employee of the Company holding an equivalent position, grade and level of seniority (including length of service) as the secondee would receive.

Subject to the Company's compliance with applicable law and regulation, and not having taken any action that may cause the secondee to terminate his employment with Saudi Aramco, Saudi Aramco will indemnify the Company in respect of any liabilities arising from the employment rights of each secondee (under their employment agreements and applicable law) during the period of his secondment to the Company. The aggregate liability of Saudi Aramco for claims under the agreement (excluding claims arising from the secondee's employment contract with Saudi Aramco) is capped to the total amount of the secondment fees actually received by Saudi Aramco from the Company. The Secondment Agreement contains protections for Saudi Aramco if a secondee terminates his employment by Saudi Aramco because of his experience while seconded to the Bahri Group.

Term and termination

The Secondment Agreement will become effective on the First Completion Date and will be effective for five years from that date (unless Saudi Aramco and the Company agree to extend such term) or, if earlier, until termination of the BAPA. Saudi Aramco and the Company may also terminate the Secondment Agreement with immediate effect at any time by mutual consent. In addition, either the Company or Saudi Aramco may terminate the Secondment Agreement if the other party commits a material breach, which it does not remedy within a 30 day period.

12 - 1 - 1 - 5 Summary of the principal terms of the Cash Escrow Agreement

The Company, Vela and the Cash Escrow Agent will enter into an agreement to appoint the Cash Escrow Agent who will administer the bank account into which, no later than three Business Days after Vela has given five days' notice to the Company of the date on which Vela expects to transfer a Vela Vessel, the Company will deposit each installment of the Cash Consideration required for completing such transfer pursuant to the BAPA. The Cash Escrow Agent will release the relevant installment of the Cash Consideration to Vela upon receipt of a joint written instruction from the Company and Vela to do so.

The Cash Escrow Agreement sets out the duties of the Cash Escrow Agent, which are primarily administrative functions in relation to the escrow account, including the release of the funds from such account to Vela. In addition, each of the Company and SADC will indemnify the Cash Escrow Agent and its officers, employees and agents against 50 per cent. of all losses and liabilities that the Cash Escrow Agent incurs in the performance of its duties under the agreement except where such liabilities arise due to the negligence, willful misconduct, fraud or breach of the agreement by either the Cash Escrow Agent or its officers, employees and agents. The Cash Escrow Agent has a right to set-off any amounts present in the escrow account against any amounts payable to it under the Cash Escrow Agreement.

In the event of a dispute between Vela and the Company, or between either of them and any other person, with respect to the cash in the escrow account or the escrow account itself, the Cash Escrow Agent is entitled to apply to a court of law to resolve such dispute. Until such dispute is (i) finally determined by a competent court or (ii) resolved by Vela and the Company executing and delivering to the Cash Escrow Agent joint written instructions regarding the settlement of the dispute, the Cash Escrow Agent may refuse to comply, at its sole discretion, with any claims, demands or instructions in relation to the cash in such escrow account.

Term and termination

The Cash Escrow Agreement will become effective upon its execution and can be terminated by a joint written notice from the Company and Vela, or by a written notice from the Cash Escrow Agent where the arrangements contemplated under the agreement become contrary to the applicable law. The agreement shall also terminate on termination of the BAPA, as Vela and the Company shall, by giving written notice, notify the Cash Escrow Agent of the same. In addition, the agreement will terminate when the final installment of the Cash Consideration has been released to Vela by the Cash Escrow Agent, which is expected to occur at Final Completion.

Upon termination of the Cash Escrow Agreement, the Cash Escrow Agent is entitled to deduct any amounts owed under the agreement from the amounts present in the escrow account and transfer the remainder to a person designated by both the Company and Vela.

In addition, the Cash Escrow Agent can resign from its role and in such case Vela and the Company will appoint a successor cash escrow agent and the Cash Escrow Agent undertakes to transfer any cash present in the escrow account (after deducting any amounts that it is owed) to the replacement agent.

12 - 1 - 2 Summary of the Shipping Documents

12 - 1 - 2 - 1 Summary of the principal terms of the Amended NSFs

In respect of each Vela Vessel, the Company and Vela entered into an agreement based on the Norwegian Shipbrokers' Association Memorandum of Agreement for the sale and purchase of ships (known as the Norwegian Saleform 2012 an industry accepted form of document for the sale and purchase of second-hand vessels), dated 19/12/1433H (corresponding to 4/11/2012G), pursuant to which Vela agreed to transfer the legal ownership of such Vela Vessel to the Company. Therefore, the Company and Vela have entered into 20 Amended NSFs.

Purchase price

The portion of the Consideration in relation to each Vela Vessel (as further set out in Section 1.4 "The Target Assets") is payable to Vela in accordance with the BAPA. Upon each Completion, the Company will make a cash payment to Vela of an amount equal to the value of the bunker fuels (in respect of a Vela Vessel that is not subject to the Time Charter Agreement) and lubricants (in respect of any Vela Vessel) on board such vessel at Completion. This payment is in addition to the Consideration irrespective of how payment of the Consideration for such Vela Vessel will be made.

If any of the Vela Vessels has defects in relation to its rudder, propeller, bottom or underwater parts below the deepest load line which will affect the class of such Vela Vessel (as determined by the Classification Society), each Amended NSF requires Vela to repair such defects or to agree with the Company a reduction in the Consideration payable in respect of the relevant vessel.

Warranties and undertakings by Vela

Amongst other things, Vela warrants that each Vela Vessel, at the time of delivery, is free from all encumbrances, including, without limitation, charter, mortgage, charge or security interest of any kind, and is not subject to any port state or other administrative detentions.

Vela also undertakes to indemnify the Company against all consequences of claims made against the relevant Vela Vessel which were incurred prior to the time of delivery of such Vela Vessel to the Company by Vela. There is no limitation in the Amended NSF on Vela's liability in relation to the indemnity.

Condition on delivery

Under such Amended NSF, the relevant Vela Vessel shall be delivered free of cargo and stowaways and with her class maintained free of any conditions or recommendations plus (subject to certain exceptions) a class certificate valid for not less than six months following delivery. The provisions of the Amended NSF set out the process for independent expert determination if any dispute arises as to whether a vessel meets the required delivery condition.

12 - 1 - 2 - 2 Summary of the principal terms of the Contract of Affreightment

The Company and Bolanter entered into the Contract of Affreightment dated 19/12/1433H (corresponding to 4/11/2012G) as amended on 14/6/1435H (corresponding to 14/4/2014G), pursuant to which the Company has agreed to provide tonnage and shipping services on an exclusive basis to Bolanter for the transportation of certain VLCC sized Crude Oil cargoes produced in the Kingdom of Saudi Arabia and shipped on a Delivered Basis, as further described below. Each voyage under this agreement is to be performed in accordance with an industry standard form of voyage charterparty as amended by the terms of the Contract of Affreightment.

Exclusivity

The Contract of Affreightment requires Bolanter to support the exclusivity arrangements whereby:

- the Company will, in accordance with the terms of the Contract of Affreightment, have the exclusive right to ship all VLCC-sized Crude Oil cargoes produced in the Kingdom and sold by members of the Saudi Aramco Group (such member, which as at the date of this Prospectus, is Bolanter) that are to be shipped from terminals in the Kingdom, Sidi Kerir (an offshore location, off the coast of Egypt, that links to the Sumed oil pipeline) (in certain circumstances) and certain storage locations, provided that Saudi Aramco and/or its nominee are able to nominate the carrying vessel; and

- for non-VLCC-sized cargoes of Crude Oil produced in Saudi Arabia that satisfy certain criteria, Saudi Aramco's relevant nominee will notify the Company of such non-VLCC-sized cargoes so that the Company can make an offer to carry such cargo.
- Nomination
- Under the Contract of Affreightment, Bolanter will provide the Company with a schedule of cargoes to be shipped 20 days prior to the first day of each calendar month, to include load port (from a list specified in the Contract of Affreightment), cargo quantities and grades, discharging port(s) and anticipated loading date(s). The Company will nominate the vessels to be used for loading such cargoes in accordance with the timeframes set out in the Contract of Affreightment. The Company can request an extension of 10 days from Bolanter, in addition to the time period for nomination specified in the Contract of Affreightment, in order to nominate a suitable vessel. The Contract of Affreightment contains various criteria that the nominated vessels must comply with, including, approval by the loading and discharging terminals, suitability to carry the nominated cargo, approval by Bolanter's vetting department, the vessel being free from arrest or detention and the vessel must not be owned, managed or operated by a party that is subject to sanctions by either the European Union or the law of any jurisdiction implementing a United Nations resolution or by the United States Office of Foreign Assets Control. If the Company does not provide a valid nomination to Bolanter, and subsequently fails to nominate a suitable alternative vessel, Bolanter shall not be obliged to ship that nominated cargo under the Contract of Affreightment and shall be free to make alternative arrangements for the carriage of such cargo.

Freight and demurrage

The demurrage rate (being the rate payable if Bolanter fails to load or discharge a vessel under the Contract of Affreightment within an agreed time) and the freight rate for each voyage shall be determined by reference to a market rate assessment by the London Tanker Broker Panel (an independent body which provides rate assessments for taker operations), pursuant to a mechanism set out in the Contract of Affreightment. Long-Haul Voyages are subject to an agreed minimum freight rate and demurrage rate when performed by vessels owned by the Company.

Floor and reimbursement rates

Under the Contract of Affreightment, the Company will receive a minimum guaranteed rate for the provision of such shipping services from Bolanter where Long-Haul Voyages are performed by Company-owned vessels, in order to reduce the exposure of the Company to shipping rate volatility, particularly when shipping rates fall below such minimum guaranteed rate. Conversely, when shipping rates exceed an agreed threshold, the Company is required to reimburse a proportion of such excess to Bolanter for any payment it has previously received pursuant to the minimum guaranteed rate mechanism, limited to the amounts it so received. The minimum guaranteed rate will not be applicable where the Company performs the relevant shipping services using chartered vessels and not Company owned vessels.

Limitations on Liability

In the event of termination of the Contract of Affreightment by reason of a breach by either Bolanter or the Company, the Contract of Affreightment agreement provides that the losses recoverable by the other party shall not exceed an amount equal to SAR 3,937,500,000 (equivalent to US$1,050,000,000) in aggregate.

Term and termination

The Contract of Affreightment is a long-term arrangement with Bolanter. As such, it has an initial term of 10 years, terminable by either party giving not less than five years' notice at any time after the fifth anniversary of the Contract of Affreightment becoming effective which will be the date the first Vela VLCC is delivered to the Company pursuant to the BAPA.

The Company shall have the option to terminate the Contract of Affreightment if Bolanter fails to nominate any cargoes under the Contract of Affreightment for three consecutive months (save if it has been prevented from doing so by an event over which it has no control or due to the Company's own actions or omissions). Bolanter shall have the option to terminate the Contract of Affreightment in the event that the Company fails to nominate any compliant vessels for one month or fails to nominate a vessel in response to a valid cargo nomination on more than one occasion in any six month period (except where it is prevented from doing so by an event over which it has no control or Bolanter's own acts or omissions, or where the Company has nominated a vessel that complies with the criteria in the Contract of Affreightment but which was wrongly rejected by Bolanter). The Company considers the possibility of Bolanter terminating the Contract of Affreightment on the basis of non-compliance with the nomination criteria or nomination time-frames to be remote as most of the Company's fleet of vessels (including the Vela Vessels) satisfy the relevant nomination criteria as at the date of this Prospectus. Written notice shall be given to the other party within fourteen days of the relevant event. Bolanter or the Company shall otherwise only be entitled to terminate the Contract of Affreightment by mutual agreement.

12 - 1 - 2 - 3 The Interim Contract of Affreightment

The Company and Vela also entered into an interim contract of affreightment dated 6/2/1434H (corresponding to 19/12/2012G) as amended on 14/6/1435H (corresponding to 14/4/2014G), which became effective on 19/2/1434H (corresponding to 1/1/2013G) (the "**Interim Contract of Affreightment**") and will continue in force until the earlier of First Completion or termination of the BAPA by either Vela or the Company. The Interim Contract of Affreightment has been entered into by the Company as a transitional measure to provide vessels to the Saudi Aramco Group until such time as the Contract of Affreightment comes into effect (which will be the date the first Vela VLCC is delivered to the Company pursuant to the BAPA). Under the Interim Contract of Affreightment, Vela has the right to nominate the Company's vessels for shipment of Crude oil cargoes originating from the KSA and that are to be shipped from terminals in the Kingdom, Sidi Kerir (an offshore location, off the coast of Egypt, that is linked to the Sumed oil pipeline) and certain storage locations, provided that Vela and/or its nominee is able to nominate the carrying vessel. In addition, Vela may arrange cargoes for the Company's vessels when returning from voyages from the KSA to the US Gulf or northwest Europe. Under the Interim Contract of Affreightment, the Company is not allowed to fix vessels that have been nominated by the Company and accepted by Vela for loading cargoes, on other jobs except under certain conditions and by providing written notice to Vela. The Interim Contract of Affreightment includes a similar mechanism to the Contract of Affreightment, save that there is no exclusivity provision, whereby the Company has reduced exposure to shipping rates volatility by Vela paying a minimum guaranteed rate for the carriage of crude oil, and Vela will be reimbursed for any such payments made to the Company if shipping rates exceed a certain threshold.

12 - 1 - 2 - 4 Summary of the principal terms of the Time Charter Agreement

The Company and SAPTC entered into the Time Charter Agreement dated 19/12/1433H (corresponding to 4/11/2012G), a framework agreement under which SAPTC undertakes to time-charter from the Company the four product tankers, the single-hull floating-storage VLCC and the Aframax tanker, which form part of the Vela Vessels. These vessels will be used by Saudi Aramco for the transportation of products, in the case of the product tankers, Crude Oil in the case of the Aframax tanker and storage in the case of the single-hull floating-storage VLCC for an initial period of five years (except in the case of the floating-storage VLCC, whose time-charter period is expected to be until 20/3/1437H (corresponding to 31/12/2016G) or longer, as described below). Under the Time Charter Agreement, each Vela Vessel that is subject to the Time Charter Agreement would be time chartered in accordance with the template time charterparty agreement, whose terms have been agreed by the Company and the SAPTC.

Rates of hire

The daily rate of hire for each charterparty shall be determined by reference to a market rate assessment of hire by the London Tanker Broker Panel (an independent body which provides rate assessments for tanker operators), pursuant to a mechanism set out in the Time Charter Agreement.

Limitations of liability

In the event of termination of the Time Charter Agreement as a result of a breach by either SAPTC or the Company, SAPTC and the Company agree that each other's liability shall be capped at an amount equal to SAR 937,500,000 (equivalent to US$250,000,000) in aggregate.

Term and Termination

The term of the time charter for each product tanker shall commence once the relevant product tanker is delivered to SAPTC under its respective time charter and shall continue for five years from such date.

Unless terminated by either party by giving written notice no less than nine months prior to the expiry of the original term, the time charter for each product tanker shall be extended for an additional five years.

However, the single-hull floating-storage VLCC shall be time chartered until 31 December 2016. However, if Dry-docking is required by the Classification Society, such term may be adjusted as follows:

- where such Dry-docking is prior to 31 December 2015, SAPTC shall have the option to extend the charter term up to 31 December 2020, (and such Dry-docking shall be at Vela's expense) but the time charter will terminate immediately prior to the expiry of the extended time-charter period or, if a second Dry-docking is required within this period, at that Dry-docking's latest due date in the Company's option; and
- where such Dry-docking is after 31 December 2015, the time charter shall continue until the date when such Dry-docking is due.

12 - 2 Legal information relating to the Company

12 - 2 - 1 Real Property

12 - 2 - 1 - 1 Freehold

The Company owns the following two freehold properties as at 31 December 2013:

Table 12-1: Freehold properties of the Company

Branch	Owner	Address
Riyadh Office	Bahri	Building #569 Sitteen Street, Malaz Area, P.O. Box 8931, Riyadh 11492, KSA
Mideast Ship Management	Mideast Ship Management Limited JLT	Floor Nos. 37 and 38, P2 Armada Towers, Jumeirah Lake Towers, P.O. Box 32890, Dubai, United Arab Emirates

Source: Company

12 - 2 - 1 - 2 Leasehold

In addition to the freehold properties, the Company has the following leasehold properties the details of which are:

Table 12-2: Leasehold properties of the Company

Location	Rent period	Beginning of the contract	Contract duration	Address
Airport Office	Yearly	29 February 2012	3 years	Office no. 1688, King Khalid Airport, Riyadh, KSA
Dry Port	Yearly	3 August 2011	5 years	Dry Port, Riyadh, KSA
Jeddah Office	Yearly	15 November 2013	1 year/ Renewable on a yearly basis	Palestine Street, Al-Hamra, P.O. Box 9598 Jeddah 21423, KSA
Containers Yard	Yearly	2 November 2006	10 years / Renewable for 5 years	Jeddah Islamic Port. Jeddah, KSA
Dammam Office	Yearly	5 November 2013	1 year /Renewable on a yearly basis	King Saud Street, Alsafa District, Dammam
Jubail Office	Yearly	1 March 2014	1 year	2nd Floor, Al-Khonaini Building (Riyadh Bank), Jeddah Street P.O. Box 955 Aljubail 31951
Bahri India (liaison office)	Monthly	1 September 2007	Ongoing	(NSCSA Liason Office) Mumbai 4th Floor, Orient House, ADI Marzban, Path Ballrad Estate, Mumbai, 400001 India
Bahri GC-America	Monthly	1 August 2011	5 years, 3 months	Suite 400 East Pratt Street. Baltimore, MIF 21202-3117, USA

Source: Company

12 - 2 - 2 Finance Arrangements

As at the date of this Prospectus, the Company has entered into the following finance facilities:

- A non-binding term sheet for a murabaha bridge facility of approximately SAR 3,182,812,500 dated 9/4/1434H (corresponding to 19/2/2013G) with three commercial banks (the "2013 Murabaha Facility");
- A short term murabaha facility of SAR 125,000,000 dated 21 August 2013 with a commercial bank (the "2013 Short Term Murabaha Facility 2");
- Short term murabaha facility of SAR 200,000,000 dated 20 March 2013 with a commercial bank (the "2013 Short Term Murabaha Facility 1");

- A murabaha facility of approximately US$120,000,000 dated 3 July 2012G with the Public Investment Fund (the "2012 PIF Murabaha Facility");
- A short-term murabaha facility of approximately SAR 200,000,000 dated 30 September 2013 with a commercial bank (the "2013 Short Term Murabaha Facility 4");
- A short-term murabaha facility of USD 50,000,000 dated 28 August 2013 with a commercial bank (the "2013 Short Term Murabaha Facility 3");
- A murabaha facility of approximately SAR 822,600,000 dated 22 June 2011G with two commercial banks (the "2011 Murabaha Facility");
- A murabaha facility of approximately US$280,000,000 dated 21 April 2009G with the Public Investment Fund (the "2009 PIF Murabaha Facility");
- A murabaha facility of approximately US$437,878,000 dated 25 June 2007G with four commercial banks (the "2007 Murabaha Facility");
- A murabaha facility of approximately US$84,400,000 dated 18 March 2007G with three commercial banks (the "2007 Three Commercial Banks Murabaha Facility"); and
- A facility of approximately US$100,000,000 dated 3 September 2002G with the Public Investment Fund (the "2002 PIF Facility").

The following table summarises the key terms of some of the above facilities:

Table 12-3: Summary of Financing Arrangements

Facility Profile & date	Purpose	Original Amount	Amount Settled	Outstanding Amount 31/12/2013	Security Package	Term/ Maturity date
2002 PIF Facility	To assist with the part financing for the acquisition of four VLCCs as part of the Company's fleet expansion named, Harad, Marjan, Safwa & Abqaiq	US$ 100,000,000	US$ 93,8000,000	US$ 6,200,000	Pre-delivery security assignments, Mortgages, the Deeds of Covenant and Undertakings.	16 October 2014
2012 PIF Murabaha Facility	To assist with the part financing for the building of two RoCons Hull 8087 and Bahri Tabuk	US$ 120,000,000	1,500,000	US$ 118,500,000	Pre-delivery security assignments Mortgages General assignments Account Pledges	2 October 2023

Facility Profile & date	Purpose	Original Amount	Amount Settled	Outstanding Amount 31/12/2013	Security Package	Term/ Maturity date
2011 Murabaha Facility	To partially finance the acquisition of four RoCons i.e. Hull 8085, 8086, 8089 & 8090	SAR 822,600,000	18,455,769.25	SAR 721,884,230.75	Pre-delivery security assignments Mortgages General assignments Account pledges	30 April 2024
2009 PIF Murabaha Facility	To refinance the debt related to the vessel Wafrah and to refinance/ finance the acquisition of 3 VLCCs named, Dorra, Ghazal, & Sahba	US$ 280,000,000	US$ 60,000,000	US$ 220,000,000	Mortgages, Deed of Covenant, Wafrah Deed of Covenant and account pledges	2 March 2019
2007 Murabaha Facility	To assist with the financing for the acquisition of 6 VLCCs, named, Jana, Habari, Kahla, Dorra, Ghazal & Sahba.	US$ 437,878,000	US$ 311,245,462.20	US$ 126,632,537.80	Pre-delivery security assignments, mortgages, general assignments, account pledges and a qualified time charter assignment	2 March 2019

Facility Profile & date	Purpose	Original Amount	Amount Settled	Outstanding Amount 31/12/2013	Security Package	Term/ Maturity date
2007 Three Commercial Banks Murabaha Facility	To partially finance the acquisition of vessel named Layla	US$ 84,400,000	US$ 35,166,666.50	US$ 49,233,333.50	Pre-delivery Security Assignment, the Deed of Covenant, the General Assignment, Mortgage, the Accounts Pledge; the Other Ship Security Documents.	8 August 2017
2013 Short Term Murabaha Facility 2013 Short Term Murabaha Facility 2013 Short Term Murabaha Facility 2013 Short Term Murabaha Facility	To finance working capital requirements To finance working capital requirements To finance working capital requirements To finance working capital requirements	SAR 200,000,000 SAR 200,000,000 SAR 125,000,000 US$50,000,000		SAR 100,000,000 SAR 200,000,000 SAR 37,000,000	Corporate Guarantee Corporate Guarantee Corporate Guarantee Corporate Guarantee	30 September 2014 20 March 2014 21 August 2014 28 August 2014

Source: Company

12 - 2 - 3 Licences and Permits

As at the date of this Prospectus, the Company has a Ministry of Transport license in respect of its international shipping activities. This licence was issued on 06/05/1434H (corresponding to 18/03/2013G) and is due to expire on 05/05/1437H (corresponding to 14/02/2016G). The Company believes that it does not require any other licences or permits in respect of its international shipping activities.

