The National Shipping Company of Saudi Arabia
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended December 31, 2015
And Auditors' report

Contents

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Ernst & Young & Co. (Public Accountants)
Al Faisaliah Office Tower
PO Box 2732
King Fahad Road
Riyadh 11461
Saudi Arabia
Registration Number: 45

Tel: +966 11 273 4740
Fax: +966 11 273 4730

www.ey.com

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 2015 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 2015 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

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277

Riyadh: 14 Jumad Awal 1437H
(23 February 2016)

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Consolidated Statements of Balance Sheet
As at December 31, 2015
(In Thousands Saudi Riyals)

ASSETS	Note	2015	2014
Current assets			
Bank balances and cash	3	**173,265**	168,957
Murabaha and short term deposits	3,4	**1,066,597**	221,111
Trade receivables, net	5	**1,001,104**	661,752
Lease receivable for vessels, net	6	**27,901**	21,140
Prepaid expenses and other receivables	7	**163,686**	164,337
Agents' current accounts		**47,587**	76,334
Inventories	8	**203,610**	327,490
Accrued bunker subsidy, net	9	**150,412**	197,407
Incomplete voyages		**6,369**	-
Total current assets		**2,840,531**	1,838,528
Non-current assets			
Lease receivable for vessels, net	6	**330,381**	358,282
Investments held to maturity		**10,043**	10,587
Investments available for sale		**13,533**	13,533
Investment in an associated company	10	**1,027,941**	905,758
Deferred dry-docking cost, net	11	**126,586**	122,166
Intangible assets, net	12, 26	**849,464**	903,501
Fixed assets, net	13	**12,798,271**	12,980,017
Ships under construction and other	14	**1,099,901**	12,039
Total non-current assets		**16,256,120**	15,305,883
Total assets		**19,096,651**	17,144,411
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accruals	15	**928,326**	518,506
Murabaha and long-term financing -current portion	16	**547,016**	558,304
Short term Murabaha financing	16, 26	-	3,459,313
Dividends Payable	17	**35,095**	33,882
Provision for zakat and withholding tax	18	**296,811**	142,898
Incomplete voyages		-	9,813
Other liabilities	19	**30,704**	-
Total current liabilities		**1,837,952**	4,722,716
Non-current liabilities			
Murabaha, Sukuk and long-term financing	16	**7,505,847**	4,152,888
Employees' end of service benefits		**53,774**	52,834
Other liabilities	19	-	30,704
Total non-current liabilities		**7,559,621**	4,236,426
Total liabilities		**9,397,573**	8,959,142
Equity			
Shareholders' equity			
Share capital	1	**3,937,500**	3,937,500
Statutory reserve	26	**2,197,890**	2,016,132
Retained earnings	17	**3,149,268**	1,861,440
Total shareholders' equity		**9,284,658**	7,815,072
Non-controlling interests		**414,420**	370,197
Total equity		**9,699,078**	8,185,269
Total liabilities and equity		**19,096,651**	17,144,411

The accompanying notes from (1) to (29) form an integral part of these consolidated financial statements.

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Consolidated Statements of Income
For the Year Ended December 31, 2015
(In Thousands Saudi Riyals)

	Note	2015	2014
Operating revenues	24	**7,502,120**	3,626,412
Bunker cost	24	**(1,081,099)**	(1,206,749)
Other operating expenses	24	**(4,404,412)**	(1,963,373)
Gross operating income before bunker subsidy		**2,016,609**	456,290
Bunker subsidy		**179,910**	217,936
Gross operating income		**2,196,519**	674,226
General and administrative expenses	21	**(216,489)**	(98,875)
Operating income		**1,980,030**	575,351
Share in results of an associated company	10	**184,683**	131,956
Finance charges	16	**(132,230)**	(106,474)
Other income (expenses), net	22	**10,677**	(1,053)
Income before zakat, tax and non-controlling interests		**2,043,160**	599,780
Zakat and withholding tax, net	18	**(181,354)**	(37,436)
Income before non-controlling interests		**1,861,806**	562,344
Non-controlling interests in consolidated subsidiaries' net income		**(44,223)**	(28,504)
Net income for the year		**1,817,583**	533,840
Earnings Per Share (in SR):			
Attributable to operating income	17	**5.03**	1.70
Attributable to net income for the year	17	**4.62**	1.58

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Consolidated Statements of Cash Flow
For the Year Ended December 31, 2015
(In Thousands Saudi Riyals)

	Note	2015	2014
Cash flows from operating activities:			
Net income for the year		**1,817,583**	533,840
Adjustments to reconcile net income for the year to net cash flows from operating activities:			
Depreciation	13	**713,072**	540,673
Amortization of deferred dry-docking costs	11	**53,370**	46,965
Amortization of intangible assets	12	**54,037**	15,249
Provision for doubtful debt	5,21	**31,027**	4,360
Share in results of an associated company	10	**(184,683)**	(131,956)
Gains from sale of fixed assets	22	**(5,107)**	(3,096)
Non-controlling interests in consolidated subsidiaries' net income		**44,223**	28,504
Zakat and withholding tax	18	**181,354**	37,436
Employees' end of service benefits, net		**940**	6,074
		2,705,816	1,078,049
Changes in operating assets and liabilities:			
Trade receivables, net		**(370,379)**	(79,536)
Lease receivable for vessels, net		**21,140**	15,257
Prepaid expenses and other receivables		**651**	(72,197)
Agents' current accounts		**28,747**	(23,214)
Inventories		**123,880**	(94,356)
Accrued bunker subsidy, net		**46,995**	(73,527)
Incomplete voyages		**(16,182)**	14,269
Accounts payable and accruals		**409,820**	209,556
Zakat and withholding tax paid	18	**(27,441)**	(33,445)
Net cash from operating activities		**2,923,047**	940,856

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Consolidated Statements of Cash Flow - Continued
For the Year Ended December 31, 2015
(In Thousands Saudi Riyals)

	Note	2015	2014
Cash flows from investing activities:			
Murabaha and short-term deposits		**(20,271)**	(1,862)
Investments available for sale		**-**	981
Investments held to maturity		**544**	30,000
Dividends received from an associated company	10	**62,500**	68,183
Intangible assets	12	**-**	(581,792)
Additions to fixed assets	13	**(522,119)**	(2,527,590)
Proceeds from sale of fixed assets	13	**6,450**	3,331
Ships under construction and others, net	14	**(1,098,412)**	(401,524)
Deferred dry-docking costs	11	**(57,790)**	(64,459)
Net cash used in investing activities		**(1,629,097)**	(3,474,732)
Cash flows from financing activities:			
(Repayment of) proceeds from short-term Murabaha financing		**(3,459,313)**	3,122,313
Proceeds from Murabaha, Sukuk and long-term financing		**3,900,000**	334,595
Repayment of Murabaha and long-term financing		**(558,329)**	(564,284)
Dividends paid		**(344,784)**	(313,206)
Board of directors rewards		**(2,000)**	(1,800)
Net cash(used in) from financing activities		**(464,426)**	2,577,618
Net change in cash and cash equivalents during the year		**829,523**	43,742
Cash and cash equivalents at the beginning of the year		**313,308**	269,566
Cash and cash equivalents at the end of the year	3	**1,142,831**	313,308
Major non-cash transactions:			
Ships under construction and others transferred to fixed assets	13,14	**10,550**	1,065,953
Vessels value of shares consideration	26	**-**	1,752,188

The accompanying notes from (1) to (29) form an integral part of these consolidated financial statements.

Bahri البحري

(The National Shipping Company of Saudi Arabia)
(A Saudi Joint Stock Company)
Consolidated Statements of Change in Shareholders' Equity
For the Year Ended 31 December 2015
(In Thousands Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Unrealized loss from available for sale investments	Total
Balance as at December 31, 2013	3,150,000	998,060	1,697,784	(115)	5,845,729
Capital increase during the year (note 26)	787,500	-	-	-	787,500
Share premium of new shares during the year (note 26)	-	964,688	-	-	964,688
Net income for the year	-	-	533,840	-	533,840
Transfer to statutory reserve	-	53,384	(53,384)	-	-
Dividends (note 17)	-	-	(315,000)	-	(315,000)
Board of directors rewards	-	-	(1,800)	-	(1,800)
Unrealized loss from available for sale investments net	-	-	-	115	115
Balance as at December 31, 2014	3,937,500	2,016,132	1,861,440	-	7,815,072
Net income for the year	-	-	1,817,583	-	1,817,583
Transfer to statutory reserve	-	181,758	(181,758)	-	-
Dividends (note 17)	-	-	(345,997)	-	(345,997)
Board of directors rewards	-	-	(2000)	-	(2000)
Balance as at December 31, 2015	**3,937,500**	**2,197,890**	**3,149,268**	-	**9,284,658**

The accompanying notes from (1) to (29) 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" or "Bahri"), was established under the Royal Decree No, M/5 dated Safar 12, 1398H (corresponding to January 21, 1978), and registered under Commercial Registration No, 1010026026 dated Dhul Hijjah 1, 1399 H, (corresponding to October 22, 1979) issued at Riyadh.

The Company and its subsidiaries listed below (the "Group") are primarily engaged in the purchase, sale and operating of vessels for the transportation of cargo and passengers, and all of the marine transport activities. The Group come out its activities through four distinct segments which are Crude oil transportation and Gas & marine services, chemicals, general cargo (liners), and dry bulk. The Group is also engaged in the ownership of lands, properties inside or outside the kingdom, ownership of shares in other existing companies or merges with them and participate with others in establishing companies with similar or complementary activities.