12 - 2 - 4 Material Assets of the Company and related Mortgages

The material assets of the Company are the vessels owned by the Company as at the date of this Prospectus, some of which are subject to mortgages as stated below:

Table 12-4: Material assets of the Company and related mortgages

Vessels	Flag	Type	Mortgage/No Mortgage	Mortgage until (Year)
Bahri Tabuk	Saudi Arabia	RoCon	Mortgage – HSBC Saudi Arabia Limited	2023
Bahri Hofuf	Saudi Arabia	RoCon	Mortgage – HSBC Saudi Arabia Limited	2023
Bahri Abha	Saudi Arabia	RoCon	Mortgage – HSBC Saudi Arabia Limited	2023
Bahri Jazan	Saudi Arabia	RoCon	Mortgage – HSBC Saudi Arabia Limited	2023
Bahri Jeddah	Saudi Arabia	RoCon	Mortgage – HSBC Saudi Arabia Limited	2024
Bahri Yanbu	Saudi Arabia	RoCon	Mortgage – HSBC Saudi Arabia Limited	2024
Ramlah	Bahamas	VLCC	No Mortgage	N/A
Ghawar	Bahamas	VLCC	No Mortgage	N/A
Watban	Bahamas	VLCC	No Mortgage	N/A
Hawtah	Bahamas	VLCC	No Mortgage	N/A
Safaniyah	Bahamas	VLCC	No Mortgage	N/A
Ghazal	Saudi Arabia	VLCC	No Mortgage	N/A
Sahba	Bahamas	VLCC	No Mortgage	N/A
Harad	Bahamas	VLCC	No Mortgage	N/A
Marjan	Bahamas	VLCC	No Mortgage	N/A
Safwa	Bahamas	VLCC	No Mortgage	N/A
Abqaiq	Bahamas	VLCC	No Mortgage	N/A
Layla	Bahamas	VLCC	Mortgage - HSBC Bank Plc	2017
Jana	Bahamas	VLCC	Mortgage - BNP Paribas Suisse SA	2018
Habari	Bahamas	VLCC	Mortgage - BNP Paribas Suisse SA	2018
Kahla	Bahamas	VLCC	Mortgage - BNP Paribas Suisse SA	2019
Wafrah	Bahamas	VLCC	Mortgage - SAMBA	2019
Dorra	Bahamas	VLCC	Mortgage - SAMBA	2019
NCC Riyad	Norway	Chemical	No Mortgage	N/A
NCC Mekka	Norway	Chemical	No Mortgage	N/A
NCC Jubail	Norway	Chemical	No Mortgage	N/A
NCC Najd	Saudi Arabia	Chemical	Mortgage - Riyadh Bank	2017
NCC Hijaz	Saudi Arabia	Chemical	Mortgage - Riyadh Bank	2017
NCC Tihama	Saudi Arabia	Chemical	Mortgage - Riyadh Bank	2017
NCC Abha	Saudi Arabia	Chemical	Mortgage - Riyadh Bank	2017
NCC Tabuk	Saudi Arabia	Chemical	Mortgage - Riyadh Bank	2017
NCC Qassim	Saudi Arabia	Chemical	Mortgage - Riyadh Bank	2017
NCC Amal	Saudi Arabia	Chemical	Mortgage - SAMBA	2020
NCC Safa	Saudi Arabia	Chemical	Mortgage - SAMBA	2020
NCC Danah	Saudi Arabia	Chemical	Mortgage - SAMBA	2020

Vessels	Flag	Type	Mortgage/No Mortgage	Mortgage until (Year)
NCC Noor	Saudi Arabia	Chemical	Mortgage - SAMBA	2021
NCC Huda	Saudi Arabia	Chemical	Mortgage - SAMBA	2021
NCC Rabigh	Saudi Arabia	Chemical	Mortgaged[12]	The Company anticipates that this vessel will be mortgaged until 2022
NCC Sudair	Saudi Arabia	Chemical	Mortgaged[13]	The Company anticipates that this vessel will be mortgaged until 2022
NCC Dammam	Saudi Arabia	Chemical	Mortgaged[14]	The Company anticipates that this vessel will be mortgaged until 2022
NCC Haiel	Saudi Arabia	Chemical	Mortgaged[15]	The Company anticipates that this vessel will be mortgaged until 2022
NCC Nasma	Saudi Arabia	Chemical	Mortgaged-Riyad Bank	2022
NCC Shams	Saudi Arabia	Chemical	Mortgaged-Riyad Bank	2022
NCC Najem	Saudi Arabia	Chemical	Mortgaged-Riyad Bank	2022
NCC Reem	Saudi Arabia	Chemical	Mortgaged-Riyad Bank	2022
NCC Sama	Saudi Arabia	Chemical	Mortgaged-Riyad Bank	2022
NCC Fajr	Saudi Arabia	Chemical	Mortgaged-Riyad Bank	2023
Bahri Arasco	Saudi Arabia	Dry Bulk	Mortgage - Albilad	2024
Bahri Grain	Saudi Arabia	Dry Bulk	Mortgage - Albilad	2024
Bahri Wafi	Saudi Arabia	Dry Bulk	Mortgage - Albilad	2024
Bahri Trader	Saudi Arabia	Dry Bulk	Mortgage - Albilad	2024
Bahri Bulk	Saudi Arabia	Dry Bulk	Mortgage - Albilad	2024

Source: Company

12 - 2 - 5 Material Agreements

12 - 2 - 5 - 1 Summary of principal terms of the transportation and cargo service agreement with the Ministry of Defence of Saudi Arabia (the "MoD") (the "Transportation and Cargo Service Agreement")

The Company and the MoD entered into the Transportation and Cargo Service Agreement dated 17/11/1432H (corresponding to 15/10/2011G), an agreement governing the terms under which the Company would ship military equipment. The Company received a letter from the Ministry of Defense dated 27/2/1435H (corresponding to 10/12/2013G) approving the renewal of the agreement for an additional five years.

12 While this vessel is currently not subject to a mortgage or encumbrance, it is expected that a mortgage will be created over such vessel in accordance with the relevant conditions for utilization of the facility agreement relating to such vessel.
13 While this vessel is currently not subject to a mortgage or encumbrance, it is expected that a mortgage will be created over such vessel in accordance with the relevant conditions for utilization of the facility agreement relating to such vessel.
14 While this vessel is currently not subject to a mortgage or encumbrance, it is expected that a mortgage will be created over such vessel in accordance with the relevant conditions for utilization of the facility agreement relating to such vessel.
15 While this vessel is currently not subject to a mortgage or encumbrance, it is expected that a mortgage will be created over such vessel in accordance with the relevant conditions for utilization of the facility agreement relating to such vessel.

Value

The total value of the Transportation and Cargo Service Agreement is SAR 230,000,000 (corresponding to approximately US$ 61,325,430) for the first three years and SAR 383,335,000 (corresponding to approximately US$ 102,222,667) for the next five years.

Term and termination

The agreement was effective from 13/10/1432H (corresponding to 11/09/2011G) and shall, following the renewal by the Ministry of Defence, remain valid until 12/1/1441H (corresponding to 11/09/2019G).

The MoD may terminate the agreement in the event that:

- it is found that the Company (directly/indirectly) offered a bribe to an official employed by the MoD;
- the Company delays commencement of work, slows down execution or fails to fulfil its obligations under the agreement and fails to remedy any such breach within 15 days;
- the Company assigns or sublets the agreement without obtaining prior written permission from the MoD; or
- the Company enters into insolvency proceedings.

Other key terms

The Company is responsible for the insurance of all equipment shipped under the Transportation and Cargo Service Agreement.

The Company may not assign the Transportation and Cargo Service Agreement without prior written consent from the MoD.

In the event of a delay, the MoD is entitled to deduct 1 per cent. of the transportation cost of the equipment being shipped on a weekly basis up until a maximum of 10 per cent. of the total value of the agreement.

12 - 2 - 5 - 2 *Summary of principal terms of FOB marine fuel sales agreement with Saudi Aramco (the "FOB Marine Fuel Sales Agreement")*

The Company and Saudi Aramco entered into the FOB Marine Fuel Sales Agreement dated 15/1/1432H (corresponding to 9/1/2011G), an agreement governing the terms under which Saudi Aramco sells marine fuel to the Company. The parties renewed the agreement by entering into an amendment agreement dated 5/2/1433H (corresponding to 31/12/2011G) (the "FOB Amendment Agreement"). The parties entered into an amended agreement dated 18/2/1434H (corresponding to 31/12/2012G).

Sale and purchase arrangement

Under the agreement (as amended) the Company purchases from Saudi Aramco and is delivered 240,000 metric tonnes of marine fuel per year. The price payable by the Company per metric ton is variable and is determined by a discount mechanism in the agreement (calculated by reference to Saudi Aramco's listed weekly price for marine fuel on any given delivery date).

Term and termination

The FOB Marine Fuel Sales Agreement was effective from 4/1/1432H (corresponding to 1/1/2011G) until 5/2/1433H (corresponding to 31/12/11G). Under the FOB Amendment Agreement, the FOB Marine Fuel Sales Agreement (as amended) was renewed for an initial period of twelve months until 17/2/1434H (corresponding to 31/12/2012G) which has been renewed and amended for a further period of twelve months until 28/2/1435H (corresponding to 31/12/2013G) after which the term of the FOB Marine Fuels

Sales Agreement (as amended by the FOB Amendment Agreement) would be automatically extended for a further twelve months. The agreement will continue to be automatically extended on a yearly basis unless terminated by the parties.

The parties may terminate the agreement without cause by sending a written notice to the other party at least thirty days prior to the expiry date of the agreement.

12 - 2 - 6 Related Party Agreements

12 - 2 - 6 - 1 Summary of principal terms of the ship management agreement between the Company and Mideast (the "Ship Management Agreement")

The Company and Mideast (a wholly owned subsidiary of the Company) entered into the Ship Management Agreement dated 4/1/1432H (corresponding to 1/1/2011G), an agreement governing the terms under which Mideast provides management services for the Company's ships. The Ship Management Agreement was amended by the parties on 4/12/1432H (corresponding to 1/11/2011G).

Services

Under the agreement, Mideast provides technical and crew management services for the Company. In consideration for such services, the Company pays technical services support charges of US$ 10,000 to Mideast per ship, per month.

Term and termination

The Ship Management Agreement was effective from 4/1/1432H (corresponding to 1/1/2011G) and will be valid until terminated by one of the parties. The parties may terminate the agreement without cause by sending a written notice to the other party at least two months prior to the proposed termination date.

12 - 2 - 6 - 2 Summary of principal terms of the ship management agreement between NCC and Mideast (the "NCC Ship Management Agreement")

NCC and Mideast entered into the NCC Ship Management Agreement dated 10/08/1428H (corresponding to 24/8/2007G), an agreement governing the terms under which Mideast provides management services for NCC's ships. The NCC Ship Management Agreement was amended by the parties on (i) 26/4/1432H (corresponding to 1/4/2011G) and (ii) 11/10/1432H (corresponding to 10/9/2011G).

Services

Under the agreement, Mideast provide technical and crew management services for NCC's ships. In consideration for such services, NCC pays management fees to Mideast on a monthly basis.

Term and termination

The NCC Ship Management Agreement was effective from 10/08/1428H (corresponding to 24/8/2007G) and will be valid until terminated by one of the parties. The parties may terminate the agreement without cause by sending a written notice to the other party at least three months prior to the proposed termination date.

The Company and the Board of Directors declare that so far as they are aware, as at the date of this Prospectus, there are no material Transaction Agreements or other relevant agreements or material information relating to the Transaction which has not been disclosed in this Section 12 and which could affect the Shareholders' decision to vote in favour of the Transaction and the related Capital Increase.

12 - 2 - 7 Intellectual Property

On 28/4/1433H (corresponding to 21/3/2012G), the Company registered its trademark under Category 39 in its name at the Directorate of Trademarks at MOCI. The trademark comprises, in blue and grey, the word "Al-Bahri" in Arabic lettering and the word "Bahri" in Roman lettering along with a geometric shape which is similar to the front of a vessel (the "**Geometric Shape**"). The word "Al-Bahri" is only protected under this trademark if used in conjunction with the Geometric Shape.

The Company does not own or licence any other intellectual property.

On 15/6/1428H (corresponding to 1/7/2007H), NCC registered its trademark under Category 39 in its name at the Directorate of Trademarks at MOCI. The trademark comprises a ship's fin containing the letters "NCC" written in Roman lettering.

12 - 2 - 8 Insurance

The Company has the benefit of various insurance policies in respect of the vessels that it owns and the personnel that it employs. A summary of the various insurance policies that the Company has obtained at the date of this Prospectus is set out in the table below:

Table 12-5: Summary of insurance policies obtained by the Company

Type of Policy/Cover	Insurer/Provider	Nature of Coverage	Limit of Liability
Protection and Indemnity ("P&I»)	Various P&I clubs within the "International Group of P&I Clubs» through which Bahri insures its vessels (the "P&I Clubs Group")	Third-party liabilities and associated expenses of ship owners/operators.	US$ 7bn per incident subject to the following sub-limits: oil pollution liability – US$ 1bn per incident crew liabilities – US$ 3bn per incident passengers – US$ 2bn
Freight, Demurrage and Defence ("FDD»)	P&I Clubs Group	The legal costs that a ship owner or charterer incurs in taking action to recover or to defend freight and demurrage related disputes incidents.	Minimum US$ 5 million per claim, Sub-limit of US$ 2 million in respect of negligent repair or alteration on 2 vessels
FDD/MOA risk for new buildings	P&I Clubs Group	Legal support for any disputes with ship builders relating to the building of new ships.	US$ 2 million per bulk carrier, US$ 250,000 per RoCon, US$ 1,000,000 per one tanker
Hull and Machinery Cover	Tawuniya (London Market Claims Lead, London and International markets reinsurance)	Covers vessels against any damage to their hull, their collision liabilities and all other marine perils.	Insured sums for each fleet is currently: RoRos: US$ 79,010,378 VLCCs: US$ 1,292,325,726; and Chemical tankers: US$ 739,065,036
Certificate of Financial Responsibility Cover	The Shipowners Insurance & Guaranty Company Limited	Financial guarantees to satisfy the requirements of the United States Oil Pollution Act 1990 and Comprehensive Environmental Response Compensation and Liability Act.	Limit per tanker is the greater of US$ 2,300 per gross ton or US$ 22,088,000, Limit per vessel for the other vessels is the greater of US$ 1,300 per gross ton or US$ 5,854,400,

Type of Policy/Cover	Insurer/Provider	Nature of Coverage	Limit of Liability
NVOCC/Freight forwarding entry	TT Club, London	Liabilities arising out of shipments made on non-Bahri vessels	US$ 2,000,000 (for any one accident with no limit on the number of accidents per policy year). Valuable cargoes sub-limited to US$ 100,000 in the annual aggregate Risks such as errors and omissions and fines and duty are covered on a combined basis up to a limit of US$ 50,000 in the annual aggregate.
Ship Handling Equipment	TT Club, London	Ship handling equipment such as forklifts, container handlers, tug masters and power boss deck sweeper. Equipment valued US$ 1,500,755 on schedule. Including liabilities arising out of use or operation of equipment.	General limit US$ 7.5 million for each accident all interests. Sub-limited to US$ 1,000,000 in the annual aggregate in respect of pollution, and US$ 50,000 each accident for valuable cargo. Sub-limit in respect of terrorism/liability is US$ 1,000,000 each accident.
Carrying Equipment	TT Club, London	Owned and Leased Containers and MAFIs. Equipment valued US$ 10,854,000 on schedule. Including liabilities arising out of use or operation of equipment.	General limit US$ 7,500,000 for each accident all interests. Sub-limited to US$ 1,000,000 in the annual aggregate in respect of pollution, and US$ 50,000 each accident for valuable cargo.
US Chassis Liability	TT Club, London	Legal liability in USA/Canada involving a chassis or trailer. 172 chassis/trailers declared in January 2013 which were insured on Total Loss Only basis.	US$ 30,000,000 for one accident or occurrence, but US$ 7,500,000 for all other claims including physical loss for chassis as declared. Sub-limited to US$ 1,000,000 in the annual aggregate in respect of pollution, and US$ 50,000 any one accident or occurrence for valuable cargo.
Mortgages Additional Insurance Perils/Mortgages Interest Insurance Cover	Arranged by lead banks under the Company's various facilities agreements	Outstanding loan amounts receivable to the relevant bank. Bahri pays the premium to the insurance provider in coordination with the lead bank.	As per the relevant facility agreement.

Type of Policy/Cover	Insurer/Provider	Nature of Coverage	Limit of Liability
Open policy for Ministry of Defence Shipments World-wide	Tawuniya	Land, air and sea shipments pertaining to Ministry of Defence world-wide maximum any one shipment. The insurance certificates are issued based on the fortnightly declarations sent by Bahri to Tawuniya.	SAR 187.5 million.
Non-marine insurance	Various providers	Non-marine assets such as electronic equipment and property.	Variable depending on the type of policy.
Director and employee Group life insurance (Takaful)		Worldwide cover for directors and employees working at the Company's offices in Riyadh, Jeddah, Dammam and Jubail.	24 month's salary up to a maximum of SAR 2 million.
Employee Health Insurance		Health insurance for the Company's entire staff and their dependents.	Maximum annual limit of SAR 250,000 per person.
Electronic Bank Transfer	SAICO	To cover negligence of use.	SAR 5,000,000 for each authorised employee.
Company Main Building	Tawuniya	Cover main office building against fire.	SAR 3,258,025.

Source: Company

The Company intends to arrange insurance coverage for the Target Assets and Transferring Employees, as, under the terms of the Transaction, the insurance policies relating to them will not be transferred from Vela to the Company.

12 - 2 - 9 Litigation

The Board of Directors confirms that the Company and the members of the Bahri Group are not a party to any dispute or proceedings (whether existing or threatened) which could have a material adverse effect on the Company's or the Bahri Group's financial position.

13. Waiver

The Company has been granted a waiver by the CMA from the requirement under Article 32(d) of the Listing Rules to include a management discussion and analysis section on the Target Assets (the "**MD&A on the Target Assets**").

The Company considers that including an MD&A on the Target Assets in this Prospectus would be misleading for the Shareholders as any information included in such a section would relate to the operation of the Target Assets whilst under the ownership and control of Vela and not the Company. As the operations of Vela and the Company are quite different, the previous performance of the Target Assets (during its ownership by Vela) is not a meaningful indicator of its expected performance under the control of the Company. Furthermore, the Company has not reviewed the financials of Vela (since the Transaction involves the merger of Vela's vessels with the Company's fleet and not Vela itself) and therefore the information available to the Company, on which the MD&A on the Target Assets could otherwise be based, is limited.

14. Documents available for Inspection

The following documents will be available for inspection at the Company's head office, Bahri Building #569, Sitteen Street, Malaz Area, P.O. Box 8931, Riyadh 11492, KSA between the hours of 9:00 am to 5:00 pm Sunday to Thursday (excluding public holidays in Saudi Arabia) from the date of this Prospectus until the Transaction EGM:

Constitutional/Corporate

- The By-Laws, together with amendments;
- Articles of Association;
- Commercial Registration Certificate of the Company;

Financial

- Consolidated Audited Financial Statements of the Bahri Group for the years ended 31 December 2011, 2012 and 2013;
- Consolidated Audited Financial Statements of the following subsidiaries of the Company:
  - Mideast for the financial years ended 31 December 2011, 2012 and 2013;
  - NCC for the financial years ended 31 December 2011, 2012 and 2013; and
  - Bahri Dry Bulk for the financial year ended 31 December 2013.

Third Party

- The market study, in relation to the shipping tanker industry, dated November 2012 prepared by McQuilling Services LLC (in the English language);
- Valuation Report prepared by JPMSA;

Letters of Consent

- Letters of consent from the following parties (in the English language):
  - Clifford Chance Law Firm to the inclusion their name and logo in this Prospectus;
  - Clifford Chance LLP to the inclusion their name and logo in this Prospectus;
  - PricewaterhouseCoopers including consent to the publication of their Report on the Financial Statements of the Company for the years ended 31 December 2011 and the inclusion of their name and logo in the Prospectus;
  - BDO Dr. Mohamed Al-Amri & Co. to the publication of their Report on the Financial Statements for the year ended 31 December 2012 and the inclusion of their name and logo in this Prospectus;
  - Ernst & Young, Riyadh to the publication of their Report on the Financial Statements for the year ended 31 December 2013 and the inclusion of their name and logo in this Prospectus;
  - J.P. Morgan Saudi Arabia Limited to the inclusion of their name and logo in this Prospectus;
  - Mcquilling Services LLC to the publication of extracts from their market study on the shipping tanker industry dated November 2012 and the inclusion of their name and logo in this Prospectus; and
  - KPMG Al Fozan & Al Sadhan to the inclusion of their name and logo in this Prospectus.

15. Financial Statements

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended December 31, 2011
Together with the Auditors' report

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended December 31, 2011
Together with the Auditors' report

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITORS' REPORT

February 22, 2012

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

Scope of audit

We have audited the accompanying consolidated balance sheet of The National Shipping Company of Saudi Arabia, a Saudi Joint Stock Company, (the "Company") and subsidiaries (the "Group") as of December 31, 2011 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the accompanying notes which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

In our opinion, such consolidated financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By: ____________________
Khalid A. Mahdhar
License Number 368

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Balance Sheet
As of December 31, 2011
(In Thousands Saudi Riyals)

ASSETS	Notes	2011	2010
Current assets:			
Cash in hand and at banks	3	**144,798**	**108,713**
Investments in Murabaha and short-term deposits	3/4	**274,469**	**1,014,559**
Trade receivables and other debit balances, net	5	**288,496**	**175,243**
Prepaid expenses		**40,457**	**40,099**
Bareboat lease receivable, net	6	**7,538**	**6,615**
Agents' current accounts		**21,278**	**15,147**
Inventories	7	**145,049**	**133,366**
Investments held for trading		**20,312**	**18,827**
Accrued bunker subsidy, net	8	**87,779**	**65,895**
Incomplete voyages		**12,104**	**---**
Total current assets		**1,042,280**	**1,578,464**
Non-current assets:			
Investment in government bonds		**587**	**604**
Bareboat lease receivable, net	6	**404,822**	**412,359**
Investments held to maturity (Sukuk)		**30,000**	**30,000**
Investments available for sale		**26,903**	**29,577**
Investments in affiliates and other	9	**561,432**	**455,796**
Deferred dry-docking cost, net	10	**67,203**	**40,383**
Fixed assets, net	11	**7,252,854**	**6,407,630**
Ships under construction and other	12	**1,237,130**	**1,011,466**
Total non-current assets		**9,580,931**	**8,387,815**
Total assets		**10,623,211**	**9,966,279**
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and other credit balances	13	**288,907**	**254,357**
Current portion of Murabaha financing and long-term finance	14	**456,045**	**324,648**
Short term finance		**64,000**	**-**
Unclaimed dividends	15	**30,720**	**26,896**
Provision for zakat and tax	16	**104,576**	**129,429**
Incomplete voyages		**-**	**700**
Total current liabilities		**944,248**	**736,030**
Non-current liabilities:			
Murabaha financing and long-term finance	14	**4,294,968**	**3,818,540**
Obligation from fluctuations in swap fair market value for finance commission rates	17	**-**	**1,734**
Employees' end of service benefits provision		**28,058**	**31,592**
Total non-current liabilities		**4,323,026**	**3,851,866**
Total liabilities		**5,267,274**	**4,587,896**
Equity:			
Shareholders' equity			
Paid-up share capital		**3,150,000**	**3,150,000**
Statutory reserve	18	**872,435**	**843,658**
Retained earnings		**1,039,654**	**1,095,663**
Hedging reserve for finance commission	17	**-**	**(1,734)**
Unrealized gain from available for sale investments		**534**	**2,104**
Total shareholders' equity		**5,062,623**	**5,089,691**
Minority interest		**293,314**	**288,692**
Total equity		**5,355,937**	**5,378,383**
Total liabilities and equity		**10,623,211**	**9,966,279**

The accompanying notes from (1) to (26) form an integral part of these consolidated financial statements

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Income Statement
For the year ended December 31, 2011
(In Thousands Saudi Riyals)

	Notes	2011	2010
Operating revenues	19	**1,991,084**	**2,049,830**
Bunker cost	19	**(801,163)**	**(625,692)**
Other operating expenses	19	**(1,027,214)**	**(976,253)**
Gross operating income before bunker subsidy		**162,707**	**447,885**
Bunker subsidy		**176,465**	**109,498**
Gross operating income		**339,172**	**557,383**
General and administrative expenses	21	**(109,660)**	**(103,801)**
Operating income		**229,512**	**453,582**
Company's share in affiliates' net income	9	**139,723**	**40,788**
Financing charges	14	**(51,901)**	**(50,179)**
Other income (expense), net	22	**20,553**	**25,625**
Profit before zakat, tax and minority interest		**337,887**	**469,816**
Zakat provision	16	**(21,594)**	**(35,104)**
Tax provision, net	16	**(3,903)**	**(1,261)**
Profit before minority interest		**312,390**	**433,451**
Minority interest in consolidated subsidiaries' net profit		**(24,622)**	**(18,573)**
Net profit for the year		**287,768**	**414,878**
Earnings per share from operating income (SR)	15	**0.73**	**1.44**
Earnings per share from net profit (SR)	15	**0.91**	**1.32**

The accompanying notes from (1) to (26) form an integral part of these consolidated financial statements

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flows
For the year ended December 31, 2011
(In Thousands of Saudi Riyals)

	Note	2011	2010
Cash flows from operating activities:			
Net profit for the year		**287,768**	**414,878**
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation	11	**352,308**	**327,151**
Amortization of deferred charges	10	**28,264**	**33,545**
Unrealized gain on investments held for trading		**(1,485)**	**(2,510)**
Company's share in affiliates' net income	9	**(139,723)**	**(40,788)**
Gains from sale of fixed assets	22	**(99)**	**(152)**
Net recovery against cancelled ship construction contracts	12	**---**	**(15,122)**
Minority interest in consolidated subsidiaries' net profit		**24,622**	**18,573**
Provision for zakat	16	**21,594**	**35,104**
Provision for tax, net	16	**3,903**	**1,261**
Employees' end of service benefits provision, net		**(3,534)**	**148**
Changes in operating assets and liabilities:			
Trade receivables and other debit balances, net		**(113,253)**	**28,718**
Prepaid expenses		**(358)**	**3,895**
Bareboat lease receivable		**6,614**	**5,925**
Agents' current accounts		**(6,131)**	**(521)**
Inventories		**(11,683)**	**(16,565)**
Accrued bunker subsidy, net		**(21,884)**	**(34,643)**
Accounts payable and other credit balances		**34,550**	**40,937**
Zakat and tax paid	16	**(51,272)**	**(26,986)**
Tax refund related to a subsidiary	16	**922**	**1,411**
Incomplete voyages		**(12,804)**	**7,313**
Net cash provided by operating activities		**398,319**	**781,572**
Cash flows from investing activities:			
Investments in Murabaha and short-term deposits		**3,476**	**(13,884)**
Investment in government bonds		**17**	**-**
Investment available for sale		**1,104**	**659**
Dividends received from affiliate	9	**34,087**	**3,511**
Additions of fixed assets	11	**(390,957)**	**(4,555)**
Proceeds from cancelled ship construction contracts	12	**---**	**701,654**
Proceeds from sale of fixed assets		**296**	**692**
Ships under construction and other, net	12	**(1,025,775)**	**(266,300)**
Deferred dry-docking costs	10	**(61,745)**	**(22,540)**
Net cash provided by (used in) investing activities		**(1,439,497)**	**399,237**
Cash flows from financing activities:			
Short-term Murabaha finance		**64,000**	**-**
Murabaha financing and long-term loans		**934,565**	**140,000**
Repayments against Murabaha financing and long-term loans		**(326,740)**	**(759,785)**
Dividends paid		**(311,176)**	**(317,293)**
Change in minority interest		**(20,000)**	**80,000**
Net cash provided by (used in) financing activities		**340,649**	**(857,078)**
Net change in cash and cash equivalents during the year		**(700,529)**	**323,731**
Cash and cash equivalents at beginning of the year		**1,085,349**	**761,618**
Cash and cash equivalents at end of the year	3	**384,820**	**1,085,349**
Non-cash items:			
Ships under construction transferred to fixed assets	11/12	**800,111**	**-**
Deferred charges transferred to fixed assets	10	**6,661**	**-**
Unrealized loss (gain) from available for sale investments		**1,570**	**(497)**

The accompanying notes from (1) to (26) form an integral part of these consolidated financial statements

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Statement of Changes in Shareholders' Equity
For the year ended December 31, 2011
(In Thousands Saudi Riyals)

	Paid-up capital	Statutory reserve	Retained earnings	Hedging reserve	Unrealized gain from available for sale investments	Total
Balance at December 31, 2009	**3,150,000**	**802,170**	**1,037,273**	**(3,530)**	**1,607**	**4,987,520**
Net profit for the year	---	---	414,878	---	---	**414,878**
Statutory reserve	---	41,488	(41,488)	---	---	**---**
Hedging reserve for finance commission	---	---	---	1,796	---	**1,796**
Dividends	---	---	(315,000)	---	---	**(315,000)**
Unrealized gain from available for sale investments	---	---	---	---	497	**497**
Balance at December 31, 2010	**3,150,000**	**843,658**	**1,095,663**	**(1,734)**	**2,104**	**5,089,691**
Net profit for the year	---	---	287,768	---	---	**287,768**
Statutory reserve	---	28,777	(28,777)	---	---	**---**
Hedging reserve for finance commission	---	---	---	1,734	---	**1,734**
Dividends	---	---	(315,000)	---	---	**(315,000)**
Unrealized loss from available for sale investments	---	---	---	---	(1,570)	**(1,570)**
Balance at December 31, 2011	**3,150,000**	**872,435**	**1,039,654**	**---**	**534**	**5,062,623**

The accompanying notes from (1) to (26) form an integral part of these consolidated financial statements

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 general cargo (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 December 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), two to Hanjin Company (A Korean Company) and fourteen 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 nineteen 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 as stated in Note 6, nine 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 transporting petrochemicals, 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 were made by the shareholders as of March 31, 2011. The new subsidiary is expected to commence its commercial operations in the second half of 2012.

The accompanying 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:

(In Thousands Saudi Riyals)

Name	Activity	Location	Date of incorporation	Ownership % 2011	Ownership % 2010
Consolidated Subsidiaries:					
National Shipping Company of Saudi Arabia (America) Inc.	Company's ships agent	USA	1991	**100 %**	100 %
Mideast Ship Management Ltd. (Bermuda) *	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%**	60 %
Mideast Ship Management Ltd. (JLT) *	Ship management	Dubai	2011	**100%**	-
Affiliates:					
Petredec Ltd.	Liquefied petroleum gas transportation	Bermuda	1980	**30.3 %**	30.3 %
Arabian United Float Glass Co.	Glass manufacturing & trading	Riyadh	2006	**10%**	10%

* For organizational and restructuring purposes, the Company established a new wholly owned subsidiary, Mideast Ship Management Ltd. (JLT), which was registered in Dubai Multi Commodities Centre (DMCC) Free Zone in the United Arab Emirates on October 31, 2010 with a share capital of Emirati Dirhams 300,000. The purpose of this new arrangement is to transfer the operations of Mideast Ship Management Ltd (Bermuda) to the new company. The above two subsidiaries signed a business transfer agreement on June 7, 2011 by which all the assets and liabilities of Mideast Ship Management Ltd (Bermuda) were to be transferred to Mideast Ship Management Ltd. (JLT) at the book value as of March 31, 2011. The legal formalities to transfer the title deed of the transferred assets were completed during the second half of 2011 and Mideast Ship Management Ltd (Bermuda) license was cancelled on December 12, 2011.

The above transaction and arrangement does not have any effect on the consolidated financial statements of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

a) *Accounting convention*

The accompanying 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.

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.

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 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) 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 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 operational 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 is 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 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 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.

● 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 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 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 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 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 consolidated income statement in the period that ends at the beginning of the new dry-docking operation.

(In Thousands Saudi Riyals)

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	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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

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 consolidated 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 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 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 consolidated income statement.

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 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 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 taxes

Provision for zakat is computed in accordance with the regulations of Department of Zakat and Income Tax (DZIT) and charged to the 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 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 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 year. Dividends proposed after year 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 year.

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 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 consolidated income statement.

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 December 31, 2011 represent cash in hand and at banks, Murabaha and short-term deposits, out of which SR 0.03 million (2010: SR 0.03 million) is subject to bank restrictions for letters of guarantee issued for the Jeddah Islamic Port.

It also includes SR 33.3 million as of December 31, 2011 (2010: SR 36.77 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 0.57 million as of December 31, 2011 which represents restricted bank balances (2010: SR 0.61 million) related to Mideast Ship Management Ltd., and SR 0.54 million which represents restricted bank balances (2010: SR 0.54 million) related to National Shipping Company of Saudi Arabia (America) Inc.

(In Thousands Saudi Riyals)

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

	2011	2010
Cash in hand and at banks	144,798	108,713
Amounts restricted by banks	(16,563)	(18,226)
	128,235	90,487
Investment in Murabaha and short-term deposits	274,469	1,014,559
Amounts restricted by banks	(17,884)	(19,697)
	256,585	994,862
	384,820	1,085,349

4. INVESTMENTS IN MURABAHA AND SHORT-TERM DEPOSITS

Investments in Murabaha and short-term deposits at December 31 comprise the following:

	2011	2010
Investments in Murabaha and short-term deposits in Saudi riyals	200,031	559,163
Investments in Murabaha and short-term deposits in USD	34,691	376,254
Investments in Murabaha and short-term deposits in AED	39,747	75,365
Investments in Murabaha and short-term deposits in EURO	-	3,777
	274,469	1,014,559

5. TRADE RECEIVABLES AND OTHER CURRENT DEBIT BALANCES, NET

Trade receivables and other current debit balances, net at December 31 comprise the following:

	2011	2010
Trade receivables	243,185	134,386
Insurance claims	35,053	41,821
Employee receivables	10,469	11,137
Other debit balances	12,375	7,317
	301,082	194,661
Provision for doubtful debts	(12,586)	(19,418)
	288,496	175,243

Movement in provision for doubtful debts is as follows:

	2011	2010
Balance at beginning of the year	19,418	18,237
Additions	5,290	2,397
Write-offs	(12,122)	(1,216)
Balance at end of the year	12,586	19,418

6. 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 December 31 is summarized as follows:

(In Thousands Saudi Riyals)

Description	2011	2010
Future minimum lease payments	467,005	522,439
Un-guaranteed residual value at the end of lease term	247,875	247,875
Total	714,880	770,314
Unearned income	(302,520)	(351,340)
Net bareboat lease receivable balance	412,360	418,974

The above amount is classified at December 31 as under:

Description	2011	2010
Current	7,538	6,615
Non-current	404,822	412,359
Net bareboat lease receivable balance	412,360	418,974

The future minimum lease payments and unguaranteed residual value at the end of lease term to be received during the next five years and thereafter is as follows:

	2011	2010
Due within 12 months	55,586	55,435
Due within 1-2 years	57,313	55,586
Due within 2-3 years	61,245	57,313
Due within 3-4 years	65,351	61,245
Due within 4-5 years	69,649	65,351
Thereafter	405,736	475,384
	714,880	770,314

Income related to the above arrangement for the year ended December 31, 2011 amounted to SR 48.82 million (2010: SR 49.51 million) and is included in the operating revenues in the accompanying consolidated income statement.

7. INVENTORIES

Inventories on board the ships at December 31 comprise the following:

	2011	2010
Fuel	122,835	109,880
Lubricants	22,214	21,502
Other	-	1,984
	145,049	133,366

8. ACCRUED BUNKER SUBSIDY, NET

Accrued bunker subsidy, net at December 31 comprise the following:

	2011	2010
Accrued bunker subsidy	130,374	90,753
Provision for doubtful bunker subsidy	(42,595)	(24,858)
	87,779	65,895

(In Thousands Saudi Riyals)

9. INVESTMENTS IN AFFILIATES AND OTHER

Summary of the movement in investments in affiliates and other for the year ended December 31 is as follows:

	2011	2010
Balance, beginning of the year	455,796	418,519
Company's share in affiliate's net income	135,384	36,932
Company's share in net income of a joint venture	4,339	3,856
Dividends received during the year	(34,087)	(3,511)
Balance, end of the year	561,432	455,796

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 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 135.38 million up to October 31, 2011 (October 31, 2010: SR 36.93 million), which include SR 46.69 million representing unrealized gain on open commodity swap contracts (October 31, 2010: unrealized loss of SR 2.09 million).

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 December 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.

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.

NCC share in the net income of the Joint Venture amounted to SR 4.34 million (2010: SR 3.86 million) which was included in the consolidated income statement.

(In Thousands Saudi Riyals)

10. DEFERRED DRY-DOCKING COSTS, NET

Deferred dry-docking costs, net at December 31 comprise the following:

	2011	2010
Total dry-docking costs	260,149	205,065
Accumulated amortization expense	(192,946)	(164,682)
	67,203	40,383

Movement in the dry-docking costs is as follows:

	2011	2010
Balance, beginning of the year	40,383	51,388
Additional dry-docking costs	61,745	22,540
Transfer to fixed assets	(6,661)	-
Amortization expense	(28,264)	(33,545)
Balance, end of the year	67,203	40,383

(In Thousands Saudi Riyals)

11. FIXED ASSETS, NET

Movement in fixed assets during the year 2011 was as follows:

	Cost				Accumulated Depreciation				Net Book Value		
Particulars	**Balance at 01.01.2011**	**Additions /transfers during the year**	**Disposals**	**Balance at 31.12.2011**	**Balance at 01.01.2011**	**Charged for the year**	**Disposals**	**Balance at 31.12.2011**	**31.12.2011**	**31.12.2010**	**Depreciation Rate %**
Land	**13,593**	---	---	**13,593**	--	--	--	**--**	13,593	13,593	--
Buildings and improvements	**4,950**	351	---	**5,301**	**(3,500)**	(1,913)	186	**(5,227)**	74	1,450	5 - 33.3%
Fleet and equipment *	**9,152,204**	1,181,090	(311)	**10,332,983**	**(2,766,357)**	(344,479)	--	**(3,110,835)**	7,222,148	6,385,847	4 - 15%
Containers and trailers	**54,992**	---	(101)	**54,891**	**(53,217)**	(1,642)	101	**(54,758)**	133	1,775	8.33 - 20%
Furniture and fixtures	**5,521**	1,585	(824)	**6,282**	**(4,886)**	(412)	817	**(4,481)**	1,801	635	10%
Tools and office equipment	**4,431**	37	(45)	**4,423**	**(3,916)**	(125)	56	**(3,985)**	438	515	2.5 - 25%
Motor vehicles	**1,597**	---	(38)	**1,559**	**(1,210)**	(145)	38	**(1,317)**	242	387	20 - 25%
Computers equipment	**41,517**	13,878	(3,495)	**51,900**	**(40,280)**	(3,443)	3,460	**(40,263)**	11,637	1,237	15 - 25%
Container yard	**11,597**	780	---	**12,377**	**(10,503)**	(132)	--	**(10,636)**	1,741	1,094	10 - 25%
Others	**1,536**	8	(41)	**1,503**	**(439)**	(17)	--	**(456)**	1,047	1,097	7 - 15%
Total	**9,291,938**	**1,197,729**	**(4,855)**	**10,484,812**	**(2,884,308)**	**(352,308)**	**4,658**	**(3,231,958)**	**7,252,854**	**6,407,630**	

* Fleet and equipment above includes VLCCs and petrochemical carriers financed by banks and mortgaged in favor of lending banks as mentioned in Note 14. Also, deferred dry-docking costs amounting to SR 6.66 million were transferred to fixed assets (see Note 10).

(In Thousands Saudi Riyals)

12. SHIPS UNDER CONSTRUCTION AND OTHERS

At December 31, 2011, the balance of ships and other assets under construction represents costs incurred by the Company and NCC (a subsidiary) under signed contracts for constructing new RoRo vessels and chemical tankers, and also includes SR 5.4 million (2010: SR 12.53 million) incurred for the Company's building and software development costs.

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). Further, on September 12, 2011, the Company exercised its option to buy additional two RoRo vessels under the above agreement with the same agreed specifications and price for a total cost of SR 0.51 billion (USD 137.1 million). This brought the total number of RoRo vessels under construction to six vessels with a total cost of SR 1.54 billion (USD 411.3 million).

The Company paid an amount of SR 308.48 million (USD 82.26 million) during 2011 which represents the first installment on these contracts. The Company expects to receive four of these six vessels in December 2013. The remaining two vessels will be received in 2014.

The Subsidiary ("NCC")

NCC signed a contract in 2006 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 carriers were scheduled to be delivered during 2011 through 2012.

During 2010, NCC in mutual agreement with SLS decided to cancel seven ships building contracts since SLS was not able to build the carriers and deliver them within the period specified in the agreements. As of December 31, 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 year ended December 31, 2010 (see Note 22).

SLS completed the construction of four of the nine remaining petrochemical carriers, after the cancellation of the contracts as stated above, and it was added to the Joint Venture's fleet in June 2011, August 2011, September 2011 and October 2011 for a total cost of Saudi Riyals 748.7 million. The remaining five carriers under construction are expected to be delivered in 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 also signed contracts with SLS on December 21, 2010 to purchase two chemical carriers for a total price of SR 322.5 million (USD 86 million). These two carriers were received and were added to the Joint Venture's Fleet on March 16, 2011 and April 15, 2011, respectively. These additions were reflected directly as part of additions to fixed assets.

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

	2011	**2010**
Balance, beginning of the year	**1,011,466**	**1,431,698**
Additions	**1,025,775**	**266,300**
Transfers to fixed assets	**(800,111)**	**-**
Recovery of costs on cancelled ships under construction contracts	**-**	**(686,532)**
Balance, end of the year	**1,237,130**	**1,011,466**

(In Thousands Saudi Riyals)

Capital commitments

The Company's capital commitments for constructing RoRo vessels amounted to SR 1.23 billion as of December 31, 2011 (2010: Nil). The Subsidiary's capital commitments for constructing chemical tankers amounted to SR 0.34 billion as of December 31, 2011 (2010: SR 1.05 billion).

13. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

Accounts payable and other credit balances at December 31 comprise the following:

	2011	2010
Trade payables	9,155	14,868
Accrued operating expenses	226,025	173,254
Accrued insurance expenses	19,921	18,104
Accrued finance charges	11,501	11,621
Value of shares sold belonging to old shareholders	22,305	22,446
Other credit balances	-	14,064
	288,907	254,357

14. MURABAHA FINANCING AND LONG TERM FINANCE

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 the Company's office in Dubai. The balance of these financing as at December 31 comprises the following:

	2011	2010
Finance to the Company	2,249,959	2,313,763
Finance to the subsidiaries	2,501,054	1,829,425
Total Murabaha and long-term finance	4,751,013	4,143,188
Current portion of Murabaha and long-term finance	(456,045)	(324,648)
Non-current portion of Murabaha and long-term finance	4,294,968	3,818,540

Break down of Murabaha and long-term finances is listed below at December 31:

			2011			
Financing:	Parent Co.	%	Subsidiaries	%	Total	%
Murabaha Finance	980,124	44%	2,119,773	85%	3,099,897	65%
Commercial Finances	121,585	5%	-	-	121,585	3%
Public Investment Fund "Murabaha Finance"	1,050,000	47%	-	-	1,050,000	22%
Public Investment Fund finance "conventional"	98,250	4%	381,281	15%	479,531	10%
TOTAL	2,249,959	100%	2,501,054	100%	4,751,013	100%

(In Thousands Saudi Riyals)

2010						
Financing:	Parent Co.	%	Subsidiaries	%	Total	%
Murabaha Finance	907,016	39%	1,411,831	77%	2,318,847	56%
Commercial Finances	220,997	10%	---	---	220,997	5%
Public Investment Fund "Murabaha Finance"	1,050,000	45%	---	---	1,050,000	26%
Public Investment Fund finance "conventional"	135,750	6%	417,594	23%	553,344	13%
TOTAL	2,313,763	100%	1,829,425	100%	4,143,188	100%

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

The aggregate maturities of the outstanding financing under the Murabaha financing and loan agreements at December 31, 2011, are as follows:

2012	**456,045**
2013	**491,521**
2014	**531,922**
2015	**503,885**
2016	**521,983**
Thereafter	**2,245,657**
	4,751,013

The Murabaha financing and long-term loans agreements contain covenants related to liquidity, indebtedness and other conditions. Moreover, the financed carriers and vessels are mortgaged in favor of the lending banks.