During the year ended December 31, 2014, the capital has been increased from SAR 3,150,000,000 to SAR 3,937,500,000 by transferring the ownership of six vessels from Vela Company (note 26). The number of shares and the capital paid as of 31 December are as follows:

December 31, 2015 and 2014	
Number of shares*	**Capital paid**
393,750,000	**3,937,500,000**

*The par value per share is SR 10.

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

Name	Activity	Location	Date of incorporation	Share holding 2015	Share holding 2014
NSCSA (America) Inc.	Company's ships agent	USA	1991	**100 %**	100 %
Mideast Ship Management Ltd. (JLT)	Ships technical management	UAE	2010	**100%**	100%
National Chemical Carriers Ltd. Co. (NCC)	Petrochemicals transportation	KSA	1990	**80 %**	80 %
Bahri Dry Bulk LLC	Dry Bulk transportation	KSA	2010	**60%**	60%

The associated company that is not consolidated into these consolidated financial statements is as follows (note 10):

Name	Accounting method	Activity	Location	Date of incorporation	Share Holding 2015	Share Holding 2014
Petredec Ltd *	Equity method	Liquefied petroleum gas transportation	Bermuda	1980	**30.30%**	30.30%

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

1. ORGANIZATION AND OPERATIONS (continued)

Group's Fleet: As at December 31, 2015, the Group owns seventy five vessels operating in various sectors as the following:

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

a. Accounting convention

The accompanying consolidated financial statements are prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia and under the historical cost convention, except for the investments available for sale and financial derivatives, which are measured at fair value. The Company follows the accruals basis of accounting in recognizing revenues and expenses.

b. Period of financial statement

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

- These consolidated financial statements include assets, liabilities and the 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 and unrealized gains (losses) on these transactions are eliminated on consolidation.

- Non-controlling interest represents portion of profit or loss and net assets not owned by the Company, and is shown as a separate component in the consolidated 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 reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

e. Cash and cash equivalents

For the purpose of the 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 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 within "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the 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 consisting 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Deferred dry-docking costs

The Group amortizes the deferred dry-docking costs 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 dry-docking costs of the related vessels are fully charge to the consolidated statement of income of the period in which new dry-docking operation is started.

j. Investments

1- Investments in associated companies:

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

2- Investments in securities:

Investments in securities are classified into three categories as follows:

- Investments held for trading

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

- Investments held to maturity

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

- Investments available for sale

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

(In Thousands Saudi Riyals)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. *Intangible assets*

Intangible assets represents the long term substantial evaluation of transportation contracts, which resulted from purchasing the operations and assets of Vela Company (note 26), was recorded as intangible assets in the consolidated statement of balance sheet. The value of those intangible assets are amortized over the average useful life of purchased assets and estimated in accordance with the company's accounting policy of recording fixed assets and its depreciations. Amortization is charged to the consolidated statement of income.

l. *Fixed assets*

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

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

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

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

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

m. *Impairment of non-current assets*

The carrying value of non-current assets is reviewed for any indication of a loss as a result of impairment. If such indication exists, the recoverable amount is determined. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. If the recoverable amount cannot be determined for an asset, the group will estimate the recoverable amount at the cash-generating units to which belongs to.

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

Except for goodwill, where the impairment loss is 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 in prior years. A reversal on an impairment loss is recognized as income immediately in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n. *Accounts payable and accruals*

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

o. *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.

p. *Zakat and taxes*

Zakat is provided for in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT") in Kingdom of Saudi Arabia, and it 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.

q. *Employees' end of service benefits*

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

r. *Hedge agreements and derivative financial instruments*

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

Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in equity, if material and the ineffective portion is recognized immediately in the consolidated statement of income. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability if recognized, the associated gain or loss on the derivative that had previously been recognized is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognized in the consolidated statement of income in the same period in which the hedged item affects net income or loss.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of income as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualified for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transactions occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the consolidated statement of income for the period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Statutory reserve

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

t. Revenue recognition

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

- ***Transport of Crude Oil, Petrochemicals, and Dry Bulk:*** Revenues from transport of oil, petrochemicals, and dry bulk are recognized when earned over the agreed-upon period of the contract, voyage and services.
- ***General Cargo Transportation:*** the Group follows the complete voyage policy in determining the revenues and expenses of the period for vessels transporting general cargo. A voyage is considered to be a "Complete Voyage" when a vessel has sailed from the last discharging port of a voyage. Shipping revenues, direct and indirect operating expenses of incomplete voyage are deferred until it is completed. Incomplete voyages are shown at the net amount in the consolidated balance sheet as "Incomplete Voyages".
- ***Revenues from charter-in and other associated activities:*** these are recorded when services are rendered over the duration of the related contractual services.
- Other income is recorded when earned.

u. Bunker subsidy

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

v. Expenses

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

w. Borrowing costs

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

x. Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at prevailing exchange rates at the date of the transaction. 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. Exchange rate differences are included in the consolidated statement of income.

(In Thousands Saudi Riyals)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

x. *Foreign currency transactions – continued*

Assets and liabilities shown in the financial statements of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the 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 year, the components of equity, other than retained earnings (or accumulated losses) are translated at the date of occurrence of each component. Exchange differences, if material, are included in a separate line item within shareholders' equity.

y. *Operating leases*

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

z. *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 year end, are treated as part of retained earnings and not as liabilities unless the General Assembly approves it before the year end. Once approved by the General Assembly, the amount is recognized as a liability in the same year until paid.

aa. *Segment reporting*

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

- That are engaged in revenue operating activities.
- Whose results of operating which are continuously analyzed by management in order to make decisions related to resource allocation and performance appraisal.
- Their financial information is available separately.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent bank balances and cash, investments in Murabaha and short-term deposits, of which SR 97.03 million as of December 31, 2015 (2014: SR 76.76 million) are restricted for repayment of current portion of loan installments 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:

	2015	2014
Bank balances and cash	**173,265**	168,957
Amounts restricted by banks	**(23,213)**	-
	150,052	168,957
Murabaha and short-term deposits	**1,066,597**	221,111
Amounts restricted by banks	**(73,818)**	(76,760)
	992,779	144,351
Cash and cash equivalents at year end	**1,142,831**	313,308

(In Thousands Saudi Riyals)

4. MURABAHA AND SHORT-TERM DEPOSITS

Murabaha and short-term deposits comprise the following at December 31:

	2015	2014
Murabaha and short-term deposits in USD	776,348	180,981
Murabaha and short-term deposits in SR	290,249	40,130
	1,066,597	221,111

5. TRADE RECEIVABLES, NET

Trade receivables, net comprise the following at December 31:

	2015	2014
Trade receivables	1,036,232	670,131
Provision for doubtful debts	(35,128)	(8,379)
	1,001,104	661,752

Movement in provision for doubtful debts is as follows:

	2015	2014
Balance at the beginning of the year	8,379	4,062
Charge for the year (note 21)	31,027	4,360
Amounts written-off during the year	(4,278)	(43)
Balance at the end of the year	35,128	8,379

6. LEASE RECEIVABLE FOR VESSELS, 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	2015	2014
Future minimum lease receipts	227,509	292,860
Unguaranteed residual value at the end of the lease term	247,875	247,875
	475,384	540,735
Unearned income	(117,102)	(161,313)
Net bareboat lease receivable balance	358,282	379,422
The above amount is classified as the following at December 31:		
Current portion	27,901	21,140
Non-current portion	330,381	358,282
Net bareboat lease receivable balance	358,282	379,422

(In Thousands Saudi Riyals)

6. LEASE RECEIVABLE FOR VESSELS, NET (continued)

The future minimum lease receipts and unguaranteed residual value at the end of lease term to be received during the next five years and thereafter for the year ended 31 December as follows:

	2015	2014
Within one year	**69,649**	65,351
1-2 years	**73,564**	69,649
2-3 years	**77,670**	73,564
3-4 years	**254,501**	77,670
4-5 years	**-**	254,501
	475,384	540,735

Income related to the above arrangement for the year ended December 31, 2015 amounted to SR 44.21 million (2014: SR 45.99 million) and is included in operating revenues in the consolidated statement of income.

7. PREPAID EXPENSES AND OTHER RECEIVABLES

Prepaid expenses and other receivables comprise the following at December 31:

	2015	2014
Prepaid expenses	**107,405**	118,382
Advances to suppliers	**26,942**	5,509
Insurance claims	**10,953**	8,365
Employee receivables	**574**	1,978
Others	**17,812**	30,103
	163,686	164,337

8. INVENTORIES

Inventories on board of ships comprise the following at December 31:

	2015	2014
Fuel	**150,274**	270,306
Lubricants	**47,689**	51,714
Others	**5,647**	5,470
	203,610	327,490

9. ACCRUED BUNKER SUBSIDY, NET

Accrued bunker subsidy, net comprise the following at December 31:

	2015	2014
Accrued bunker subsidy	**218,224**	235,447
Provision for doubtful bunker subsidy	**(67,812)**	(38,040)
	150,412	197,407

(In Thousands Saudi Riyals)

10. INVESTMENT IN AN ASSOCIATED COMPANY

The movement of investment in the associated company for the year ended December 31 is as follows:

	2015	2014
Balance at the beginning of the year	905,758	841,985
Share in results of an associated company*	184,683	131,956
Dividends received during the year	(62,500)	(68,183)
Balance at the end of the year	1,027,941	905,758

* The Company's share in the result of Petredec Limited Company operations for the year 2015 includes an unrealized losses of SR 2.35 million (2014: SR 61.71 million) arising from commodity swaps.