The total finance facilities of the Company and its subsidiaries amounted to SR 4.75 billion out of which SR 0.35 billion remained unutilized at December 31, 2011 relating to NCC.

Finances granted to the subsidiaries are for the purpose of refinancing of certain loans, construction of new carriers and the Company's office in Dubai.

Total financing charges on Murabaha financing and long-term loans amounted to SR 61.7 million for the year 2011 (2010: SR 62.54 million), out of which SR 26.68 million related to the subsidiary (NCC) loans (2010: SR 24.31 million) and SR 1.1 million related to the subsidiary, Mideast Ship Management Ltd., finance (2010: SR 1.2 million). Financing charges related to financing of VLCCs, petrochemical carriers and new office for a sum of SR 9.71 million (2010: SR 12.36 million) were capitalized (see Note 12).

15. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share was calculated based on the number of shares outstanding during the years ended December 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 SR 1.0 per share for 2010 and the distribution was completed on April 13, 2011. The balance of unclaimed dividends as of December 31, 2011 amounted to SR 30.72 million (2010: SR 26.9 million).

NCC's shareholders approved dividends of SR 100 million for 2010 which was distributed during the second quarter of 2011. The Company's share of these dividends amounted SR 80 million and the minority shareholders' share amounted to SR 20 million.

The earning per share from non-operating income is SR 0.18 for 2011 (2010: SR (0.12)).

(In Thousands Saudi Riyals)

16. ZAKAT AND INCOME TAX

The significant components of the zakat base of the Company under zakat and income tax regulations are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less deductions for the net book value of fixed assets, investments and certain other items.

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 2010 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 December 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 2010 and the withholding tax returns up to November 2011 and paid the zakat and withholding taxes 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 with the DZIT for a final settlement of the above assessments in the amount of SR 53 million for the above-mentioned assessment years. NCC paid SR 26 million of this due amount during 2011 and has requested the DZIT for payment of the remaining amount on installment basis. NCC believes that it maintains adequate provision for zakat and withholding taxes as at December 31, 2011.

Zakat returns are prepared separately for the Company and NCC.

Provision for zakat and tax

Following is the movement in provision for zakat and tax during the year ended December 31:

	2011	2010
Balance, beginning of the year	**129,429**	**118,639**
Amounts paid during the year	**(51,272)**	**(26,986)**
Income tax refund related to a subsidiary	**922**	**1,411**
Provisions for the year:		
- Zakat	**21,594**	**35,104**
- Tax:		
- Withholding tax	**3,904**	**2,137**
- Income tax (benefit) related to a subsidiary	**(1)**	**(876)**
Balance, end of the year	**104,576**	**129,429**

17. 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.

(In Thousands Saudi Riyals)

18. 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.

19. SEGMENT INFORMATION

A) The following schedule illustrates the distribution of the Company's and subsidiaries' activities according to the operational segments as of December 31:

	2011				
	Crude Oil Transportation	**Petrochemical Transportation**	**General Cargo Transportation (Liner)**	**Bulk Transportation**	**Total**
Operating revenues	**1,227,423**	**362,539**	**401,122**	**-**	**1,991,084**
Bunker cost	**661,509**	**-**	**139,654**	**-**	**801,163**
Other operating expenses					
Vessel related expenses	209,329	116,698	47,039	-	373,066
Cargo related expenses	-	-	137,954	-	137,954
Voyage related expenses	74,231	-	57,798	-	132,029
Depreciation and amortization	267,760	92,818	13,581	-	374,159
Others	8,737	1,269	-	-	10,006
Total other operating expenses	**560,057**	**210,785**	**256,372**	**-**	**1,027,214**
Total operating expenses	**1,221,566**	**210,785**	**396,026**	**-**	**1,828,377**
Gross operating income before bunker subsidy	**5,857**	**151,754**	**5,096**	**-**	**162,707**
Bunker subsidy	**137,449**	**-**	**39,016**	**-**	**176,465**
Gross operating income	**143,306**	**151,754**	**44,112**	**-**	**339,172**

(In Thousands Saudi Riyals)

	2010				
	Crude Oil Transportation	**Petrochemical Transportation**	**General Cargo Transportation (Liner)**	**Bulk Transportation**	**Total**
Operating revenues	**1,445,532**	**266,744**	**337,554**	**-**	**2,049,830**
Bunker cost	**513,193**	**-**	**112,499**	**-**	**625,692**
Other operating expenses					
Vessel related expenses	212,933	86,692	49,903	-	349,528
Cargo related expenses	-	-	134,995	-	134,995
Voyage related expenses	67,912	-	57,173	-	125,085
Depreciation and amortization	266,679	65,036	23,099	-	354,814
Others	9,704	2,127	-	-	11,831
Total other operating expenses	**557,228**	**153,855**	**265,170**	**-**	**976,253**
Total operating expenses	**1,070,421**	**153,855**	**377,669**	**-**	**1,601,945**
Gross operating income (loss) before bunker subsidy	**375,111**	**112,889**	**(40,115)**	**-**	**447,885**
Bunker subsidy	**79,510**	**-**	**29,988**	**-**	**109,498**
Gross operating income (loss)	**454,621**	**112,889**	**(10,127)**	**-**	**557,383**

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

	2011					
	Crude Oil Transportation	**Petrochemical Transportation**	**General Cargo Transportation (Liner)**	**Bulk Transportation**	**Shared Assets and Liabilities ***	**Total**
Assets	**5,415,286**	**3,647,375**	**542,316**	**199,124**	**819,110**	**10,623,211**
Liabilities	**2,337,777**	**2,568,479**	**213,692**	**5,288**	**142,038**	**5,267,274**

	2010					
	Crude Oil Transportation	**Petrochemical Transportation**	**General Cargo Transportation (Liner)**	**Bulk Transportation**	**Shared Assets and Liabilities ***	**Total**
Assets	**5,519,163**	**2,961,285**	**207,488**	**200,000**	**1,078,343**	**9,966,279**
Liabilities	**2,460,319**	**1,917,823**	**61,724**	**-**	**148,030**	**4,587,896**

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

(In Thousands Saudi Riyals)

20. RELATED PARTY MATTERS

During the year, the Company transacted with the following related parties. The terms of those transactions are similar to ordinary transactions.

Name	Relationship
International Shipping and Transportation Co. Ltd. (ISTC)	Affiliate
NCC Odfjell Chemical Tankers JLT	Affiliate

20.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarized below:

	2011	2010
Operating revenue	281,554	185,068
Pool technical expenses incurred	2,175	1,080
Insurance expenses incurred	161	135

20.2 Related party balances

Significant year end balances arising from transactions with related parties are as follows:

(i) Receivable from related parties

	2011	2010
ISTC	15,935	16,291
NCC Odfjell Chemical Tankers JLT	35,119	5,946
	51,054	22,237

(ii) Payable to related parties

	2011	2010
ISTC	5,200	1,886
NCC Odfjell Chemical Tankers JLT	-	3,207
	5,200	5,093

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprise the following:

	2011	2010
Employees' costs	86,845	80,180
Other general and administrative expenses	12,669	17,604
Depreciation	5,774	1,884
Boards of Directors expenses for the Company and its subsidiaries	4,372	4,133
	109,660	103,801

(In Thousands Saudi Riyals)

22. OTHER INCOME (EXPENSE), NET

Other income (expense), net for the year ended December 31 comprises the following:

	2011	2010
Income from Murabaha and short-term deposits	4,336	5,784
Income (losses) from investments, net	2,035	3,267
Bank commissions	(152)	(173)
Gains on sale of fixed assets	99	152
Recovery on cancelled ships construction contracts (Note 12)	-	15,122
Foreign currency exchange differences	(1,469)	(181)
Excess recovery against insurance claim	7,535	-
Recovery against law suit	6,183	-
Other	1,986	1,654
	20,553	25,625

23. CONSOLIDATION OF SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and its subsidiaries, after eliminating all intercompany balances. Following is a summary of the financial position and results of operations of these subsidiaries as of and for the year ended December 31:

	2011			
	Total assets	Total liabilities	Gross operating income	Net (loss) profit
National Chemical Carriers Ltd. Co.	3,647,375	(2,568,479)	151,754	135,435
Mideast Ship Management Ltd.	59,904	(58,120)	40,665	1,608
NSCSA (America) Inc.	10,972	(3,490)	16,864	238
Al-Bahri Company for Bulk Transportation	199,124	(5,288)	-	(6,164)

	2010			
	Total assets	Total liabilities	Gross operating income	Net (loss) profit
National Chemical Carriers Ltd. Co.	2,961,285	(1,917,823)	112,889	92,868
Mideast Ship Management Ltd.	56,615	(40,298)	34,658	268
NSCSA (America) Inc.	12,969	(5,725)	16,955	(1,556)
Al-Bahri Company for Bulk Transportation	200,000	-	-	-

24. COMMITMENTS AND CONTINGENCIES

The Company has outstanding letters of guarantee of SR 89.6 million at December 31, 2011 issued in the Company's normal course of business.

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 (12) in relation to future capital commitments to build RoRo vessels, chemical tankers and office building in Dubai.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities, including subsidiaries, expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow commission rate exposure and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial instruments carried on the balance sheet principally include cash and cash equivalents, investments, receivables, borrowings, derivative financial instruments, payables and certain accrued expenses.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Risk management is carried out by senior management. The most important types of risk are summarized below.

Credit risk

Credit risk is the risk that counterparties do not meet their obligations, so the other party incurs a financial loss. At the balance sheet date, approximately 21 % of trade receivable balances are due from related parties. The Company and its subsidiaries maintains its cash with high credit rated banks. Receivables are carried net of provision for doubtful debts.

Commission rate exposure

This relates to the Company's and subsidiaries' exposure to the risk of fluctuations in commission rates in the market and the potential impact on the consolidated financial position of the Company and its cash flows. The Company's and subsidiaries' commission rate risk arises mainly from its short-term deposits and borrowings. The Company where appropriate uses commission rate swaps to fix the commission rates and uses commission rate caps to hedge the risk of increase in commission rate for its long-term finance. The Company monitors the commission rate changes and believes that expected commission rate change on the Company is not significant.

Currency risk

This relates to the risk of change in the value of financial instruments due to change in foreign currency rates. The Company's and subsidiaries' transactions are mainly in Saudi riyals, UAE Dirhams and US dollars. Management monitors the currency rate changes and acts accordingly.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.

Liquidity risk

This represents risks that the Company, including subsidiaries, will be unable to meet its funding requirements related to financial instruments. The liquidity risk arises if the entity cannot sell its financial assets quickly at an amount close to its fair value. Liquidity risk is managed by systematic monitoring to ensure availability of funds to meet any future liabilities as they become due.

Fair value

Fair value is the amount used to exchange assets or to settle liabilities between knowledgeable willing parties on an arms-length basis. As the consolidated financial statements of the Company are compiled based on historical cost convention, except for the investments in financial instruments and derivative financial instruments at fair value, differences might occur between book value and estimates of fair values. The management believes that the fair value of financial assets and liabilities does not materially differ from its book value.

26. RECLASSIFICATION

Certain amounts previously reported in 2010 consolidated financial statements have been reclassified to conform to current year presentation.

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Bahri البحري

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 AND INDEPENDENT AUDITOR'S REPORT

Bahri البحري

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended December 31, 2012
Together with the Auditor's report

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BDO Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

To: THE SHAREHOLDERS OF
Bahri (The National Shipping Company of Saudi Arabia)
Riyadh, Saudi Arabia

Scope of Audit:
We have audited the accompanying consolidated balance sheet of **Bahri (The National Shipping Company of Saudi Arabia)** (A Saudi Joint Stock Company) ("the Company") as of December 31, 2012 and the related consolidated statements of income, cash flows and changes in owners' equity for the year then ended, including the related notes from 1 to 25. The accompanying consolidated financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of the Regulations for Companies and presented to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion:
In our opinion, the accompanying consolidated financial statements, taken as a whole:

- present fairly, in all material respects, the consolidated financial position of **Bahri (The National Shipping Company of Saudi Arabia)** as of December 31, 2012 and the consolidated results of its operations, cash flows and changes in owners' equity for the year then ended in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia; and
- comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of consolidated financial statements.

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh
Dr. Mohamed Al-Amri & Co.

February 23, 2013 G
Rabi Thani 13, 1434 H

Bahri البحري

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Balance Sheet
As of December 31, 2012
(In Thousands Saudi Riyals)

		December 31,	
ASSETS	**Notes**	**2012**	**2011**
Current assets:			
Cash in hand and at banks	3	**99,605**	144,798
Investments in Murabaha and short-term deposits	3,4	**292,656**	274,469
Trade receivables and other debit balances, net	5	**350,810**	288,496
Prepaid expenses		**19,340**	40,457
Bareboat lease receivable, net	6	**10,143**	7,538
Agents' current accounts		**33,860**	21,278
Inventories	7	**132,068**	145,049
Investments held for trading		**26,384**	20,312
Accrued bunker subsidy, net	8	**130,946**	87,779
Incomplete voyages		**21,375**	12,104
Total current assets		**1,117,187**	1,042,280
Non-current assets:			
Investment in financial assets		**40,587**	30,587
Bareboat lease receivable, net	6	**394,679**	404,822
Investments available for sale		**26,634**	26,903
Investments in affiliates	9	**683,182**	561,432
Deferred dry-docking costs, net	10	**98,675**	67,203
Fixed assets, net	11	**7,518,396**	7,252,854
Ships under construction and other	12	**1,184,269**	1,237,130
Total non-current assets		**9,946,422**	9,580,931
Total assets		**11,063,609**	10,623,211
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and other credit balances	13	**231,364**	288,907
Current portion of Murabaha financing and long-term finance	14	**466,085**	456,045
Short term finance		**160,000**	64,000
Unclaimed dividends	15	**30,941**	30,720
Provision for zakat and tax	16	**118,778**	104,576
Total current liabilities		**1,007,168**	944,248
Non-current liabilities:			
Murabaha financing and long-term finance	14	**4,253,733**	4,294,968
Employees' end of service benefits provision		**40,213**	28,058
Other liabilities		**36,750**	-
Total non-current liabilities		**4,330,696**	4,323,026
Total liabilities		**5,337,864**	5,267,274
Equity:			
Shareholders' equity			
Paid-up share capital		**3,150,000**	3,150,000
Statutory reserve	2t	**922,834**	872,435
Retained earnings		**1,020,748**	882,154
Proposed dividends	15	**315,000**	157,500
Unrealized gain from available for sale investments		**2,332**	534
Total shareholders' equity		**5,410,914**	5,062,623
Non-controlling interests		**314,831**	293,314
Total equity		**5,725,745**	5,355,937
Total liabilities and equity		**11,063,609**	10,623,211

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements

Bahri البحري

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Statement of Income
For the year ended December 31, 2012
(In Thousands Saudi Riyals)

	Notes	2012	2011
Operating revenues	17	**2,464,628**	1,991,084
Bunker costs	17	**(875,097)**	(801,163)
Other operating expenses	17	**(1,215,600)**	(1,027,214)
Gross operating income before bunker subsidy		**373,931**	162,707
Bunker subsidy		**200,572**	176,465
Gross operating income		**574,503**	339,172
General and administrative expenses	19	**(120,717)**	(109,660)
Operating income		**453,786**	229,512
Company's share in profit of affiliates	9	**147,660**	139,723
Finance charges	14	**(59,772)**	(51,901)
Other income / (expenses), net	20	**20,135**	20,553
Profit before zakat, tax and non-controlling interests		**561,809**	337,887
Zakat provision	16	**(32,945)**	(21,594)
Tax provision, net	16	**(3,354)**	(3,903)
Profit before non-controlling interests		**525,510**	312,390
Non-controlling interests in consolidated subsidiaries' net profit		**(21,517)**	(24,622)
Net profit for the year		**503,993**	287,768
Earnings per share from operating income (SR)	15	**1.44**	0.73
Earnings per share from net profit (SR)	15	**1.60**	0.91

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements

Bahri البحري

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flows
For the year ended December 31, 2012
(In Thousands of Saudi Riyals)

	Note	2012	2011
Cash flows from operating activities:			
Net profit for the year		**503,993**	287,768
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation	11	**392,179**	352,308
Amortization of deferred dry-docking costs	10	**38,058**	28,264
Unrealized gain on investments held for trading		**(6,072)**	(1,485)
Company's share in profit of affiliates	9	**(147,660)**	(139,723)
Gains from sale of fixed assets	20	**(12,507)**	(99)
Non-controlling interests in consolidated subsidiaries' net profit		**21,517**	24,622
Provision for zakat	16	**32,945**	21,594
Provision for tax, net	16	**3,354**	3,903
Employees' end of service benefits provision, net		**12,155**	(3,534)
Changes in operating assets and liabilities:			
Trade receivables and other debit balances, net		**(62,314)**	(113,253)
Prepaid expenses		**21,117**	(358)
Bareboat lease receivable		**7,538**	6,614
Agents' current accounts		**(12,582)**	(6,131)
Inventories		**12,981**	(11,683)
Accrued bunker subsidy, net		**(43,167)**	(21,884)
Accounts payable and other credit balances		**(57,543)**	34,550
Zakat and tax paid	16	**(22,858)**	(51,272)
Tax refund related to a subsidiary	16	**761**	922
Incomplete voyages		**(9,270)**	(12,804)
Net cash provided by operating activities		672,625	398,319
Cash flows from investing activities:			
Investments in Murabaha and short-term deposits		**(43,395)**	3,476
Investment in government bonds		**-**	17
Investments held to maturity		**(10,000)**	-
Investments available for sale		**2,067**	1,104
Investments in affiliates	9	**(10,000)**	-
Dividends from affiliates	9	**35,910**	34,087
Additions to fixed assets	11	**(23,912)**	(390,957)
Proceeds from sale of fixed assets		**28,034**	296
Ships under construction and other, net	12	**(596,475)**	(1,025,775)
Deferred dry-docking costs	10	**(69,530)**	(61,745)
Net cash used in investing activities		**(687,301)**	(1,439,497)
Cash flows from financing activities:			
Financing from short-term Murabaha		**96,000**	64,000
Murabaha financing and long-term loans		**657,583**	934,565
Repayments of Murabaha financing and long-term loans		**(688,778)**	(326,740)
Other liabilities		**36,750**	-
Dividends paid		**(157,279)**	(311,176)
Change in non-controlling interests		**-**	(20,000)
Net cash (used in) / provided by financing activities		**(55,724)**	340,649
Net change in cash and cash equivalents during the year		**(70,400)**	(700,529)
Cash and cash equivalents at the beginning of the year		**384,820**	1,085,349
Cash and cash equivalents at the end of the year		314,420	384,820
Non-cash items:			
Transfer from ships under construction and other to fixed assets	11, 12	**649,336**	800,111
Deferred charges transferred to fixed assets	10	**-**	6,661
Unrealized (gain) / loss from available for sale investments		**(1,798)**	1,570

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements

4

Bahri البحري

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Statement of Changes in Shareholders' Equity
For the year ended December 31, 2012
(In Thousands Saudi Riyals)

	Paid-up share capital	**Statutory reserve**	**Retained earnings**	**Proposed dividends**	**Hedging reserve**	**Unrealized gain from available for sale investments**	**Total**
Balance at December 31, 2010	**3,150,000**	**843,658**	**1,095,663**	---	**(1,734)**	**2,104**	**5,089,691**
Net profit for the year	---	---	287,768	---	---	---	**287,768**
Statutory reserve	---	28,777	(28,777)	---	---	---	---
Hedging reserve for finance commission	---	---	---	---	1,734	---	**1,734**
Dividends for 2010	---	---	(315,000)	---	---	---	**(315,000)**
Proposed dividends for 2011	---	---	(157,500)	157,500	---	---	---
Unrealized loss from available for sale investments	---	---	---	---	---	(1,570)	**(1,570)**
Balance at December 31, 2011	**3,150,000**	**872,435**	**882,154**	**157,500**	---	**534**	**5,062,623**
Net profit for the year	---	---	503,993	---	---	---	**503,993**
Statutory reserve	---	50,399	(50,399)	---	---	---	---
Dividends for 2011	---	---	---	(157,500)	---	---	**(157,500)**
Proposed dividends for 2012	---	---	(315,000)	315,000	---	---	---
Unrealized gain from available for sale investments	---	---	---	---	---	1,798	**1,798**
Balance at December 31, 2012	**3,150,000**	**922,834**	**1,020,748**	**315,000**	---	**2,332**	**5,410,914**

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements

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 Safar 12, 1398H, corresponding to January 21, 1978G, and registered under Commercial Registration No. 1010026026 dated Dhul Hijjah 1, 1399H, corresponding to October 22, 1979G, issued in Riyadh.

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

The authorized and paid-up capital of the Company is SR 3,150 million, comprising 315 million shares with nominal value of SR 10 each as of December 31, 2012 and 2011.

The Company owns seventeen Very Large Crude Carriers (VLCCs), two of which are chartered to Hanjin Company (a Korean company) and fifteen are operating in the spot market. In addition, the Company owned four Roll-On Roll-Off (RoRo) vessels operating on the liner trade between North America, Europe, the Middle East and the Indian Subcontinent.

National Chemical Carriers Ltd. Co. (a Subsidiary owned 80% by the Company and 20% by SABIC) owns twenty three 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 (Note 6), eleven are operating in a pool with NCC-Odfjell Chemical Tankers JLT, eight are chartered to International Shipping and Transportation Company Limited (ISTC), a subsidiary of Saudi Basic Industries Corporation (SABIC), and one is chartered out to Saudi International Petrochemical Company (SIPCHEM).