11. DEFERRED DRY-DOCKING COSTS, NET

Deferred dry-docking costs, net comprise the following at December 31:

	2015	2014
Total dry-docking costs	503,937	446,147
Accumulated amortization	(377,351)	(323,981)
	126,586	122,166

Movement in the dry-docking costs is as follows:

	2015	2014
Balance at the beginning of the year	122,166	104,672
Additions during the year	57,790	64,459
Amortization during the year	(53,370)	(46,965)
Balance at the end of the year	126,586	122,166

12. INTANGIBLE ASSETS, NET

Intangible assets, net comprise the following at December 31:

	2015	2014
Balance at the beginning of the year	903,501	-
Additions during the year*	-	918,750
Amortization during the year	(54,037)	(15,249)
Balance at the end of the year	849,464	903,501

* Additions to intangible assets represents the difference between the fair value of the acquired vessels from Vela per the most recent market value report at the date of completing the transaction, and the total value of the transaction. The market value of the vessels at the completion of the transaction amounted to SR 3.956 million, and the total value of the transaction amounts to SR 4.875 million (note 26).

(In Thousands Saudi Riyals)

13. **FIXED ASSETS, NET**

Movement in fixed assets, net during the year is summarized as follows:

Description	Cost				Accumulated Depreciation				Net Book Value	
	Balance as at 1/1/2015	Additions / Transfers during the year	Disposals	Balance as at 31/12/2015	Balance as at 1/1/2015	Charged for the year	Disposals	Balance as at 31/12/2015	31/12/2015	31/12/2014
Land	1,854	-	-	1,854	-	-	-	-	**1,854**	1,854
Buildings and improvements	45,703	13,110	-	58,813	(11,628)	(3,218)	-	(14,846)	**43,967**	34,075
Fleet and equipment *	16,483,370	507,049	-	16,990,419	(3,553,864)	(699,305)	-	(4,253,169)	**12,737,250**	12,929,506
Containers and trailers	45,734	-	(11,384)	34,350	(45,476)	-	11,380	(34,096)	**254**	258
Furniture and fixtures	7,647	3,234	-	10,881	(5,190)	(724)	-	(5,914)	**4,967**	2,457
Tools and office equipment	3,783	149	-	3,932	(3,594)	(10)	-	(3,604)	**328**	189
Motor vehicles	1,947	513	(219)	2,241	(1,632)	(32)	183	(1,481)	**760**	315
Computer equipment	60,750	8,488	(7,868)	61,370	(51,238)	(9,655)	6,839	(54,054)	**7,316**	9,512
Container yard facilities	12,289	126	(428)	11,987	(10,643)	(79)	208	(10,514)	**1,473**	1,646
Others	741	-	(54)	687	(536)	(49)	-	(585)	**102**	205
Total	**16,663,818**	**532,669**	**(19,953)**	**17,176,534**	**(3,683,801)**	**(713,072)**	**18,610**	**(4,378,263)**	**12,798,271**	12,980,017

* Included in fleet and equipment are VLCCs, petrochemical carriers and dry bulk carriers financed by banks and pledged to the lending banks.

(In Thousands Saudi Riyals)

14. SHIPS UNDER CONSTRUCTION AND OTHERS

The movement in the account of ships under construction and others for the year ended December 31 is summarized as follows:

2015			
	The Company	**Bahri Dry Bulk Company**	**Total**
Beginning Balance	**12,039**	-	**12,039**
Additions	**1,098,412**	-	**1,098,412**
Transferred to fixed assets	**(10,550)**	-	**(10,550)**
Ending Balance	**1,099,901**	-	**1,099,901**

2014			
	The Company	Bahri Dry Bulk Company	Total
Beginning Balance	440,313	236,155	676,468
Additions	125,503	276,021	401,524
Disposals	-	-	-
Transferred to fixed assets	(553,777)	(512,176)	(1,065,953)
Ending Balance	12,039	-	12,039

The company signed on May 21, 2015, and June 30, 2015 contracts for building ten VLCCs with the Korean company Hyundai Samho Heavy Industries, which will be received during 2017 and 2018 (note 23). The company paid an advance payment of SR 1.068 million (USD 284.69 million).

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

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

15. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals comprise the following at December 31:

	2015	2014
Trade payables	**789,616**	457,350
Accrued expenses	**111,619**	31,751
Value of sold shares (related to previous shareholders)	**21,691**	21,744
Others	**5,400**	7,661
	928,326	518,506

(In Thousands Saudi Riyals)

16. MURABAHA AND LONG-TERM FINANCING

The Group has signed various short Murabaha financing agreements on June 22, 2014 to finance the acquisition of Vela's vessels and its related expenses as well as to finance its working capital requirements. These financing agreements have been repaid through the issuance of local Sukuk denominated in Saudi Riyal and issued on July 30, 2015 (note 26B).

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

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

* The Company completed on July 30, 2015 the issuance and offering of local Sukuk denominated in Saudi Riyal for public offering with a nominal value amounted to SR 3.9 billion, and a nominal value of SR 1 million for each Sak, due on July 2022. The expected return on the Sukuk has been set at 80 basis points above the SIBOR rate for each periodic payment (semi-annual) (note 26-B).