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

On August 28, 2010, the Company entered into an agreement with Arabian Agricultural Services Company (ARASCO) to establish a new subsidiary "Bahri Dry Bulk Company LLC" 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 had been made by the shareholders as of March 31, 2011. The new subsidiary commenced its commercial operations in the second quarter of 2012.

The accompanying 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 has established and/or invested in the following subsidiaries and affiliates:

(In Thousands Saudi Riyals)

Name	Activity	Location	Date of incorporation	Effective Ownership % 2012	Effective Ownership % 2011
Consolidated Subsidiaries:					
NSCSA (America) Inc.	Company's ships agent	USA	1991	**100 %**	100 %
Mideast Ship Management Ltd. (Bermuda) *	Ship management	Dubai	1996	**-**	100 %
National Chemical Carriers Ltd. Co. (NCC)	Petrochemicals transportation	Riyadh	1990	**80 %**	80 %
Bahri Dry Bulk LLC	Bulk transportation	Riyadh	2010	**60%**	60%
Mideast Ship Management Ltd. (JLT) *	Ship management	Dubai	2010	**100%**	100%

Name	Accounting Method	Activity	Location	Date of incorporation	Effective Ownership % 2012	Effective Ownership % 2011
Affiliates:						
Petredec Ltd.	Equity	Liquefied petroleum gas transportation	Bermuda	1980	**30.3 %**	30.3 %
NCC-Odfjell Chemical Tankers * *	Equity	Pertochemicals transportation	Dubai	2009	**40%**	40%
Arabian United Float Glass Co.	Cost	Glass manufacturing & trading	Riyadh	2006	**10%**	10%

* For organizational and restructuring purposes, the Company established a new wholly-owned subsidiary, Mideast Ship Management Ltd. (JLT), in the Free Zone of Dubai in the United Arab Emirates on October 31, 2010 with a share capital of Emirati Dirhams 300,000. The purpose of this restructuring was to transfer the operations of Mideast Ship Management Ltd (Bermuda) to the new company. The two subsidiaries signed a business transfer agreement to transfer the operations between them as of June 7, 2011. The legal procedures for transferring the assets and liabilities from Mideast Ship Management Ltd. (Bermuda) to Mideast Ship Management Ltd. (JLT) were finalized during the second quarter of 2011 and the license of Mideast Ship Management Ltd. (Bermuda) was canceled on December 12, 2011.

The above transaction and arrangement did not have any effect on the consolidated financial statements of the Company.

** A company owned 50% by National Chemical Carriers Limited and accordingly the indirect ownership for the Company is 40%.

2. SIGNIFICANT ACCOUNTING POLICIES

a) *Accounting convention*

The accompanying 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, which are at fair value. The Company applies the accruals basis of accounting in recognizing revenues and expenses.

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.

c) Basis of consolidation

For the purpose of consolidating accounts, inter-company transactions and balances are eliminated in the consolidation process. Non-controlling interests relating to third parties (other partners in the subsidiaries) are also accounted for in the subsidiaries' net assets and income.

d) Use of estimates

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

e) Accounting for finance leases

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

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 incidental to the ownership of the leased assets.

f) Cash and cash equivalents

For the purpose of preparing the 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:

Investments in affiliates in which the Company has significant influence, but no control, over the investee's financial and operational policies, usually owns an equity interest ranging between 20% and 50%, are accounted for using the equity method. When the Company acquire an interest in an associate for an amount in excess of the fair value of purchased net assets, the difference is recorded as goodwill as part of the investment account. Goodwill is stated net after deducting impairment losses, if any.

2- 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's intentions. These investments are stated at cost adjusted for premium or discount, if any.

- Investments held for trading

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

- 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 consolidated statement of income in the period in which these units are redeemed. If there is a permanent decline in the value of these investments or objective evidence for impairment, the unrealized loss is transferred to the consolidated statement of income. If the Company intends to sell the investment available for sale within 12 months from the date of the consolidated financial statements, it is reported under current assets, otherwise under non-current assets.

If the fair value of the above mentioned investment is not available, cost is considered the most appropriate alternative.

h) Inventories

Inventories representing fuel and lubricants on board of the vessels are shown as inventories at the balance sheet date, and the cost is determined using the First In First Out (FIFO) method which is considered more appropriate to the Company's operations. The differences between the weighted average method and the FIFO method are not significant to the consolidated statement of income. 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 consolidated statement of income in the period that ends at the beginning of the new dry-docking operation.

(In Thousands Saudi Riyals)

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%
Computer equipment	From 15 to 25%
Container yard	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. Residual value is calculated at 10% of the vessels' cost. RoRos' equipment are depreciated over a period of fifteen years.

Gains or losses from disposal of fixed assets are determined by comparing proceeds with the book value and are recorded in the consolidated statement of income.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated statement of income as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

k) Impairment of non-current assets

The book value of non-current assets is reviewed for any indication of loss as a result of impairment. If such indication exists, the impairment test is performed. If impairment exists, the recoverable amount, which is the asset's fair value less cost to sell or the gross future discounted cash flows, whichever is higher, is estimated to identify the loss amount. If the recoverable amount cannot be determined for an asset by itself, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

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 does 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 consolidated statement of income. 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 policy of the Company and in conformity with 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 has adopted the completed voyage policy to determine the revenues and expenses for the year for complete and incomplete voyages.

- **General Cargo Transportation:** the Company follows the complete voyage policy in determining the revenues and expenses of the year for vessels transporting general cargo (RoRo). A voyage is considered to be a "Completed Voyage" when a vessel has sailed from the last discharging port of a voyage. Incomplete voyages are shown at the net amount in the consolidated balance sheet under "Incomplete Voyages".
- **Crude Oil Transportation:** the Company follows the complete voyage policy in determining the revenues and expenses of the year for vessels transporting crude oil. A voyage is considered to be a "Completed Voyage" from the date the vessel unloads its previous voyage load up to the date of unloading the current voyage load at the final destination port.

  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 consolidated statement of income 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 consolidated statement of income.

q) Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at prevailing exchange rates on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Saudi Riyals at the prevailing exchange rates on that date. Gains and losses resulting from fluctuation of exchange rates, which were not significant for 2012 and 2011, are recognized in the consolidated statement of income.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are converted into Saudi Riyals at exchange rates prevailing at the consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies are converted into Saudi Riyals at average exchange rates during the year. The components of shareholders' equity, excluding retained earnings (deficit), are converted applying the exchange rates 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 taxes

Provision for zakat is computed in accordance with the Regulations of the Department of Zakat and Income Tax (DZIT) and charged to the consolidated statement of income 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 consolidated statement of income. 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 the consolidated statement of income.

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, if any, are recorded in the hedging reserve which is included in shareholders' equity; the hedging reserve is adjusted based on the periodical valuation of commission rate swaps.

t) Statutory reserve

In accordance with article 125 of the Saudi Arabian Regulations for Companies, the Company is required to transfer 10% of net income to the statutory reserve until such reserve equals 50% of the paid-up capital. This reserve is not available for distribution to shareholders in accordance with Article 126 of the Regulations for Companies.

u) Earnings per share and proposed dividends

Earnings per share from operating income, other operations and net profit is calculated based on the weighted average number of shares outstanding during the year. Dividends proposed for payment after the year 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 year. Once approved by the General Assembly, the amount is recognized as a liability in the same period until paid.

v) Trade accounts receivable

Trade accounts receivable are stated at net realizable 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 consolidated statement of income and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated statement of income.

w) Segment reporting

Business segment.

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

- engaged in revenue producing activities;

(In Thousands Saudi Riyals)

- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- financial information is separately available.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2012 represent cash in hand and at banks and Murabaha and short-term deposits, including amounts subject to bank restrictions for letters of guarantee issued for the Jeddah Islamic Port (2012: SR nil and 2011: SR 0.03 million).

It also includes SR 76.73 million as of December 31, 2012 (2011: SR 33.3 million) restricted for repayment of loan installments falling due within 180 days from the balance sheet date.

It also includes restricted cash of SR 0.57 million as of December 31, 2012 (2011: SR 0.57 million) in respect of Mideast Ship Management Ltd., and SR 0.54 million as of December 31, 2012 (2011: SR 0.54 million) in respect of The National Shipping Company of Saudi Arabia (America) Inc.

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

	2012	**2011**
Cash in hand and at banks	**99,605**	144,798
Amounts restricted by banks	**(10,657)**	(16,563)
	88,948	128,235
Investment in Murabaha and short-term deposits	**292,656**	274,469
Amounts restricted by banks	**(67,184)**	(17,884)
	225,472	256,585
Cash and cash equivalents balance at the end of the year	**314,420**	384,820

4. INVESTMENTS IN MURABAHA AND SHORT-TERM DEPOSITS

	2012	**2011**
Investments in Murabaha and short-term deposits in Saudi Riyals	**86,930**	200,031
Investments in Murabaha and short-term deposits in USD	**203,684**	34,691
Investments in Murabaha and short-term deposits in AED	**2,042**	39,747
	292,656	274,469

5. TRADE RECEIVABLES AND OTHER DEBIT BALANCES, NET

	2012	**2011**
Trade receivables	**322,584**	243,185
Insurance claims	**15,223**	35,053
Employee receivables	**12,412**	10,469
Other debit balances	**13,768**	12,375
	363,987	301,082
Provision for doubtful debts	**(13,177)**	(12,586)
	350,810	288,496

Movement in provision for doubtful debts is as follows:

	2012	**2011**
Balance at the beginning of the year	**12,586**	19,418
Additions	**7,600**	5,290
Write-offs	**(7,009)**	(12,122)
Balance at the end of the year	**13,177**	12,586

(In Thousands Saudi Riyals)

6. BAREBOAT LEASE RECEIVABLE, NET

On January 30, 2009, National Chemical Carriers Ltd. Co. signed agreements with Odfjell to charter three vessels under a bareboat arrangement for a period of ten years with a 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 December 31 is summarized as follows:

Description	2012	2011
Future minimum lease payments	**411,418**	467,005
Unguaranteed residual value at the end of the lease term	**247,875**	247,875
	659,293	714,880
Unearned income	**(254,471)**	(302,520)
Net bareboat lease receivable balance	**404,822**	412,360

The above amount is classified at December 31 as follows:

Description	2012	2011
Current	**10,143**	7,538
Non-current	**394,679**	404,822
Net bareboat lease receivable balance	**404,822**	412,360

The future minimum lease payments and unguaranteed residual value at the end of lease term to be received during the next five years and thereafter is as follows:

	2012	2011
Due within 12 months	**57,313**	55,586
Due within 1-2 years	**61,245**	57,313
Due within 2-3 years	**65,351**	61,245
Due within 3-4 years	**69,649**	65,351
Due within 4-5 years	**73,564**	69,649
Thereafter	**332,171**	405,736
	659,293	714,880

Income related to the above arrangement for the year ended December 31, 2012 amounted to SR 48.05 million (2011: SR 48.82 million) and is included in operating revenues in the accompanying consolidated statement of income.

7. INVENTORIES

Inventories on board the ships at December 31 comprised the following:

	2012	2011
Fuel	**108,103**	122,835
Lubricants and others	**23,965**	22,214
	132,068	145,049

(In Thousands Saudi Riyals)

8. ACCRUED BUNKER SUBSIDY, NET

Accrued bunker subsidy, net at December 31 comprised the following:

	2012	2011
Accrued bunker subsidy	**169,480**	130,374
Provision for doubtful bunker subsidy	**(38,534)**	(42,595)
	130,946	87,779

9. INVESTMENTS IN AFFILIATES AND OTHER

The movement in investments in affiliates and other for the year ended December 31 is as follows:

	2012	2011
Balance, beginning of the year	**561,432**	455,796
Company's share in profit of affiliates	**147,660**	139,723
Additional investment in Arabian United Float Glass Company	**10,000**	-
Dividends received during the year	**(35,910)**	(34,087)
Balance, end of the year	**683,182**	561,432

A - Petredec Ltd.

Petredec Ltd. was incorporated on February 20, 1980 under the laws of Bermuda. It specializes 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 a 30.3% share of the capital of Petredec Ltd. for a 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.

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

The Company's share in Petredec's net profit amounted to SR 143.87 million up to October 31, 2012 (October 31, 2011: SR 135.38 million), which includes the share of the company in unrealized losses of SR 19.77 million and unrealized gain of SR 46.69 million on open commodity swap contracts as at October 31, 2012 and 2011 respectively.

B - Arabian United Float Glass Company

The Company signed a contract for establishing Arabian United Float Glass Company as a founding member. It was established by Ministerial Decision No. (1299) dated Jumada Awwal 11, 1427H (corresponding to June 8, 2006). An investment of SR 20 million was made for the ownership of 2 million fully paid shares, representing 10% of the share capital. In addition, the Company had paid an amount of SR 1.2 million as of December 31, 2012 representing its share in establishment and development costs. This company is engaged in manufacturing of float glass and commenced its operations in April 2009.

(In Thousands Saudi Riyals)

The Company subscribed SR 10 million in a rights issue representing 1 million additional shares. Accordingly, the total investment became SR 30 million and remained at 10% of the share capital.

C **- NCC-Odfjell Chemical Tankers JLT (hereinafter referred as "Joint Venture")**

NCC signed a 50 percent joint venture agreement with Odfjell on Jumada Thani 22, 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 fleets of coated chemical tankers in a pool for transportation of petrochemicals, vegetable oils and refined petroleum products on a world-wide basis with its focus on the growing production and export markets of the Arabian Gulf Region. The Joint Venture commenced operations in 2010.

NCC's share in the net income of the Joint Venture amounted to SR 3.79 million (2011: SR 4.34 million) which is included in the consolidated statement of income.

10. DEFERRED DRY-DOCKING COSTS, NET

Deferred dry-docking costs, net at December 31 comprise the following:

	2012	**2011**
Total dry-docking costs	**329,679**	260,149
Accumulated amortization expense	**(231,004)**	(192,946)
	98,675	67,203

Movement in the dry-docking costs is as follows:

	2012	**2011**
Balance, beginning of the year	**67,203**	40,383
Additional dry-docking costs	**69,530**	61,745
Transfer to fixed assets	-	(6,661)
Amortization expense	**(38,058)**	(28,264)
Balance, end of the year	**98,675**	67,203

(In Thousands Saudi Riyals)

11. FIXED ASSETS, NET

Movement in fixed assets during the year 2012 was as follows:

	Cost				Accumulated Depreciation				Net Book Value		
Particulars	Balance at 01.01.2012	Additions /transfers during the year	Disposals	Balance at 31.12.2012	Balance at 01.01.2012	Charged for the year	Disposals	Balance at 31.12.2012	31.12.2012	31.12.2011	Depreciation Rate %
Land	13,593	1,847	(15,440)	---	---	---	---	---	---	13,593	---
Buildings and improvements	43,394	525	---	43,919	(5,227)	(2,097)	---	(7,324)	36,595	38,167	5 - 33.3 %
Fleet and equipment *	10,294,891	668,516	---	10,963,407	(3,110,836)	(385,430)	---	(3,496,266)	7,467,141	7,184,055	4 - 15%
Containers and trailers	54,992	---	(2,616)	52,376	(54,858)	---	2,557	(52,301)	75	134	2-8.33%
Furniture and fixtures	6,694	63	(1)	6,756	(4,715)	(420)	1	(5,134)	1,622	1,979	10%
Tools and office equipment	4,035	32	---	4,067	(3,751)	(103)	---	(3,854)	213	284	2.5 - 25%
Motor vehicles	1,559	264	(137)	1,686	(1,317)	(218)	110	(1,425)	261	242	20 - 25%
Computer equipment	52,886	1,177	(36)	54,027	(40,264)	(3,590)	36	(43,818)	10,209	12,622	15 - 25%
Container yard	12,276	824	(190)	12,910	(10,533)	(306)	189	(10,650)	2,260	1,743	10 - 25%
Others	492	---	---	492	(457)	(15)	---	(472)	20	35	7 - 15%
Total	**10,484,812**	**673,248**	**(18,420)**	**11,139,640**	**(3,231,958)**	**(392,179)**	**2,893**	**(3,621,244)**	**7,518,396**	**7,252,854**	

* Fleet and equipment above includes VLCCs and petrochemical carriers financed by banks and mortgaged in favor of the lending banks as mentioned in Note 14.

(In Thousands Saudi Riyals)

12. SHIPS UNDER CONSTRUCTION AND OTHERS

At December 31, 2012, the balance of ships and other assets under construction represents amounts invested by the Company and its subsidiaries as follows:

The Company

On March 6, 2011, the Company signed four RoRo/Container (RoCon) vessel contracts with Hyundai MIPO of South Korea for a total cost of SR 1.03 billion (USD 274.2 million). Further, on September 12, 2011, the Company exercised its option to buy two additional RoRo vessels under the above agreement with the same agreed specifications and price for a total cost of SR 0.51 billion (USD 137.1 million). Accordingly, the Company has six general cargo ships under construction for a total cost of SR 1.54 billion (USD 411.3 million).

The Company had paid an amount of SR 668.36 million (USD 178.23 million) as at December 31, 2012 representing installments due on those contracts. It is expected that four of the above mentioned vessels will be delivered during 2013 and the remaining two during 2014.

The Subsidiary ("NCC")

NCC (a Subsidiary owned 80% by the Company) signed a contract with ShinaSB Yard Co. Ltd. ("SLS") of South Korea in 2007 to build six petrochemical carriers for a total cost of SR 1.2 billion (USD 312 million). These tankers were scheduled to be delivered during the period 2010 through 2012. One vessel was received in September 2011 and another four vessels were received during 2012 and were put into operation in the pool arrangement with NCC Odjfell Company.

On December 24, 2012, NCC terminated the contract for building the last vessel as a result of SLS's failure to deliver it according to the time schedule specified in the contract that was signed in 2007 and its amendment that was signed in 2012. The contract states that NCC has the right to terminate the contract if the delay period exceeded the allowed period. The contract also grants to NCC a refund of all installments paid amounting to USD 41.6 million which is guaranteed by the Export-Import Bank of Korea, plus compensation.

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 a total price of approximately SR 245 million (USD 65.3 million) with expected delivery during 2013.

Bahri Dry Bulk Company LLC ("a subsidiary")

Bahri Dry Bulk Company LLC (a Subsidiary owned 60% by the Company) signed a contract in April 2012 with a leading international shipyard to build five vessels specialized in bulk transportation, for a total cost of SR 600.42 million (US$ 160.11 million). One vessel will be delivered during the fourth quarter of 2013 and the remaining vessels will be delivered during the first half of the year 2014.

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

	2012	2011
Balance, beginning of the year	**1,237,130**	1,011,466
Additions	**596,475**	1,025,775
Transfers to fixed assets	**(649,336)**	(800,111)
Balance, end of the year	**1,184,269**	1,237,130

Capital commitments

The Company's capital commitments for constructing RoCon vessels amounted to SR 0.87 billion as of December 31, 2012 (2011: SR 1.23 billion). The Subsidiary's capital commitments for constructing chemical tankers amounted to SR 98 million as of December 31, 2012 (2011: SR 342 million). In addition, the capital commitment in respect of another subsidiary for building dry bulk vessels amounted to SR 450.42 million as at December 31, 2012 (2011: Nil).

(In Thousands Saudi Riyals)

13. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

Accounts payable and other credit balances at December 31 comprise the following:

	2012	2011
Trade payables	**1,543**	9,155
Accrued operating expenses	**177,649**	226,025
Accrued insurance expenses	**14,897**	19,921
Accrued finance charges	**14,013**	11,501
Value of shares sold belonging to previous shareholders	**22,134**	22,305
Other credit balances	**1,128**	-
	231,364	288,907

14. MURABAHA FINANCING AND LONG TERM FINANCE

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

	2012	2011
Finance to the Company	**2,322,799**	2,249,959
Finance to the subsidiaries	**2,397,019**	2,501,054
Total Murabaha and long-term finance	**4,719,818**	4,751,013
Current portion of Murabaha and long-term finance	**(466,085)**	(456,045)
Non-current portion of Murabaha and long-term finance	**4,253,733**	4,294,968

The break-down of Murabaha and long-term finances as at December 31 is as follows:

2012						
Financing:	**Parent Co.**	**%**	**Subsidiaries**	**%**	**Total**	**%**
Murabaha Finance	**1,107,017**	**48%**	**2,052,051**	**86%**	**3,159,068**	**67%**
Commercial Finance	**60,750**	**3%**	**-**	**-**	**60,750**	**1%**
Public Investment Fund "Murabaha Finance"	**1,155,000**	**49%**	**-**	**-**	**1,155,000**	**25%**
Public Investment Fund finance "conventional"	**32**	**0%**	**344,968**	**14%**	**345,000**	**7%**
TOTAL	**2,322,799**	**100%**	**2,397,019**	**100%**	**4,719,818**	**100%**

2011						
Financing:	Parent Co.	%	Subsidiaries	%	Total	%
Murabaha Finance	980,124	44%	2,119,773	85%	3,099,897	65%
Commercial Finance	121,585	5%	-	-	121,585	3%
Public Investment Fund "Murabaha Finance"	1,050,000	47%	-	-	1,050,000	22%
Public Investment Fund finance "conventional"	98,250	4%	381,281	15%	479,531	10%
TOTAL	2,249,959	100%	2,501,054	100%	4,751,013	100%

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

(In Thousands Saudi Riyals)

The aggregate maturities of the outstanding financing under the Murabaha financing and loan agreements at December 31, 2012, are as follows:

2013	**466,085**
2014	**498,216**
2015	**470,179**
2016	**458,899**
2017	**557,830**
After	**1,352,634**
Agreements under negotiation	**915,975**
	4,719,818

The Murabaha financing and long-term loans agreements contain covenants related to liquidity, indebtedness and other conditions. Moreover, the financed carriers and vessels are mortgaged in favor of the lending banks.

The total finance facilities of the Company and its subsidiaries amounted to SR 4.72 billion out of which SR 79.4 million remained unutilized at December 31, 2012 relating to NCC.

Total financing charges on Murabaha financing and long-term loans amounted to SR 85.25 million for the year 2012 (2011: SR 61.7 million), out of which SR 34.72 million related to the subsidiary (NCC) loans (2011: SR 26.68 million) and SR 1.04 million related to the subsidiary, Mideast Ship Management Ltd., finance (2011: SR 1.1 million). The amount of finance charges capitalized during 2012 was SR 25.48 million (2011: SR 9.71 million) (see Note 12).

15. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share was calculated based on the number of shares outstanding during the years ended December 31, 2012 and 2011 totaling 315 million shares.

The General Assembly approved in its meeting held on April 22, 2012 the payment of cash dividends of 5% of the share capital amounting to SR 157.5 million, representing SR 0.5 per share for the year 2011. The dividends were paid on May 9, 2012. The balance of unclaimed dividends as of December 31, 2012 amounted to SR 30.94 million (2011: SR 30.72 million).

The Board of Directors also decided in its meeting held on Safar 7, 1434H, corresponding to December 20, 2012G, to submit a recommendation to the General Assembly proposing the approval of cash dividends of SR 315 million to the shareholders for the year ended December 31, 2012, representing SR 1 per share, which is 10% of the share capital.

The earnings per share from other activities for 2012 was SR 0.16 (2011: SR 0.18).

16. ZAKAT AND INCOME TAX

The main components of the zakat base of the Company under zakat and income tax regulations are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less net book value of fixed assets, investments and certain other items.

(In Thousands Saudi Riyals)

The Company's zakat and tax status

The Company has submitted zakat returns for all years up to 2011. The Company has submitted all withholding tax returns up to August 2012 and paid all zakat and withholding tax relating to the submitted returns. The Company received an additional zakat and withholding tax assessment for the years 2001 to 2007 amounting to SR 22 million. The Company objected to these additional assessments and its calculation method to the Department of Zakat and Income Tax ("DZIT"). The Company has not received a final assessment for the years from 2008 until 2011. Since the application of the new tax law, the Company has been paying withholding taxes in respect of any payment to non-resident parties on due time. The Company believes that adequate provision is maintained at December 31, 2012 for any potential zakat and tax claims by the DZIT for the concerned years.

Zakat and Tax status for NCC

NCC has submitted the zakat returns for all years up to 2011 along with all withholding tax returns up to November 2012 and paid the zakat and withholding tax amounts 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 appealed against some of the items shown on the assessments and the way they were treated by the DZIT. In April 2010, NCC reached an agreement for a final settlement relating to the mentioned assessments for the amount of SR 53 million. Accordingly, it paid SR 26 million during 2011 and requested to pay the remaining amount in installments over 5 years starting July 2012. NCC believes it maintains an adequate provision for zakat and withholding tax as at December 31, 2012.

Zakat returns are prepared separately for the Company and NCC.

Zakat and Tax status for Bahri Dry Bulk

Bahri Dry Bulk was registered with the DZIT and obtained its Unique Number. The company is in the process of preparing its first Zakat return and submitting it to the DZIT. The company believes it maintains an adequate provision for zakat and tax liability as at December 31, 2012.

Provision for zakat and tax

Following is the movement in provision for zakat and tax during the year ended December 31:

	2012	2011
Balance, beginning of the year	**104,576**	129,429
Amounts paid during the year	**(22,858)**	(51,272)
Income tax refund related to a subsidiary	**761**	922
Provisions for the year:		
- Zakat	**32,945**	21,594
- Tax:		
- Withholding tax	**3,354**	3,904
- Income tax (benefit) related to a subsidiary	**-**	(1)
Balance, end of the year	**118,778**	104,576

(In Thousands Saudi Riyals)

17. SEGMENT INFORMATION

A) The following schedule illustrates the distribution of the Company's and subsidiaries' activities according to the operational segments as of December 31:

2012

	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Bulk Transportation	Total
Operating revenues	**1,474,477**	**440,873**	**510,106**	**39,172**	**2,464,628**
Bunker cost	724,631	-	150,466	-	875,097
Other operating expenses:					
Vessel related expenses	216,129	165,566	42,939	30,918	455,552
Cargo related expenses	-	-	184,870	-	184,870
Voyage related expenses	87,960	-	54,127	-	142,087
Depreciation and amortization	278,472	132,390	12,273	-	423,135
Others	9,956	-	-	-	9,956
Total other operating expenses	592,517	297,956	294,209	30,918	1,215,600
Total operating expenses	**1,317,148**	**297,956**	**444,675**	**30,918**	**2,090,697**
Gross operating income before bunker subsidy	**157,329**	**142,917**	**65,431**	**8,254**	**373,931**
Bunker subsidy	157,468	2,164	40,940	-	200,572
Gross operating income	**314,797**	**145,081**	**106,371**	**8,254**	**574,503**

2011

	Crude Oil Transportation	Petrochemical Transportation	General Cargo Transportation (Liner)	Bulk Transportation	Total
Operating revenues	1,227,423	362,539	401,122	-	1,991,084
Bunker cost	661,509	-	139,654	-	801,163
Other operating expenses					
Vessel related expenses	209,329	116,698	47,039	-	373,066
Cargo related expenses	-	-	137,954	-	137,954
Voyage related expenses	74,231	-	57,798	-	132,029
Depreciation and amortization	267,760	92,818	13,581	-	374,159
Others	8,737	1,269	-	-	10,006
Total other operating expenses	560,057	210,785	256,372	-	1,027,214
Total operating expenses	1,221,566	210,785	396,026	-	1,828,377
Gross operating income before bunker subsidy	5,857	151,754	5,096	-	162,707
Bunker subsidy	137,449	-	39,016	-	176,465
Gross operating income	143,306	151,754	44,112	-	339,172

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

(In Thousands Saudi Riyals)

2012

	Crude Oil Transportation	Petrochemicals Transportation	General Cargo Transportation (Liner)	Bulk Transportation	Shared Assets and Liabilities *	Total
Assets	5,240,417	3,705,071	972,714	208,969	936,438	11,063,609
Liabilities	1,879,601	2,528,093	613,112	7,556	309,502	5,337,864

2011

	Crude Oil Transportation	Petrochemicals Transportation	General Cargo Transportation (Liner)	Bulk Transportation	Shared Assets and Liabilities *	Total
Assets	5,415,286	3,647,375	542,316	199,124	819,110	10,623,211
Liabilities	2,337,777	2,568,479	213,692	5,288	142,038	5,267,274

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

18. RELATED PARTY MATTERS

In its ordinary course of business, the Company deals with related companies using the same terms and conditions used with third parties.

The following is an analysis of such transactions during the year:

	2012	2011
Revenues	**143,750**	128,750
Pool management fee	**6,632**	5,028
Insurance management fees incurred	**20,090**	18,375

Year end balances from such transactions as at December 31 are as follows:

Due from related parties shown under receivables are as follows:

	2012	2011
ISTC	**16,445**	15,935
NCC Odfjell Chemical Tankers JLT	**50,066**	35,119
	66,511	51,054

Due to related parties shown under payables are as follows:

	2012	2011
ISTC	**4,297**	**5,200**
NCC Odfjell Chemical Tankers JLT	**-**	**-**
	4,297	**5,200**

(In Thousands Saudi Riyals)

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprised the following:

	2012	2011
Employees' costs	**99,738**	86,845
Other general and administrative expenses	**10,193**	12,669
Depreciation	**6,113**	5,774
Boards of Directors expenses for the Company and its subsidiaries	**4,673**	4,372
	120,717	109,660

20. OTHER INCOME (EXPENSES), NET

Other income (expense), net for the year ended December 31 comprised the following:

	2012	2011
Income from Murabaha and short-term deposits	**590**	4,336
Income from investments, net	**6,747**	2,035
Bank commissions	**(475)**	(152)
Gains on sale of fixed assets	**12,507**	99
Foreign currency exchange differences	**(1,351)**	(1,469)
Excess recovery from insurance claims	-	7,535
Case won by the Company	-	6,183
Others	**2,117**	1,986
	20,135	20,553

21. CONSOLIDATION OF SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and its subsidiaries, after eliminating all intercompany balances. Following is a summary of the financial position and results of operations of these subsidiaries as of and for the year ended December 31:

2012

Company Name	Total assets	Total liabilities	Gross operating income	Net profit
National Chemical Carriers Ltd. Co.	**3,705,071**	**(2,528,093)**	**145,082**	**98,082**
Mideast Ship Management Ltd.	**59,455**	**(55,603)**	**41,248**	**2,068**
NSCSA (America) Inc.	**18,046**	**(9,768)**	**17,359**	**796**
Bahri Dry Bulk Company LLC	**206,143**	**(7,556)**	**8,254**	**4,751**

2011

Company Name	Total assets	Total liabilities	Gross operating income	Net profit / (loss)
National Chemical Carriers Ltd. Co.	3,647,375	(2,568,479)	151,754	135,435
Mideast Ship Management Ltd.	59,904	(58,120)	40,665	1,608
NSCSA (America) Inc.	10,972	(3,490)	16,864	238
Bahri Dry Bulk Company LLC	199,124	(5,288)	-	(6,164)

22. COMMITMENTS AND CONTINGENCIES

The Company had outstanding letters of guarantee of SR 238.85 million at December 31, 2012 issued in the Company's ordinary course of business.

The Company also has certain outstanding legal proceedings that have arisen in the ordinary 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 results of operations or its financial position.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities, including subsidiaries, expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow commission rate exposure and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial instruments carried on the balance sheet principally include cash and cash equivalents, investments, receivables, borrowings, derivative financial instruments, payables and certain accrued expenses.

Financial assets and liabilities are offset and net amounts are reported in the financial statements when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Risk management is carried out by senior management. The most important types of risk are summarized below.

Credit risk

Credit risk is the risk that counterparties do not meet their obligations, so the other party incurs a financial loss. At the balance sheet date, approximately 21% of trade receivable balances are due from related parties. The Company and its subsidiaries maintains its cash with high credit rated banks. Receivables including due from related parties are carried net of provision for doubtful debts.

Commission rate exposure

This relates to the Company's and subsidiaries' exposure to the risk of fluctuations in commission rates in the market and the potential impact on the consolidated financial position of the Company and its cash flows. The Company's and subsidiaries' commission rate risk arises mainly from its short-term deposits and borrowings. The Company, where appropriate, uses commission rate swaps to fix the commission rates and uses commission rate caps to hedge the risk of increase in commission rates for its long-term finance. The Company monitors the commission rate changes and believes that expected commission rate change on the Company is not significant.

Currency risk

This relates to the risk of change in the value of financial instruments due to change in foreign currency rates. The Company's and subsidiaries' transactions are mainly in Saudi Riyals, UAE Dirhams and US Dollars. Management monitors the currency rate changes and acts accordingly.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.

Liquidity risk

This represents risks that the Company, including subsidiaries, will be unable to meet its funding requirements related to financial instruments. The liquidity risk arises if the entity cannot sell its financial assets quickly at an amount close to its fair value. Liquidity risk is managed by systematic monitoring to ensure availability of funds to meet any future liabilities as they become due.

Fair value

Fair value is the amount used to exchange assets or to settle liabilities between knowledgeable willing parties on an arms-length basis. As the consolidated financial statements of the Company are compiled based on the historical cost convention, except for the investments in financial instruments and derivative financial instruments at fair value, differences might occur between book value and estimates of fair values. The management believes that the fair values of financial assets and liabilities do not materially differ from their book values.

24. MAJOR AND POST BALANCE SHEET EVENTS

a) The Company and Saudi Aramco signed on Thu-Alhijjah 20, 1433H (November 4, 2012) an agreement by which the fleet of Vela International Marine Ltd. (Vela), will be transferred to the Company after obtaining required regulatory approvals. The Vela fleet consists of fourteen VLCCs, one VLCC for floating storage, and five refined petroleum product tankers.

Bahri will pay Vela a total consideration of approximately SR 4,875,000,000 (equivalent to US$1.3 billion). The consideration will comprise a cash payment amounting to SR 3,122,812,500 (equivalent to US$ 832.75 million) in addition to 78,750,000 new Bahri shares to be issued to Vela at an agreed price of SR 22.25 per share. The Company's post merger issued number of shares will be 393,750,000 shares and the new shares issued to Vela, which is fully owned by Saudi Aramco, will equal 20 percent of Bahri's enlarged capital. Vela will have a fair representation on Bahri's Board. The Company plans to fund the cash consideration through Sharia compliant financing agreements.

According to the terms of a long-term shipping contract with a minimum of 10 years, the Company will be the exclusive carrier for Saudi Aramco for the transportation of crude oil sold by Saudi Aramco on the basis of delivery to client. According to this contract and to meet Saudi Aramco's demand, which is estimated to be 50 VLCC's, the Company plans to best optimize the utilization of its post merger fleet, which will total 31 VLCC's, in addition to charter VLCC's, as required.

The long-term shipping contract includes agreed terms where Bahri enjoys protection when freight rates fall below the minimum agreed limit. On the other hand, should freight rates increase above an agreed limit (compensation limit), Bahri will compensate Saudi Aramco.

Bahri and Vela have also agreed on temporary arrangements for the operation of the VLCCs owned currently by Bahri within Saudi Aramco's program to transport oil via VLCC's. The temporary arrangement started on Safar 19, 1434H (corresponding to January 1,2013) until the long-term shipping contract is in effect according to the terms of the merger agreement.

The merger agreement is subject to various terms including the approval of the Extraordinary General Assembly of the Company approving the merger and capital increase and obtaining other regulatory approvals such as the Capital Market Authority and the Supreme Council for Petroleum and Mineral Affairs which is in process. The approval of the Competition Protection Council in Saudi Arabia has already been obtained.

b) Pursuant to its replacement program approved by the Company's Board of Directors for RoRo vessels, the Company sold on January 16, 2013 a RoRo vessel (Saudi Abha) for scrap after it came to the end of its useful life. It is estimated that the Company will make a net profit of SR 21 million after deduction of its book value and other expenses related to the transaction. The financial impact of this transaction will show in the first quarter of 2013.

c) On Rabia I 24, 1434H (corresponding to February 5, 2013) the Company received a new general cargo vessel weighing 26,000 tons from South Korea. The new vessel was named Bahri Abha and was built by Hyundai MIPO in South Korea. This is the first of six general cargo ships from a contract agreed with this shipyard in 2011 for a total cost of SR 1.54 billion. The financial impact of this vessel will appear in the first quarter of 2013.

25. RECLASSIFICATION

Certain amounts previously reported in the 2011 consolidated financial statements have been reclassified to conform to the current year presentation.

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
AND AUDITORS' REPORT

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended December 31, 2013
Together with the Auditors' report

Building a better working world

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AUDITORS' REPORT TO THE SHAREHOLDERS OF THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA (A SAUDI JOINT STOCK COMPANY)

Scope of Audit

We have audited the accompanying consolidated balance sheet of The National Shipping Company of Saudi Arabia - a Saudi Joint Stock Company ("the Company"), and its subsidiaries ("the Group") as at 31 December 2013 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Saudi Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified Opinion

In our opinion, the consolidated financial statements taken as a whole:

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013 and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Rashid S. Al Rashoud
Certified Public Accountant
Registration No. 366

ERNST & YOUNG
PROFESSIONAL LICENCE No. 45

Riyadh: 23 Rabie' Thani 1435H
(23 February 2014)

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Balance Sheet
As at December 31, 2013
(In Thousands Saudi Riyals)

ASSETS	Notes	2013	2012
Current assets:			
Bank balances and cash	3	**106,525**	105,651
Murabaha and short-term deposits	3,4	**237,940**	292,656
Trade receivables, net	5	**608,623**	252,765
Bareboat lease receivable, net	6	**15,256**	10,143
Prepaid expenses and other receivables	7	**79,616**	141,700
Agents' current accounts		**27,523**	27,814
Inventories	8	**223,023**	132,068
Accrued bunker subsidy, net	9	**123,880**	132,553
Incomplete voyages		**4,456**	21,375
Investments held for trading		**-**	26,384
Total current assets		**1,426,842**	1,143,109
Non-current assets:			
Bareboat lease receivable, net	6	**379,423**	394,679
Investments held to maturity		**40,587**	40,587
Investments available for sale		**14,399**	57,834
Investments in associated companies	10	**841,985**	651,982
Deferred dry-docking costs, net	11	**104,672**	98,675
Fixed assets, net	12	**8,512,152**	7,503,701
Ships under construction and other	13	**676,468**	1,171,991
Total non-current assets		**10,569,686**	9,919,449
Total assets		**11,996,528**	11,062,558
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accruals	14	**282,765**	230,313
Murabaha financing and long-term loans -current portion	15	**564,292**	466,085
Short term Murabaha financing	15	**337,000**	160,000
Unclaimed dividends	16	**32,088**	30,941
Provision for zakat and tax	17	**138,907**	118,778
Total current liabilities		**1,355,052**	1,006,117
Non-current liabilities:			
Murabaha financing and long-term loans	15	**4,376,589**	4,253,733
Employees' end of service benefits		**46,760**	40,213
Other liabilities	18	**30,704**	36,750
Total non-current liabilities		**4,454,053**	4,330,696
Total liabilities		**5,809,105**	5,336,813
Equity:			
Shareholders' equity:			
Share capital	1	**3,150,000**	3,150,000
Statutory reserve		**998,060**	922,834
Retained earnings	16	**1,697,784**	1,335,748
Unrealized (losses) gains on available for sale investments		**(115)**	2,332
Total shareholders' equity		**5,845,729**	5,410,914
Non-controlling interests		**341,694**	314,831
Total equity		**6,187,423**	5,725,745
Total liabilities and equity		**11,996,528**	11,062,558

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Statement of Income
For the year ended December 31, 2013
(In Thousands Saudi Riyals)

	Notes	2013	2012
Operating revenues	23	**2,846,698**	2,464,628
Bunker costs	23	**(943,406)**	(875,097)
Other operating expenses	23	**(1,477,957)**	(1,253,254)
Gross operating income before bunker subsidy		**425,335**	336,277
Bunker subsidy		**171,108**	200,572
Gross operating income		**596,443**	536,849
General and administrative expenses	20	**(94,150)**	(83,063)
Operating income		**502,293**	453,786
Share in results of associated companies	10	**291,235**	147,660
Finance charges	15	**(60,402)**	(59,772)
Other income, net	21	**105,857**	20,135
Income before zakat, tax and non-controlling interests		**838,983**	561,809
Zakat and tax, net	17	**(49,858)**	(36,299)
Income before non-controlling interests		**789,125**	525,510
Non-controlling interests in net income of consolidated subsidiaries		**(36,863)**	(21,517)
Net income for the year		**752,262**	503,993
Earnings Per Share (in SR):			
Attributable to operating income	16	**1.59**	1.44
Attributable to net income for the year	16	**2.39**	1.60

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements

Bahri البحري

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flows
For the year ended December 31, 2013
(In Thousands of Saudi Riyals)

	Notes	2013	2012
Cash flows from operating activities:			
Net income for the year		**752,262**	503,993
Adjustments to reconcile net income for the year to net cash flows from operating activities:			
Depreciation	12	**423,523**	392,179
Amortization of deferred dry-docking costs	11	**46,012**	38,058
Unrealized gains on investments held for trading		**-**	(6,072)
Unrealized gains on available for sale investments		**(2,562)**	-
Share in results of associated companies	10	**(291,235)**	(147,660)
Gains from sale of fixed assets	21	**(75,496)**	(12,507)
Non-controlling interests in net income of consolidated subsidiaries		**36,863**	21,517
Zakat and tax, net	17	**49,858**	36,299
Employees' end of service benefits, net		**6,547**	12,155
		945,772	837,962
Changes in operating assets and liabilities:			
Trade receivables, net		**(355,858)**	(1,820)
Bareboat lease receivable, net		**10,143**	7,538
Prepaid expenses and other receivables		**62,084**	(64,693)
Agents' current accounts		**291**	(5,536)
Inventories		**(90,955)**	12,981
Accrued bunker subsidy, net		**8,673**	(44,773)
Incomplete voyages		**16,919**	(9,270)
Investments held for trading		**26,384**	-
Accounts payable and accruals		**52,452**	(60,448)
Zakat and tax paid	17	**(29,729)**	(22,097)
Other liabilities	18	**(6,046)**	36,750
Net cash from operating activities		**640,130**	686,594
Cash flows from investing activities:			
Murabaha and short-term deposits		**2,942**	(43,395)
Investments held to maturity		**-**	(10,000)
Available for sale investments		**43,550**	(7,933)
Associated company transferred to subsidiary company	10	**4,641**	-
Dividends received from associated company	10	**96,591**	35,910
Additions of fixed assets	12	**(21,277)**	(23,912)
Additional discount on received vessels		**17,061**	-
Proceeds from sale of fixed assets		**118,768**	44,583
Ships under construction and others, net	13	**(975,507)**	(584,197)
Deferred dry-docking costs	11	**(52,009)**	(69,530)
Net cash used in investing activities		**(765,240)**	(658,474)
Cash flows from financing activities:			
Proceeds from short-term Murabaha financing		**177,000**	96,000
Proceeds from Murabaha financing and long-term loans		**807,835**	657,583
Repayment of Murabaha financing and long-term loans		**(586,772)**	(688,778)
Dividends paid		**(313,853)**	(157,279)
Non-controlling interests		**(10,000)**	-
Net cash from (used in) financing activities		**74,210**	(92,474)
Decrease in cash and cash equivalents during the year		**(50,900)**	(64,354)
Cash and cash equivalents at the beginning of the year		**320,466**	384,820
Cash and cash equivalents at the end of the year	3	**269,566**	320,466
Significant non-cash transactions:			
Ships under construction and others transferred to fixed assets	12, 13	**1,471,030**	649,336
Unrealized (losses) gains on available for sale investments		**(115)**	1,798

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements

The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
Consolidated Statement of Changes in Shareholders' Equity
For the year ended December 31, 2013
(In Thousands Saudi Riyals)

	Share capital	**Statutory reserve**	**Retained earnings**	**Unrealized (losses) gains on available for sale investments**	**Total**
Balance as at December 31, 2011	3,150,000	872,435	1,039,654	534	5,062,623
Net income for the year	-	-	503,993	-	503,993
Transfer to statutory reserve	-	50,399	(50,399)	-	-
Dividends	-	-	(157,500)	-	(157,500)
Unrealized gains on available for sale investments, net	-	-	-	1,798	1,798
Balance as at December 31, 2012	3,150,000	922,834	1,335,748	2,332	5,410,914
Net income for the year	-	-	752,262	-	752,262
Transfer to statutory reserve	-	75,226	(75,226)	-	-
Dividends (note 16)	-	-	(315,000)	-	(315,000)
Unrealized losses on available for sale investments, net	-	-	-	(2,447)	(2,447)
Balance as at December 31, 2013	**3,150,000**	**998,060**	**1,697,784**	**(115)**	**5,845,729**

The accompanying notes from (1) to (27) form an integral part of these consolidated financial statements

(In Thousands Saudi Riyals)

1. ORGANIZATION AND OPERATIONS

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

The Company and its subsidiaries mentioned below ("the Group") are primarily engaged in the purchase, lease, operation of vessels for transportation of cargo and passengers, and carry out all marine transport related activities. The Group performs its operations through four distinct segments which are transportation of crude oil and gas, chemicals, general cargo, and dry bulk. The Group is also engaged in the ownership of land and properties inside or outside the kingdom, ownership of shares in other existing companies or merge with them and participate with others in establishing companies with similar activities or complementary activities.