	2014			
Financing	The Company	Subsidiaries	Total	%
Murabaha financing	1,338,306	2,026,135	3,364,441	71%
Commercial loans	32	-	32	0%
Public Investment Fund "Murabaha"	1,074,375	-	1,074,375	23%
Commercial loans from Public Investment Fund	-	272,344	272,344	6%
Total Murabaha and long term financing	2,412,713	2,298,479	4,711,192	100%
Murabaha and long-term financing -current portion	(328,950)	(229,354)	(558,304)	-
Non-current portion of long-term financing	2,083,763	2,069,125	4,152,888	-

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

(In Thousands Saudi Riyals)

16. MURABAHA AND LONG-TERM FINANCING (continued)

The aggregate maturities of the outstanding financing as at December 31, are as follows:

	2015	2014
Within one year	**547,016**	558,304
From 1 year to 5 years	**1,552,447**	2,457,255
More than 5 years	**5,953,400**	1,695,633
	8,052,863	4,711,192

17. EARNINGS PER SHARE AND DIVIDENDS

Earnings per share is calculated based on the weighted average number of shares outstanding during the period ended December 31, 2015, and 2014, which amounts to 393.75 million share and 338.41 million share, respectively (note 25).

On April 1, 2015 the General Assembly has approved the distribution of dividends amounting to 10% of the share capital for 2014 earnings, which amounts to SR 393.75 million, and represents SR 1 per share. A total of SR 345.9 million was distributed to the entitled shares of 2014 earnings pursuant to the agreement with ARAMCO Company for the merger of Vela vessels (note 25), which indicates ARAMCO's right to the distribution of 2014 earnings from the date of transferring the vessels to the Company. The balance of unclaimed dividends as of December 31, 2015, amounted to SR 35.1 million (2014: SR 33.9 million).

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

18. 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, murabaha financing, 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 statements of income.

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

Provision for Zakat and Withholding Tax

Following is the movement in provision for zakat and withholding tax during the year ended December 31:

	2015	2014
Provision for zakat and withholding tax at the beginning of the year	**142,898**	138,907
Provision for zakat for the year	**71,010**	33,440
Provision for withholding tax for the year	**110,344**	3,996
Payments during the year	**(27,441)**	(33,445)
Provision for zakat and withholding tax at the end of the year	**296,811**	142,898

18. ZAKAT AND WITHHOLDING TAX (continued)

The Company's Zakat and Tax status

The Company has filed its zakat returns up to 2014. The zakat assessments have been agreed with the Department of Zakat and Income Tax (the "DZIT") for all the years up to 2000. The "DZIT" has raised the zakat assessment for the years 2001 to 2007 claiming additional zakat liabilities of SR 22 million. and the Company has charged the needed provision for these claims. The Company believes it provided a sufficient provision for zakat and withholding tax as of December 31, 2015.
The Company did not receive the final assessments for the years from 2008 until 2014.

Zakat and Tax status for NCC

NCC has submitted the zakat returns for all fiscal years up to 2013 and the withholding tax returns up to November 2015 and paid the zakat and withholding taxes due accordingly. This subsidiary company has received zakat and withholding tax assessments for the years 1991 to 2004. This subsidiary company has filed an appeal against some items included in these assessment and treatment. In April 2010, the subsidiary company reached an agreement with the DZIT for a final settlement of the above assessments in the amount of SR 54 million, the subsidiary company paid SR 26 million of this amount 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 and withholding tax assessments for the years 2005 to 2008. The subsidiary company has filed an appeal against some items included in these assessments and their treatments, which is still pending. The subsidiary company's management considers that the provision for zakat and withholding tax is adequate as of December 31, 2015.

Zakat and Tax status for Bahri Dry Bulk LLC

Bahri Dry Bulk has submitted its zakat returns for the years up to 2014, and has not received any Zakat assessment from the DZIT since 2010 (date of incorporation). The company believes that it provided an adequate provision for zakat and withholding tax as at December 31, 2015.

19. OTHER LIABILITIES

This item represents the total amounts received from one of the ships building companies as at December 31, 2015 and 2014 against charging this company with the repair costs of the tanks related to the new six vessels built for National Chemical Carrier Company (subsidiary). Therefore, it was agreed to charge the ships building company an amount of SR 6.12 million for each ship. This item was classified under current liabilities as at December 31, 2015, since the subsidiary company has a maintenance plan for the remaining vessels during the next twelve months.