The capital of the Company is SR 3,150 million, comprising 315 million shares with nominal value of SR 10 each as of December 31, 2013 and 2012.

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

Name	**Activity**	**Location**	**Date of incorporation**	**Ownership % 2013**	Ownership % 2012
NSCSA (America) Inc.	Company's ships agent	USA	1991	**100 %**	100 %
Mideast Ship Management Ltd. (JLT)	Technical management of ships	Dubai	2010	**100%**	100%
National Chemical Carriers Ltd. Co. (NCC) and its subsidiary*	Petrochemicals transportation	Riyadh	1990	**80 %**	80 %
Bahri Dry Bulk LLC	Bulk transportation	Riyadh	2010	**60%**	60%

The associated companies that are not consolidated within these consolidated financial statements are as follows (note 10):

Name	**Accounting method**	**Activity**	**Location**	**Date of incorporation**	**Ownership% 2013**	Ownership% 2012
National Chemical Carriers JLT *	Equity method	Petrochemical transportation	Dubai	2009	**-**	40%
Petredec Ltd, **	Equity method	Liquefied petroleum gas transportation	Bermuda	1980	**30.30%**	30.30%

* NCC has signed a joint venture agreement with "Odfjell SE" on Jumada Thani 22, 1430H, (corresponding to June 15, 2009) to establish an equally owned company in Dubai (United Arab Emirates), in the name of NCC-Odfjell Chemical Tankers JLT (referred hereinafter to as "NCC-Odfjell"), to commercially operate the two companies' combined fleets of coated chemical tankers in a pool for transportation of chemicals, vegetable oils and refined petroleum products on a world-wide basis with its focus on the growing production and export market of the Arabian Gulf Region. On 1 June 2013, NCC acquired all "Odfjell JLT" shares which represents 50% of "NCC- Odfjell" and becomes the sole owner of this company, which registered under the name of National Chemical Carriers JLT.

1. **ORGANIZATION AND OPERATIONS - continued**

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

The Company owns seventeen huge oil tankers, two of them are leased to the Hengin Company (Korean), and fifteen carriers operating in the spot market. The Company also owns four RoRo (RoCon) ships operating on commercial lines between North America and Europe, the Middle East and the Indian subcontinent.

NCC owns twenty four specialized chemical tankers, three of them were leased under a bareboat finance lease arrangement to Odfjell SE, a Norwegian company, and eight other carriers are chartered to International Shipping and Transportation Company Limited (ISTC), a subsidiary of Saudi Basic Industries Corporation (SABIC), and one tranker is working in a pool along with a tanker owned by Odfjell. This pool is managed by NCC JLT.

On August 28, 2010, the company established Bahri Dry Bulk LLC with the Arabian Agricultural Services Co. (ARASCO) to transport dry bulk cargo with a capital of SR 200 million. The company owns 60% of the company while ARASCO owns the remaining 40%. This company has started its commercial operations in the second quarter of 2012.

2. **SIGNIFICANT ACCOUNTING POLICIES**

a) *Accounting convention*

The accompanying 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 measurement at fair value of investments held for trading and available for sale. The Company follows the accruals basis of accounting in preparing its consolidated financial statements.

b) Period of financial statements

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

c) Basis of consolidation

- These consolidated financial statements include assets, liabilities and results of operations of the Company and its subsidiaries listed in Note 1 above.

- The subsidiary company is that in which the Company has, direct or indirect long term investment, comprising an interest of more than 50% in the voting capital and over which it exercises practical control. The subsidiary company is consolidated from the date the company obtains control until such control ceases.

- All significant inter-group accounts and transactions as well as realized gains (losses) on these transactions are eliminated on consolidation.

- Non-controlling interest represents portion of profit or loss and net assets not hold by the Company, and is included as a separate item in the consolidated statement of balance sheet and consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

d) Use of estimates

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

e) Cash and cash equivalents

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

f) Trade accounts receivable

Trade accounts receivable are stated at net realizable value, net of provision for doubtful debts. A provision against doubtful debts is provided 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 provision is charged to the consolidated statement of income within "General and administrative expenses", When an account receivable is uncollectible, it is written-off against the provision for doubtful debts, Any subsequent recoveries of amounts previously written-off are reversed against "General and administrative expenses" in the consolidated statement of income.

g) Accounting for finance leases

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

h) Inventories

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

i) Deferred dry-docking costs

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

j) Investments

1- Investments in associated companies:

Investments in associated companies in which the Group has significant influence, but no control, over the investee's financial and operational policies, generally hold an equity interest ranging between 20% and 50%, are accounted for using the equity method whereby the original cost of the investment is adjusted by the post-acquisition retained earnings and reserves of those companies, based on their latest financial statements. When the Group acquires an interest in an associated companies for an amount in excess of the fair value of the acquiree's net assets, the difference is treated as goodwill and recorded as part of the investment account. Goodwill is shown net of impairment, if any.

2- Investments in securities:

Investments in securities are classified into three categories as follows:

- Investments held for trading

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

- Investments held to maturity

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

- Investments available for sale

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

- If the fair value of these investments is not available, cost is considered the most appropriate method for such securities.

(In Thousands Saudi Riyals)

2. SIGNIFICANT ACCOUNTING POLICIES - continued

k) Fixed assets

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:

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

* RoRo (RoCon) ships and VLCCs are depreciated over a period of twenty five years. Used vessels are depreciated based on their estimated remaining useful lives. Residual value is calculated at 10% of the vessels' cost. The equipment of RoRo (RoCon) are depreciated over a period of fifteen years.

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

Gains or losses from disposal of fixed assets are determined by comparing proceeds with the carrying value and are recorded in the consolidated statement of income.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated statement of income as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

l) Impairment of non-current assets

The Group periodically reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset 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 Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of the 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 immediately as expenses in the consolidated statement of income.

Where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized immediately as revenue in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

m) Accounts payable and accruals

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

n) Provisions

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

o) Zakat and tax

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

p) Employees' end of service benefits

Employees' end of service benefits is provided for on the basis of accumulated services period in accordance with the policy of the Group and in conformity with 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.

q) Statuary reserve

In accordance with article (125) of Saudi Arabian Regulations for Companies, the Company is required to transfer 10% of net income to the statuary reserve. The Company may discontinue such transfers when the reserve equals 50% of the paid-up capital. The reserve is not available for distribution to shareholders.

r) Revenue recognition

Revenue is recognized as follows:

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

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

- Revenues from chartering and other attributable activities are recorded when services are rendered over the duration of the related contractual services.

- Other income is recorded when earned.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

s) Bunker subsidy

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

t) Expenses

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

u) Borrowing costs

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

v) Foreign currency transactions

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

Assets and liabilities shown in the consolidated subsidiaries denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi riyals at average exchange rates for the period, The components of equity, other than retained earnings (or accumulated loses, if any) are translated at the date of occurrence of each component. Exchange differences, if material, are included in a separate line item within shareholders' equity.

w) Operating leases

Rentals relating to operating leases are recorded at consolidated statement of income using the straight-line method over the period of operating lease.

x) Earnings per share and proposed dividends

Earnings per share from operating income, other operations and net income for the year is calculated based on the weighted average number of shares outstanding during the year. Proposed dividends after the period end are treated as part of retained earnings and not as liabilities unless the General Assembly approves it before the period end. Once approved by the General Assembly, the amount is recognized as a liability in the same period until paid.

(In Thousands Saudi Riyals)

2 . SIGNIFICANT ACCOUNTING POLICIES - continued

y) Segment reporting

Operating segment

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

(i) That are engaged in revenue operating activities;

(ii) Whose results of operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and

(iii) Whose financial information is available separately.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances and cash, and investments in Murabaha and short-term deposits, out of which SR 74.90 million as of December 31, 2013 (2012:SR 77.84 million) are restricted for repayment of loan installments falling due within 180 days from the consolidated balance sheet date

For the purpose of the consolidated statement of cash flows, cash and cash equivalents as of December 31 comprise the following:

	2013	2012
Bank balances and cash	**106,525**	105,651
Amounts restricted by banks	**(9,428)**	(10,657)
	97,097	94,994
Murabaha and short-term deposits	**237,940**	292,656
Amounts restricted by banks	**(65,471)**	(67,184)
	172,469	225,472
Cash and cash equivalents at the end of the year	**269,566**	320,466

4. MURABAHA AND SHORT-TERM DEPOSITS

Murabaha and short- term deposits balance as of December 31 comprise the following:

	2013	2012
Murabaha and short-term deposits in Saudi Riyals	**75,250**	86,930
Murabaha and short-term deposits in USD	**162,690**	203,684
Murabaha and short-term deposits in AED	-	2,042
	237,940	292,656

5. TRADE RECEIVABLES, NET

Trade receivables, net at December 31 comprise the following:

	2013	2012
Trade receivables	**616,864**	265,942
Provision for doubtful debts	**(8,241)**	(13,177)
	608,623	252,765

Movement in provision for doubtful debts is as follows:

	2013	2012
Balance at the beginning of the year	**13,177**	12,586
Charge for the year	**55**	7,600
Amounts written-off during the year	**(4,991)**	(7,009)
Balance at the end of the year	**8,241**	13,177

(In Thousands Saudi Riyals)

6. BAREBOAT LEASE RECEIVABLE, NET

On January 30, 2009, National Chemical Carriers Ltd. Co. signed agreements with Odfjell to charter three vessels under a bareboat arrangement for a period of ten years with a purchase option after three years. These ships were delivered to Odfjell on February 1, 2009. The arrangement is considered as a finance 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 December 31 is summarized as follows:

Description	2013	2012
Future minimum lease collections	**354,105**	411,418
Unguaranteed residual value at the end of the lease term	**247,875**	247,875
	601,980	659,293
Unearned income	**(207,301)**	(254,471)
Net bareboat lease receivable balance	**394,679**	404,822

The above amount is classified at December 31 as follows:

Description	2013	2012
Current portion	**15,256**	10,143
Non-current portion	**379,423**	394,679
Net bareboat lease receivable balance	**394,679**	404,822

The future minimum lease collectionsand unguaranteed residual value at the end of lease term to be received during the next five years and thereafter are as follows:

	2013	2012
Due within one year	**61,245**	57,313
Due within 1-2 years	**65,351**	61,245
Due within 2-3 years	**69,649**	65,351
Due within 3-4 years	**73,564**	69,649
Due within 4-5 years	**77,670**	73,564
Thereafter	**254,501**	332,171
	601,980	659,293

Income related to the above arrangement for the year ended December 31, 2013 amounted to SR 47.11 million (2012: SR 48.05 million) and is included in operating revenues in the consolidated statement of income.

7. PREPAID EXPENSES AND OTHER RECEIVABLES

	2013	2012
Prepaid expenses	**57,949**	58,997
Advances to suppliers	**9,579**	7,453
Insurance claims	**4,303**	15,469
Employee receivables	**3,132**	5,267
Due from related parties (note 19)	**-**	50,066
Others	**4,653**	4,448
	79,616	141,700

(In Thousands Saudi Riyals)

8. INVENTORIES

Inventories on board of ships at December 31 comprise the following:

	2013	2012
Fuel	**198,164**	108,103
Lubricants	**22,351**	23,965
Others	**2,508**	-
	223,023	132,068

9. ACCRUED BUNKER SUBSIDY, NET

Accrued bunker subsidy, net at December 31 comprise the following:

	2013	2012
Accrued bunker subsidy	**146,194**	171,087
Provision for doubtful bunker subsidy	**(22,314)**	(38,534)
	123,880	132,553

10. INVESTMENTS IN ASSOCIATED COMPANIES

The movement of investments in associated companies for the year ended December 31 is as follows:

	2013	2012
Balance at the beginning of the year	**651,982**	540,232
Share in results of associates *	**291,235**	147,660
Dividends received during the year	**(96,591)**	(35,910)
Transferred to a subsidiary company (note1)	**(4,641)**	-
Balance at the end of the year	**841,985**	651,982

* Share in results of associates represents the Company's share in net results of Petredec Limited Company of SR 291.2 million (2012: SR 143.87 million), which includes the Petredec's share in unrealized gains of nil (2012: unrealized losses of SR 22.5 million) from goods exchange contracts.

11. DEFERRED DRY-DOCKING COSTS, NET

Deferred dry-docking costs, net at December 31 comprise the following:

	2013	2012
Total dry-docking costs	**381,688**	329,679
Accumulated amortization	**(277,016)**	(231,004)
	104,672	98,675

Movement in the dry-docking costs is as follows:

	2013	2012
Balance at the beginning of the year	**98,675**	67,203
Additions during the year	**52,009**	69,530
Amortization during the year	**(46,012)**	(38,058)
Balance at the end of the year	**104,672**	98,675

(In Thousands Saudi Riyals)

12. FIXED ASSETS, NET

Movement in fixed assets during the year 2013 is summarized as follows:

Description	Cost				Accumulated Depreciation				Net Book Value	
	Balance as at 1/1/2013	Additions / Transferes during the year	Disposals	Balance as at 31/12/2013	Balance as at 1/1/2013	Chargers for the year	Disposals	Balance as at 31/12/2013	31/12/2013	31/12/2012
Lands	1,854	-	-	1,854	-	-	-	-	1,854	1,854
Buildings and improvements	43,919	1,844	-	45,763	(7,324)	(2,118)	-	(9,442)	36,321	36,595
Fleet and equipment *	10,946,858	1,469,451	(934,972)	11,481,337	(3,496,266)	(416,891)	891,740	(3,021,417)	8,459,920	7,450,592
Containers and trailers	52,376	-	(1,284)	51,092	(52,301)	-	1,340	(50,961)	131	75
Furniture and fixtures	6,756	697	(14)	7,439	(5,134)	(437)	14	(5,557)	1,882	1,622
Tools and office equipment	4,067	165	-	4,232	(3,854)	(111)	-	(3,965)	267	213
Motor vehicles	1,686	-	(125)	1,561	(1,425)	(153)	115	(1,463)	98	261
Computer equipment	54,027	2,840	(342)	56,525	(43,818)	(3,565)	334	(47,049)	9,476	10,209
Container yard facilities	12,910	3	(630)	12,283	(10,650)	(233)	552	(10,331)	1,952	2,260
Others	492	246	-	738	(472)	(15)	-	(487)	251	20
Total	**11,124,945**	**1,475,246**	**(937,367)**	**11,662,824**	**(3,621,244)**	**(423,523)**	**894,095**	**(3,150,672)**	**8,512,152**	7,503,701

* Fleet and equipment balance above includes VLCCs and petrochemical carriers financed by banks and mortgaged in favor of the lending banks as mentioned in Note (15).

(In Thousands Saudi Riyals)

13. SHIPS UNDER CONSTRUCTION AND OTHERS

The movement in the account of ships under construction and others for the year ended December 31 is as follows:

2013	The Company	National Chemical Carriers	Bahri Dry Bulk LLC	Total
Beginning balance	**697,969**	**322,988**	**151,034**	**1,171,991**
Additions	**818,744**	**132,008**	**209,609**	**1,160,361**
Disposals	**-**	**(184,854)**	**-**	**(184,854)**
Transferred to fixed assets	**(1,076,400)**	**(270,142)**	**(124,488)**	**(1,471,030)**
Ending balance	**440, 313**	**-**	**236,155**	**676,468**

2012	The Company	National Chemical Carriers	Bahri Dry Bulk LLC	Total
Beginning balance	316,836	919,832	462	1,237,130
Additions	382,980	102,045	150,922	635,947
Disposals	-	(51,750)	-	(51,750)
Transferred to fixed assets	(1,847)	(647,139)	(350)	(649,336)
Ending balance	697,969	322,988	151,034	1,171,991

Total capitalized borrowing costs during the year 2013 are amounted to SR 10.14 million (2012: SR 13.39 million).

On December 24, 2012, NCC terminated the contract for building the last vessel as a result of SLS's failure to deliver it according to the time schedule specified in the contract signed in 2007 and its amendments signed in 2012. The contract states that NCC has the right to terminate the contract if the delay period exceeded the allowed period. On February 2013, all paid installments were recovered amounting to USD 41.6 million plus compensation. As a result of this settlement, an amount of SR 16.32 million was recognized as other income (note 21).

On 9 January 9, 2014, the Company received a new vessel, specialized in conveying general cargo, has been constructed by Hyundai Mipo in South Korea. This vessel is the fifth one among other six vessels have been agreed to construct it with this shipyard in the year 2011 with a total value of SR 1.543 million , the financial impact of this vessel will be presented effective from the first quarter of the year 2014. Accordingly, the Company still has one outstanding vessel under construction with Hyundai Mipo company, which will be received during the first half of the year 2014.

On November 29, 2013, Bahri Dry Bulk LLC (subsidiary company) received the first specialized vessel to convey bulk cargo among five vessels have been agreed to construct it in 2012 with one of the global shipyards prominent in the field of vessel construction in Japan. On January 2014 the subsidiary company received another vessel. Accordingly, the subsidiary company still has three outstanding vessels under construction, which will be received consecutively during the first half of the year 2014.

14. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at December 31 comprise the following:

	2013	2012
Trade payables	**242,126**	176,287
Value of shares sold belonging to previous shareholders	**22,004**	22,134
Accrued expenses	**17,588**	28,910
Others	**1,047**	2,982
	282,765	230,313

(In Thousands Saudi Riyals)

15. MURABAHA FINANCING AND LONG TERM LOANS

The Group has signed short term Murabaha financing agreements which are primary for financing the working capital of the Group.

The Group has signed various Murabaha financing and long term loans agreements which are primary for financing the building of new VLCCs and petrochemicals carriers and new office in Dubai.

The following table shows the details of the Murabaha financing and long-term loans as at 31 December:

2013				
Financing:	**The Company**	**Subsidiaries**	**Total**	**%**
Murabaha financing	**1,825,756**	**1,958,186**	**3,783,942**	**76%**
Commercial loans	**32**	**-**	**32**	**0%**
Public Investment Fund "Murabaha financing"	**825,000**	**-**	**825,000**	**17%**
Public Investment Fund finance "commercial loans"	**23,250**	**308,657**	**331,907**	**7%**
Total Murabaha financing and long-term loans	**2,674,038**	**2,266,843**	**4,940,881**	**100%**
Current portion of Murabaha and long-term financing	**(343,592)**	**(220,700)**	**(564,292)**	**-**
Non-current Murabaha financing and long-term loans	**2,330,446**	**2,046,143**	**4,376,589**	**-**

2012				
Financing:	The Company	Subsidiaries	Total	%
Murabaha financing	1,107,017	2,052,051	3,159,068	67%
Commercial loans	32	344,968	345,000	7%
Public Investment Fund "Murabaha financing"	1,155,000	-	1,155,000	25%
Public Investment Fund finance "commercial loans"	60,750	-	60,750	1%
Total Murabaha financing and long term loans	2,322,799	2,397,019	4,719,818	100%
Current portion of Murabaha financing and long-term loans	(264,858)	(201,227)	(466,085)	-
Non-current portion Murabaha financing and long-term loans	2,057,941	2,195,792	4,253,733	-

- The finance cost is calculated as per the financing agreements at market prevailing rates.
- The Company's fleet and equipment balance includes VLCCs and petrochemical carriers that are financed by banks and pledged as a collateral to the lenders (note 12).

The aggregate maturities of the outstanding financing as at December 31, are as follows:

	2013	2012
During a year	**564,292**	466,085
From 1 year to 5 years	**2,460,315**	3,145,118
More than 5 years	**1,916,274**	1,108,615
	4,940,881	4,719,818

(In Thousands Saudi Riyals)

16. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share is calculated based on the number of shares outstanding during the years ended December 31, 2013 and 2012 totaling 315 million shares. The earnings per share from non-operating income for the year ended December 31, 2013 amounted to SR 0.80 (2012: SR 0.16).

The General Assembly approved in its meeting held on March 30, 2013 the payment of dividends of 10% of the share capital amounting to SR 315 million, representing SR 1 per share for the year 2012. The balance of unclaimed dividends as at December 31, 2013 amounted to SR 32.09 million (2012: SR 30.94 million).

On 15 Safar 1435H (corresponding to 18 December 2013), the Board of Directors proposed to distribute cash dividends of 10% of the share capital amounting to SR 315 million, representing SR 1 per share for the year 2013. This is subject to the approval of the shareholders at the Annual General Assembly Meeting

17. ZAKAT AND WITHHOLDING TAX

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

The Company and its subsidiaries file their zakat returns separately.

Provision for Zakat and Tax

Following is the movement in provision for zakat and tax during the year ended December 31:

	2013	2012
Zakat and tax provision at the beginning of the year	**118,778**	104,576
Zakat provision for the year	**43,593**	32,945
Withholding tax provision for the year	**6,265**	3,354
Amounts paid during the year	**(29,729)**	(22,097)
Zakat and tax provision at the end of the year	**138,907**	118,778

The Company's Zakat and Tax status

The Company has submitted zakat returns for all years up to 2012, and it has submitted the withholding tax returns up to October 2013. The Department of Zakat and Income Tax ("DZIT") agreed on zakat assessment for all years up to 2000. The Company received an additional zakat and withholding tax assessment for the years 2001 to 2007 amounting to SR 22 million. The Company appealed against these additional assessments and its calculation method to the DZIT. The Company has not received the final zakat assessment for the years from 2008 to 2012.The Company believes that adequate provision is maintained at December 31, 2013 for any potential zakat and withholding tax by the DZIT for the concerned years.

Zakat and Tax status for NCC

The subsidiary company has submitted the zakat returns for all fiscal years up to 2012 and the withholding tax returns up to November 2013 and paid the zakat and withholding taxes due according to these returns. The subsidiary company received additional zakat and withholding tax assessments for the years 1991 to 2004 amounting to SR 54 million. The subsidiary company filed appeals against some items in these assessments and their treatments. In April 2010, the subsidiary company reached an agreement with the DZIT for a final settlement of the above assessments in the amount of Saudi Riyals 54 million, the subsidiary company paid Saudi Riyals 26 million of this amount due during 2011 and the remaining balance is to be paid in installments over five years starting July 2012 . The subsidiary company has received the zakat returns and tax returns for the years 2005 to 2008. The subsidiary company filed appeals against some items in these assessments and their treatments, the appeal is still pending with the DZIT .The subsidiary company believes that the provision for zakat and withholding tax is sufficient as of 31 December 2013.

(In Thousands Saudi Riyals)

17. ZAKAT AND WITHHOLDING TAX – continued

Zakat and Tax status for Bahri Dry Bulk LLC

During 2013, the subsidiary company paid the accrued zakat for the year 2012, and it will submit the zakat and withholding tax returns for the years up to 2013 during 2014. The subsidiary company believes that it maintains an adequate provision for zakat and withholding tax as at December 31, 2013.

18. OTHER LIABILITIES

This item represents the total of amounts received from one of the ships building companies as at December 31, 2013 and 2012 against charging this company with the repair costs of the tanks related to the new six vessels built for National Chemical Carrier Company (subsidiary company). Therefore, it was agreed to charge the ships building company a total amount of US$ 9.8 million (SR 36.750 million), US$ 1.7 million (SR 6.1 million) for each ship. During the year ended December 31, 2013, repair of tanks for one of these vessels was made during its maintenance period, which resulted in saving of SR 5.2 million (2012: nil) and it was recognized as other income (note 21). As the subsidiary company does not have a maintenance plan for the remaining vessels for the next 12 months, this item was classified as non-current liabilities.

19. RELATED PARTY TRANSACTIONS

In its ordinary course of business, the Group deals with related companies on an arms' length basis.

The following are the details of such transactions during the year:

	2013	2012
Revenues	**294,985**	182,922
Pool management fees	**7,650**	6,632
Insurance expenses incurred	**18,380**	20,090

Balances of such transactions as at December 31 are as follows:

Amounts due from related parties shown under trade receivables are as follows:

	2013	2012
ISTC (an affiliate)	**33,278**	12,148

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprise the following:

	2013	2012
Employees' salaries and benefits	**73,643**	66,526
Depreciation	**3,622**	3,319
Boards of Directors expenses	**2,586**	4,673
Others	**14,299**	8,545
	94,150	83,063

(In Thousands Saudi Riyals)

21. OTHER INCOME, NET

Other income, net for the year ended December 31 comprise the following:

	2013	2012
Gains on sale of fixed assets	**75,496**	12,507
Net income from investments	**18,452**	7,337
Settlement for cancellation of a ship under construction (note 13)	**16,316**	-
Increase recoveries from insurance claims	**6,649**	1,485
Settlement for repair of ships (note 18)	**5,242**	-
Impairment in the value of available for sale investment	**(17,667)**	-
Others	**1,369**	(1,194)
	105,857	20,135

22. CAPITAL CONTINGENT LIABILITIES

The Group has capital commitments related to shipyards construction amounting to SR 0.067 billion to build RoRo (RoCon) ships as at 31 December 2013 (2012: SR 0.87 billion). The capital commitments of NCC, a subsidiary company, to build petrochemical ships is nil as at 31 December 2013 (2012: SR 0.98 billion). The capital commitments of the subsidiary company to build bulk transportation ships amounted to SR 0.027 billion as at 31 December 2013 (2012: SR 0.45 billion).

The Group has outstanding letters of guarantee of SR 236.90 million at December 31, 2013 (2012: SR 238.85 million) issued during the normal course of business.

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

(In Thousands Saudi Riyals)

23. SEGMENTAL INFORMATION

A) The table below illustrates the distribution of the Company's and subsidiaries' activities by operating segments as of December 31:

2013

	Oil Transportation	Petrochemical Transportation*	General Cargo Transportation	Dry Bulk Transportation	Total
Operating revenues	**1,506,756**	**663,874**	**562,162**	**113,906**	**2,846,698**
Bunker cost	**(701,566)**	**(109,529)**	**(132,311)**	**-**	**(943,406)**
Other operating expenses:					
Vessel related expenses	**(267,302)**	**(188,136)**	**(46,164)**	**(73,014)**	**(574,616)**
Cargo related expenses	**-**	**-**	**(222,649)**	**-**	**(222,649)**
Voyage related expenses	**(81,051)**	**(62,634)**	**(60,594)**	**-**	**(204.279)**
Depreciation and amortization	**(281,285)**	**(157,037)**	**(20,871)**	**(373)**	**(459,566)**
Others	**(11,761)**	**(5,086)**	**-**	**-**	**(16,847)**
Total other operating expenses	**(641,399**	**(412,893)**	**(350,278)**	**(73,387)**	**(1,477,957)**
Total operating expenses	**(1,342,965)**	**(522,422)**	**(482,589)**	**(73,387)**	**(2,421,363)**
Gross operating income before bunker subsidy	**163,791**	**141,452**	**79,573**	**40,519**	**425,335**
Bunker subsidy	**143,943**	**6,497**	**20,668**	**-**	**171,108**
Gross operating income	**307,734**	**147,949**	**100,241**	**40,519**	**596,443**

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

2012

	Oil Transportation	Petrochemical Transportation*	General Cargo Transportation	Dry Bulk Transportation	Total
Operating revenues	1,474,477	440,873	510,106	39,172	2,464,628
Bunker cost	(724,631)	-	(150,466)	-	(875,097)
Other operating expenses:					
Vessel related expenses	(246,611)	(162,260)	(50,111)	(30,918)	(489,900)
Cargo related expenses	-	-	(184,870)	-	(184,870)
Voyage related expenses	(87,960)	-	(54,127)	-	(142,087)
Depreciation and amortization	(278,472)	(132,390)	(12,273)	-	(423,135)
Others	(9,956)	3,306	-	-	(13,262)
Total other operating expenses	(622,999)	(297,956)	(301,381)	(30,918)	(1,253,254)
Total operating expenses	(1,347,630)	(297,956)	(451,847)	(30,918)	(2,128,351)
Gross operating income before bunker subsidy	126,847	142,917	58,259	8,254	336,277
Bunker subsidy	157,468	2,164	40,940	-	200,572
Gross operating income	284,315	145,081	99,199	8,254	536,849

* The financial information of NCC and its subsidiary is consolidated effective June 1, 2013. Accordingly, revenue, bunker cost and other operating costs are shown on gross basis.

(In Thousands Saudi Riyals)

23. SEGMENT INFORMATION - continued

B) The table below illustrates the distribution of the Company's and subsidiaries' assets and liabilities by operating segments as of December 31:

2013

	Oil Transportation	Petrochemicals Transportation	General Cargo Transportation	Dry Bulk Transportation	Shared Assets and Liabilities *	Total
Assets	**5,273,014**	**3,490,069**	**1,730,364**	**412,784**	**1,090,297**	**11,996,528**
Liabilities	**1,652,778**	**2,237,139**	**1,224,998**	**184,070**	**510,120**	**5,809,105**

2012

	Crude Oil Transportation	Petrochemicals Transportation	General Cargo Transportation	Dry Bulk Transportation	Shared Assets and Liabilities *	Total
Assets	5,240,417	3,705,071	972,714	208,969	935,387	11,062,558
Liabilities	1,879,601	2,528,093	613,112	7,556	308,451	5,336,813

* Shared assets and liabilities represent amounts which cannot be allocated to a specific segment such as cash, deposits, investments held to maturity, unclaimed dividends, etc.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value and cash flow commission rate exposure and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial instruments carried on the balance sheet principally include cash and cash equivalents, investments, receivables, borrowings, payables and certain accrued expenses.

Financial assets and liabilities are offset and net amounts are reported in the financial statements when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Risk management is carried out by top management. The most important types of risk are as follows:

Commission rate risk
Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission rate bearing assets and liabilities, including bank deposits and term loans. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow-ups. At 31 December 2013, trade accounts receivable include balances totaling SR 353 million (2012: SR 65 million) due from Government and quasi-Government institutions.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business.. The Group transactions are mainly in Saudi Riyals, UAE Dirhams and US Dollars. The currencies of UAE Dirhams and US Dollars are not considered to represent significant currency risk, as these currencies are pegged to the Saudi Riyal.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Fair value

Fair value is the amount used to exchange assets or to settle liabilities between knowledgeable willing parties on an arms-length basis. As the consolidated financial statements of the Group are compiled based on the historical cost convention, except for the investments in financial instruments and derivative financial instruments at fair value, differences might occur between carrying value and fair value estimates. The management believes that the fair values of financial assets and liabilities are not materially differ from their book values.

25. AGREEMENTS WITH ARAMCO AND VELA

On November 4, 2012 the Company signed an agreement with Saudi Aramco whereby the total ownership of Vela International Marine Ltd's fleet. (Vela) will be transferred to the Company after obtaining required regulatory approvals. The Vela's fleet consists of fourteen VLCCs, one VLCC for floating storage and five refined petroleum product tankers.

Pursuant to the merger agreement, Bahri will pay Vela a total consideration of approximately SR 4.88 billion (equivalent to US$1.3 billion), consisting of a cash consideration amounting to SR 3.12 billion (equivalent to US$ 832.75 million) in addition to 78.75 million new Bahri shares to be issued to Vela at an agreed price of SR 22.25 per share. The Company's post-merger issued number of shares will be 393.75 million shares and the new shares issued to Vela which are wholly owned by Saudi Aramco will equal 20 % of Bahri's share capital. Aramco will have a fair representation in Bahri's Board. The Company plans to fund the cash consideration through Sharia compliant financing agreements.

According to the terms of a long-term shipping contract for a minimum period of 10 years, the Company will be the exclusive carrier to Saudi Aramco for the transportation of crude oil sold by Saudi Aramco on the FOB basis. According to this contract and to meet Saudi Aramco's future demand which is estimated to be 50 VLCCs the Company plans to best optimize the utilization of its post-merger fleet which will total 31 VLCCs in addition to charter VLCCs when necessary.

The long-term shipping contract includes an agreed upon terms to protect the Company when freight rates falls below the minimum agreed limit. On the other hand, if freight rates increased above specific limit agreed upon (compensation limit), the Company will compensate Saudi Aramco against the amounts paid to the Company upon the fall of freight prices below the minimum limit.

Bahri and Vela have also agreed on temporary arrangements for the operation of the VLCCs owned currently by Bahri within Saudi Aramco's program to transport oil via VLCCs. The temporary arrangement started on Safar 19, 1434H (corresponding to January 1, 2013) until the long-term shipping contract becomes effective according to the terms of the merger agreement.

The merger agreement is subject to various terms including the approval of the Extraordinary General Assembly of the Company on the merger and capital increase and obtaining other regulatory approvals such as the Capital Market Authority and the Supreme Council for Petroleum and Mineral Affairs which is in process. The approval of the Competition Protection Council in Saudi Arabia has already been obtained.

26. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors has approved the consolidated financial statements for the year ended 31 December 2013 on 23 Rabie' Thani 1435H (corresponding to 23 February 2014).

27. RECLASSIFICATIONS

Certain amounts previously reported in the 2012 consolidated financial statements have been reclassified to conform to the current year presentation.

16. Pro Forma Consolidated Balance Sheet for Bahri Group

The following unaudited pro-forma Consolidated Balance Sheet has been prepared to show the effects of the merger of the fleets, related assets and operations of Vela with Bahri ('**the Transaction**') as if this had occurred on 1 January 2014. It has been prepared in accordance with SOCPA, for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the actual post Transaction position.

	Adjustments (SAR '000)				
	Bahri[1] SAR '000	Vela[2]	Consideration[2,3]	Net proceeds of bridge loan financing [4]	Unaudited Proforma net assets[5]
ASSETS					
Current assets					
Cash in hand and at banks	106,525	--	(3,122,812)	3,122,812	106,525
Investments in Murabaha and short-term deposits	237,940	--	--	--	237,940
Trade receivables, net	608,623	--	--	--	608,623
Prepaid expenses and other receivables	79,616	--	--	--	79,616
Bareboat lease receivable, net	15,256	--	--	--	15,256
Agents' current accounts	27,523	--	--	--	27,523
Inventories	223,023	--	--	--	223,023
Accrued bunker subsidy, net	123,880	--	--	--	123,880
Incomplete voyages	4,456	--	--	--	4,456
Total current assets	1,426,842	--	(3,122,812)	3,122,812	1,426,842
Non-current assets					
Bareboat lease receivable, net	379,423	--	--	--	379,423
Investments held to maturity	40,587	--	--	--	40,587
Investments available for sale	14,399	--	--	--	14,399
Investments in associated companies	841,985	--	--	--	841,985
Deferred dry-docking cost, net	104,672	--	--	--	104,672
Fixed assets, net	8,512,152	3,652,500	--	--	12,164,652

	Adjustments (SAR '000)				
	Bahri[1] SAR '000	Vela[2]	Consideration[2,3]	Net proceeds of bridge loan financing [4]	Unaudited Proforma net assets[5]
Ships under construction and other	676,468	--	--	--	676,468
Intangible assets	--	1,222,500	--	--	1,222,500
Total non-current assets	10,569,686	4,875,000	--	--	15,444,686
Total assets	11,996,528	4,875,000	(3,122,812)	3,122,812	16,871,528
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accruals	282,765	--	--	--	282,765
Current portion of Murabaha financing and long-term loans	564,292	--	--	--	564,292
Short term Murabaha financing	337,000	--	--	3,122,812	3,459,812
Unclaimed dividends	32,088	--	--	--	32,088
Provision for Zakat and tax	138,907	--	--	--	138,907
Total current liabilities	1,355,052	--	--	3,122,812	4,477,864
Non-current liabilities					
Murabaha financing and long-term loans	4,376,589	--	--	--	4,376,589
Employees' end of service benefits	46,760	--	--	--	46,760
Other liabilities	30,704	--	--	--	30,704
Total non-current liabilities	4,454,053	--	--	--	4,454,053
Total liabilities	5,809,105	--	--	3,122,812	8,931,917
Share capital	3,150,000	--	787,500	--	3,937,500
Share premium	--	--	964,688	--	964,688
Statutory reserve	998,060	--	--	--	998,060
Retained earnings	1,697,784	--	--	--	1,697,784
Proposed dividends	--	--	--	--	--

	Adjustments (SAR '000)				
	Bahri[1] SAR '000	Vela[2]	Consideration[2,3]	Net proceeds of bridge loan financing [4]	Unaudited Proforma net assets[5]
Unrealized losses from available for sale investments	(115)	--	--	--	(115)
Total shareholders' equity	5,845,729	--	1,752,188	--	7,597,917
Non-controlling interests	341,694	--	--	--	341,694
Total equity	6,187,423	--	1,752,188	--	7,939,611
Total liabilities and equity	11,996,528	--	1,752,188	3,122,812	16,871,528

Notes

1. The net assets of Bahri are extracted without material adjustment from the historical financial statements set out in Section 15 "Financial Statements" of this document as at 31 December 2013.
2. The business and assets of Vela have been acquired for a Consideration of an amount equal to SAR 4.875bn (equivalent to U.S.$ 1.3bn). The total Consideration comprises SAR 78.75m Consideration shares and cash Consideration of SAR 3,122,812,500 (equivalent to US$832,750,000). The fair value of the Consideration shares issued is calculated to be an amount equal to SAR 1,752,187,500 (equivalent to US$467,250,000) being SAR 22.25 per Consideration share. Based on a par value of SAR10 per share a share premium of SAR 964,688,500 would be recognised.
3. Of the total Consideration of an amount equal to SAR 4.875bn (equivalent to U.S.$ 1.3bn), an amount equal to SAR 3.653bn (equivalent to U.S.$ 0.974bn) is allocated to tangible assets and an amount equal to SAR 1.222bn (equivalent to U.S.$ 0.326bn) is allocated to intangible assets. The principal components of the tangible and intangible assets acquired are the Vela Vessels and the entry by the Company into Shipping Agreements respectively.
4. The Company has entered into a non binding term sheet Murabaha bridge facility (the "Murabaha Bridge Facility") on 9/4/1434H (corresponding to 19/2/2013) with each of JP Morgan Chase Bank N.A. (Riyadh branch), Samba Financial Group and The Saudi British Bank to fund all of the Cash Consideration as well as the costs incurred by the Company in relation to the Transaction ("the Term Sheet"). See section 2.7 "The Cash Consideration" and Section 13.2.2 "Finance Agreements" of this Prospectus for further information. The net proceeds of the bridge loan financing receivable by the Company is SAR 3,122,812,500.
5. No account has been taken for any changes in the trading and financial position of the Company since 31 December 2013.

17. Annex 1 – Form of the Invitation for the Transaction EGM

Unless the context requires otherwise, capitalised terms used herein shall have the meaning given to them in the prospectus dated 25 May 2014 (the «**Prospectus**»).

The Board of Directors of the Company is pleased to invite those shareholders of the Company holding 10 or more shares to attend the Extraordinary General Meeting to be held in Riyadh at 7.30pm on 19 June 2014 (corresponding to 21 Sha›ban 1435H) to consider the approval of the Transaction EGM Resolution which contains the following items:

First Clause

1. The approval of the merger of the fleets and operations of the Company and Vela as described in the Prospectus published by the Company on 25 May 2014 and all other matters relating to the Transaction including the approval of the matters stated below.

Second Clause

2. The payment of the Consideration to Vela of an amount equal to SAR 4,875,000,000 (equivalent to US$1,300,000,000) subject to any Adjustments, pursuant to the terms of the BAPA, comprising:

   i) the issuance of the Consideration Shares to SADC, a wholly-owned subsidiary of Saudi Aramco, as set out in further detail in the Third Clause below; and

   ii) the payment of the Cash Consideration of an amount equal to SAR 3,122,812,500 (equivalent to US$832,750,000) to Vela, on the basis stated in the Prospectus.

Third Clause

3. Increase the Company›s share capital from SAR 3,150,000,000 to SAR 3,937,500,000 (which represents an increase of 20% of the current share capital on a fully diluted basis) through the issuance of 78,750,000 shares each with a nominal value of SAR 10. The Consideration Shares were valued under the terms of the Transaction at a price of SAR 22.25 per share (including a premium of SAR 12.25), with a total value of SAR 1,752,187,500 (equivalent to US$ 467,250,000) and are to be issued to SADC in order to satisfy part of the Consideration to be paid by the Company. The Consideration Shares will be issued to SADC after completing the transfer of that number of Vela Vessels to the Company under the Transaction with an aggregate value equal to the value of the Consideration Shares.

If the Transaction cannot be implemented as a result of a Force Majeure Event after the transfer of any of the Vela Vessels to the Company, but before completing the transfer of that number of Vela Vessels with an aggregate value equal to the value of the Consideration Shares, then the Capital Increase will be limited to the issuance of that number of shares (at a price of SAR 22.25 per share) equal in value to the aggregate value of the Vela Vessel(s) which have been transferred to the Company prior to the occurrence of the Force Majeure Event that resulted in the termination of the Transaction.

Fourth Resolution

4. Authorizing Mr. Abdulrahman Mohammad Al-Mofadhi, the Chairman of the Board of Directors of the Company and Eng. Saleh Nasser Al-Jasser, the Company›s Chief Executive Officer, jointly and collectively, to implement all the terms of the agreements pertaining to the Transaction, and any other relevant documents, and to sign and amend, on behalf of the Company, such agreements and documents, and delegate all or part of their powers and authorities to any member of the Board of Directors, any of the Company›s officers or any third party.

Fifth Resolution

5. The approval to amend articles 4, 6, 7, 8, 10, 14, 15, 16, 17, 18, 20, 21, 22, 24, 30, 33, 34, 35, 36, 37 of the Company›s By-Laws and re-arranging and re-numbering the articles of the By-Laws in accordance with such amendments.

18. Annex 2 - Form of Proxy in respect of the Transaction EGM

I (insert full name of the shareholder or the name of the company or establishment as per its Commercial Registration) the undersigned, pursuant to the National Identification/ Commercial Registration No.____________________ dated __ /__ / _____H. As a shareholder of National Shipping Company of Saudi Arabia, owner of_____ shares, I have authorized the shareholder (insert full name of the shareholder), pursuant to the National Identification No.__________________ dated __ /__ / _____H (not being a Board of Directors, employee of the company, or delegated to perform permanently technical or administrative tasks to the company's benefit), to represent me at the Extraordinary General Meeting of the company to be held on the day of (   ) dated (   ) and vote on my behalf on the EGM agenda items, sign all the required documents necessary and mandatory to the meeting procedures. This Power of Attorney shall be valid for the second meeting of the EGM in the event of the postponement of the meeting referred to above.

God Bless…

Done At: __ / __ / _____H (corresponding to __ / __ / _____G)

Signature Ratification:

Signature Name:

Position:

Signature:

Notes:

Please write the full name with the signing of the Power of Attorney and certifying it from one of the banks, the Chamber of Commerce, or from a governmental entity.

Any National Shipping Company of Saudi Arabia Board of Directors, employees of the company, or delegated to perform permanently technical or administrative tasks to the company's benefit cannot be authorized.

Only National Shipping Company of Saudi Arabia shareholders can be authorized.

19. Annex 3 - Form of Voting Card in respect of the Transaction EGM

The Extraordinary Meeting held on the day of (   ) dated ___ / ___ / _____H

(corresponding to ___/___ /_____G**)**

Shareholder Name: ____

Serial Number in the shareholder attendance sheet: ______________________

Number of shares represented: _________________________________

Number of shares authorized: __________________________________

Total number of shares (total votes):_____________________________

Item for voting:

- The approval of the merger of the fleet and operations of the Company and Vela as described in the Prospectus published by the Company on 25 May 2014 and all other agreements, documents, and arrangements relating to the Transaction including the approval of the matters stated in the agenda.

Accept: ☐ Decline: ☐

Shareholder Name: _______________________ signature: _______________________

Note: Please do not vote in the card until after the announcement of the start of voting in the EGM, please notate (✓) in the box you choose to approve or not approve.

1.

Bahri البحري