(In Thousands Saudi Riyals)

20. RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Group transacts with related parties.

The details of such transactions during the year are as follows:

	2015	2014
Operating Revenues	4,251,946	1,498,763
Refunded compensations of cost and expenses	14,505	15,857

Balances of such transactions as at December 31 are as follows:

Amounts due from related parties shown under trade receivables are as follows:

	2015	2014
ARAMCO (shareholder)	364,344	216,712
International Shipping and Transportation Company (affiliate)	14,505	16,204

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprises the following:

	2015	2014
Employees' salaries and benefits	103,060	65,856
Amortization of prepaid expenses and others	38,414	2,162
Provision for doubtful debts (note 5)	31,027	4,360
Professional, legal, and consultation fees	21,084	10,415
Depreciation	4,918	3,844
Others	17,986	12,238
	216,489	98,875

22. OTHER INCOME (EXPENSES), NET

Other income (expenses), net for the year ended December 31 comprises the following:

	2015	2014
Gains from sale of fixed assets	5,107	3,096
Net gain from investments	3,081	(2,386)
Excess recoveries from insurance claims	561	2,290
Others	1,928	(4,053)
	10,677	(1,053)

(In Thousands Saudi Riyals)

23. CAPITAL CONTINGENT LIABILITIES

The Company has capital commitment related to the building of ten VLCCs amounted to SR 2.49 billion, in additions to a capital commitments of SR 0.27 billion related to the purchase of a used VLCC, and a capital commitments amounting of SR 0.58 billion related to the purchase of two used VLCCs as at December 31, 2015 (2014: nil).

The Group has outstanding letters of guarantee of SR 297.45 million as at December 31, 2015 (2014: SR 275.59 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 Company's results of operations or its financial position.

24. SEGMENTAL INFORMATION

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

2015

	Oil Transportation*	Petrochemical Transportation	General Cargo Transportation	Dry Bulk Transportation	Total
Operating revenues	**5,764,525**	**774,610**	**848,426**	**114,559**	**7,502,120**
Bunker cost	**(878,243)**	**(123,740)**	**(78,392)**	**(724)**	**(1,081,099)**
Other operating expenses:					
Vessels' expenses	**(2,477,299)**	**(207,471)**	**(60,728)**	**(38,452)**	**(2,783,950)**
Cargo's expenses	-	-	**(389,370)**	-	**(389,370)**
Voyages' expenses	**(225,939)**	**(70,291)**	**(86,578)**	**(712)**	**(383,520)**
Depreciation and amortization	**(559,990)**	**(165,173)**	**(61,831)**	**(22,901)**	**(809,895)**
Others	**(22,872)**	**(14,805)**	-	-	**(37,677)**
Total other operating expenses	**(3,286,100)**	**(457,740)**	**(598,507)**	**(62,065)**	**(4,404,412)**
Total operating expenses	**(4,164,343)**	**(581,480)**	**(676,899)**	**(62,789)**	**(5,485,511)**
Gross operating income before bunker subsidy	**1,600,182**	**193,130**	**171,527**	**51,770**	**2,016,609**
Bunker subsidy	**146,555**	**19,850**	**13,505**	-	**179,910**
Gross operating income	**1,746,737**	**212,980**	**185,032**	**51,770**	**2,196,519**

(In Thousands Saudi Riyals)

24. SEGMENTAL INFORMATION (continued)

	2014				
	Oil Transportation*	Petrochemical Transportation	General Cargo Transportation	Dry Bulk Transportation	Total
Operating revenues	2,152,259	802,922	550,392	120,839	3,626,412
Bunker cost	(916,902)	(190,239)	(99,608)	-	(1,206,749)
Other operating expenses:					
Vessels' expenses	(471,139)	(202,947)	(58,209)	(46,378)	(778,673)
Cargo's expenses	-	-	(237,485)	-	(237,485)
Voyages' expenses	(122,432)	(106,775)	(83,882)	-	(313,089)
Depreciation and amortization	(355,677)	(163,954)	(50,821)	(20,705)	(591,157)
Others	(12,003)	(13,861)	(17,105)	-	(42,969)
Total other operating expenses	(961,251)	(487,537)	(447,502)	(67,083)	(1,963,373)
Total operating expenses	(1,878,153)	(677,776)	(547,110)	(67,083)	(3,170,122)
Gross operating income before bunker subsidy	274,106	125,146	3,282	53,756	456,290
Bunker subsidy	174,434	23,816	19,686	-	217,936
Gross operating income	448,540	148,962	22,968	53,756	674,226

* Operating revenues include an amount of SR 3.81 billion for the year ended December 31, 2015 (2014: SR 1.2 billion) representing the Group's total revenues from one customer (ARAMCO - shareholder). This amount represents more than 10 % of the Group's operating revenues (note 20).

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

(In Thousands Saudi Riyals)

24. SEGMENTAL INFORMATION (continued)

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

	2015					
	Oil Transportation	**Petrochemical Transportation**	**General Cargo Transportation**	**Dry Bulk Transportation**	**Shared Assets and Liabilities***	**Total**
Assets	**11,129,508**	**3,330,214**	**1,874,932**	**707,543**	**2,054,454**	**19,096,651**
Liabilities	**4,999,715**	**1,857,337**	**1,121,129**	**407,934**	**1,011,458**	**9,397,573**

	2014					
	Oil Transportation	Petrochemical Transportation	General Cargo Transportation	Dry Bulk Transportation	Shared Assets and Liabilities*	Total
Assets	10,201,913	3,393,587	1,784,598	696,520	1,067,793	17,144,411
Liabilities	4,790,455	2,065,533	1,210,729	434,818	457,607	8,959,142

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* Shared assets and liabilities represent amounts that cannot be allocated to a specific segment such as cash on hand, deposits, investments held to maturity, unclaimed dividends, and etc.,,,,

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities expose to a variety of financial risks: market risk (including currency risk, fair value risk, and cash flow commission rate exposure), 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, financing, payables, certain accrued expenses and derivative financial instruments.

Financial assets and liabilities are offset and net amounts are reported in the consolidated 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 senior 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 loans. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates. The group had executed CAP commission options to hedge the fluctuation in the commission rates.

25. 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 December 31, 2015 trade accounts receivable include balances totaling SR 306.2 million (2014: SR 229.7 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 dominated in Saudi Riyals, UAE Dirhams and US Dollars. The balance in UAE Dirhams and US Dollars are not considered to represent significant currency risk, as these currencies are pegged to the Saudi Riyal.

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 differing from their carrying values.

26. TRANSFER OF VELA'S VESSELS TO BAHRI

A. The signed agreement and vessels' ownership transfer form Vela Company to Bahri

On November 4, 2012 the Company signed an agreement with Saudi Aramco whereby the ownership of all Vela International Marine Ltd.'s fleet. (Vela) will be transferred to the Company after obtaining required regulatory approvals. The Vela's fleet consists of twenty oil tankers as follows:

- Fourteen VLCCs,
- One VLCC for floating storage,
- Five refined petroleum product tankers.

Pursuant to the merger agreement, Bahri will pay to Vela a total consideration of approximately SR 4.88 billion (equivalent to US$1.3 billion). The consideration will comprise a cash payment amounting to SR 3.12 billion (equivalent to US$ 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 for the value of six oil tankers received from Vela and its ownership has been legally transferred to the company on 8 September 2014, which increased the Company's issued number of shares after the merger to 393.75 million shares. The par value of SR10 per share relating to capital increase amounting to SR 787.50 million has been included with the capital increase, the share premium of (SR 12.25 per share) amounting to SR 964.69 million has been included within the statutory reserve, and the new shares issued to Saudi Aramco Developing Company (which is wholly owned by Saudi Aramco) will equal 20% of Bahri's share capital and it will have a fair representation in Bahri's Board.

26. TRANSFER OF VELA'S VESSELS TO BAHRI (Continued)

The vessels previously owned by Vela have been gradually received during the second half of 2014 effective from 21 July 2014 to December 2014.

According to the terms of a long-term shipping contract with 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 demand which is estimated to be 50 VLCC's, the Company plans to best optimize the utilization of its post-merger fleet, in addition to charter VLCC's when necessary.

The long-term shipping contract includes an agreed upon terms protects the Company when freight rates falls below the minimum agreed limit. On the other hand if freight rates increased above specific limit agreed on (compensation limit) the Company will compensate Saudi Aramco for the amounts previously paid to the Company upon the decline of freight rates below the minimum limited.

B. Murabaha financing and cash consideration

On June 22, 2014 the Company signed Murabaha agreement with various banks for an amount of SR 3.18 billion to finance the cash consideration of merger of Vela fleet and operations, as well as the merger of related expenses. This bridge financing lasted for 13 months. On April 1, 2015 the General Assembly approved the issuance of tradable debt instruments which include Sukuk and bonds.

The Company completed on July 30, 2015 the issuance and offering of local Sukuk denominated in Saudi Riyal for public offering with a nominal value amounted to SR 3.9 billion, and a nominal value of SR 1 million for each Sak, due for repayment on July 2022. In addition, the bridge financing mentioned above (SR 3.18 billion) has been repaid from the proceeds of the Sukuk offering, with the remaining proceeds to be used to finance the company's projects, and its capital and operating plans.

27. DERIVITIVES FINANCIAL INSTURMENTS

The Group has derivative financial instruments including commission rate swaps agreements. The nominal amount of these financial instruments as of December 31, 2015 is SR 31.78 million (2014: SR 37.87 million) for total loans of SR 1.53 billion (2014: SR 16.4 billion). The unrealized losses from the revaluation of such agreements for the year amounted to SR 6.34 million (2014: SR 16.4 million), and these losses are included in the financial charges. These agreements are revaluated in a regular basis to recorded any unrealized gains or losses, if any.

28. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors has approved the consolidated financial statements for the year ended December 31, 2015 on its meeting held on Jumad Awal 14, 1437H (corresponding to February 23, 2016).

29. RECLASSIFICATION

Certain comparative figures of the December 31, 2014 consolidated financial statements have been reclassified to conform to the current year presentation.