

**UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT**

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

**UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

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**INDEPENDENT AUDITORS' REPORT
ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF
UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of United International Transportation Company - A Saudi Joint Stock Company - ("the Company") and its subsidiary (collectively referred to as "the Group") as at 31 March 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" and International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards" that are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

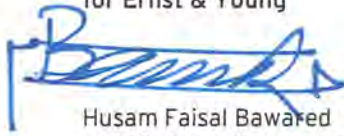
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" and International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards" that are endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young



Husam Faisal Bawared
Certified Public Accountant
Licence No. 393

7 Sha'ban 1438H
3 May 2017

Jeddah

17/588/TNM



UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three-month period ended 31 March 2017

	<i>Three-month period ended 31 March 2017</i>	<i>Three-month period ended 31 March 2016 (Note 5)</i>
	<i>SR'000</i>	<i>SR'000</i>
Revenue	298,911	300,320
Cost of revenue	(232,861)	(226,406)
GROSS PROFIT	66,050	73,914
Other operating income, net	1,405	5,857
Selling and marketing expenses	(7,684)	(7,446)
General and administrative expenses	(11,671)	(10,766)
OPERATING PROFIT	48,100	61,559
Impairment of investments in associates	-	(6,619)
Finance costs, net	(3,419)	(4,004)
Share of results of associates	(691)	(585)
PROFIT BEFORE ZAKAT	43,990	50,351
Zakat expense	6 (1,513)	(1,554)
PROFIT FOR THE PERIOD	42,477	48,797
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Gains/(losses) on actuarial valuation	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	42,477	48,797
EARNINGS PER SHARE (EPS):		
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (in Saudi Riyals)	7 0.70	0.80



 Chairman Chief Executive Officer Chief Financial Officer

The attached notes from 1 to 16 form integral part of these interim condensed consolidated financial statements.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

		31 March 2017	31 December 2016	1 January 2016
	Note	SR'000	(Note 5) SR'000	(Note 5) SR'000
ASSETS				
Non-current assets				
Property and equipment	8	1,310,529	1,396,865	1,498,059
Intangible assets		445	561	751
Investments in associates		17,260	17,951	26,061
		<u>1,328,234</u>	<u>1,415,377</u>	<u>1,524,871</u>
Current assets				
Inventories		14,762	18,590	15,159
Trade receivables, net		180,880	164,405	123,642
Prepayments and other receivables		21,049	20,680	17,044
Cash and cash equivalents		26,282	20,745	22,078
		<u>242,973</u>	<u>224,420</u>	<u>177,923</u>
TOTAL ASSETS		<u><u>1,571,207</u></u>	<u><u>1,639,797</u></u>	<u><u>1,702,794</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	9	610,000	610,000	508,333
Statutory reserve	9	136,629	132,381	114,936
Retained earnings		291,186	252,957	278,235
Total equity		<u>1,037,815</u>	<u>995,338</u>	<u>901,504</u>
LIABILITIES				
Non-current liabilities				
Borrowings	10	65,460	92,936	249,259
Employee benefits	11	36,926	37,870	35,655
		<u>102,386</u>	<u>130,806</u>	<u>284,914</u>
Current liabilities				
Current portion of borrowings	10	320,780	372,571	400,672
Trade payables		70,453	95,468	71,351
Accrued expenses and other liabilities		30,573	37,927	39,107
Zakat payable	6	9,200	7,687	5,246
		<u>431,006</u>	<u>513,653</u>	<u>516,376</u>
Total liabilities		<u>533,392</u>	<u>644,459</u>	<u>801,290</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,571,207</u></u>	<u><u>1,639,797</u></u>	<u><u>1,702,794</u></u>





Chairman Chief Executive Officer Chief Financial Officer

The attached notes from 1 to 16 form integral part of these interim condensed consolidated financial statements.

UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2017

	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Total equity SR '000
Balance as at 1 January 2017	610,000	132,381	252,957	995,338
Profit for the period	-	-	42,477	42,477
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	42,477	42,477
Transfer to statutory reserve (Note 9)	-	4,248	(4,248)	-
Balance as at 31 March 2017	610,000	136,629	291,186	1,037,815
Balance as at 1 January 2016	508,333	114,936	278,235	901,504
Profit for the period	-	-	48,797	48,797
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	48,797	48,797
Transfer to statutory reserve (Note 9)	-	4,924	(4,924)	-
Balance as at 31 March 2016	508,333	119,860	322,108	950,301



 Chairman



 Chief Executive Officer



 Chief Financial Officer

The attached notes from 1 to 16 form integral part of these interim condensed consolidated financial statements.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2017

	<i>For the three- month period ended 31 March 2017</i>	<i>For the three- month period ended 31 March 2016 (Note 5)</i>
<i>Note</i>	<i>SR'000</i>	<i>SR'000</i>
OPERATING ACTIVITIES		
Profit before zakat	43,990	50,351
Adjustments to reconcile profit before zakat to net cash flows:		
Depreciation of property and equipment	124,129	129,286
Amortisation of intangible assets	116	89
Amortisation of payment under operating lease	-	495
Share of results of associates, net	691	585
Impairment in investment in associates	-	6,619
Provision for employees' benefits	988	1,229
Finance costs	3,419	4,004
	<u>173,333</u>	<u>192,658</u>
Working capital adjustments:		
Inventories	60,090	44,741
Trade receivables, net	(16,475)	(15,227)
Prepayments and other receivables	(369)	7,350
Trade payables	(25,015)	(5,453)
Accrued expenses and other liabilities	(7,354)	4,641
	<u>184,210</u>	<u>228,710</u>
Cash from operations	184,210	228,710
Purchase of vehicles	(93,479)	(143,557)
Finance cost paid	(3,419)	(4,004)
Employee benefits paid	(1,932)	(526)
	<u>85,380</u>	<u>80,623</u>
Net cash from operating activities		
INVESTING ACTIVITY		
Purchase of property and equipment	(576)	(818)
	<u>(576)</u>	<u>(818)</u>
Net cash used in investing activity		
FINANCING ACTIVITY		
Change in borrowings, net	(79,267)	(75,234)
	<u>(79,267)</u>	<u>(75,234)</u>
Net cash used in financing activity		
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	5,537	4,571
Cash and cash equivalents at 1 January	20,745	22,078
CASH AND CASH EQUIVALENTS AT 31 MARCH		
	<u>26,282</u>	<u>26,649</u>
Supplemental non-cash information		
Transfers from property and equipment to inventories	3,468	2,172



The attached notes from 1 to 16 form integral part of these interim condensed consolidated financial statements.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

1 CORPORATE INFORMATION

United International Transportation Company ("the Parent Company"), is a Saudi Joint Stock Company registered in Jeddah, Kingdom of Saudi Arabia under Commercial Registration No. 4030017038 dated 7 Shabaan 1428H (corresponding to 20 August 2007).

The principal activities of the Parent Company are leasing and rental of vehicles under the commercial name of "Budget Rent a Car" as per the license No. 0202000400 issued by the Ministry of Transportation in the Kingdom of Saudi Arabia. The Parent Company was listed on Saudi Stock Exchange on 1 September 2007.

The Parent Company's registered office is located at the following address:

2421 Quraysh St. Al-Salamah Dist.
Jeddah, Saudi Arabia 23437-8115
Unit 1

As at the reporting date, the Parent Company owns 100% of the issued share capital of Aljozoor Alrasekha Trucking Company Limited (the "subsidiary" or "Rahaal" and collectively with the Parent Company referred to as the "Group"). Rahaal is a limited liability company incorporated in Saudi Arabia and engaged in the business of leasing and rental of heavy vehicles and equipment and trading in heavy vehicles and equipment and spare parts as per commercial registration and Rahaal signed financial statement.

The following are the details of the associates:

<i>Name</i>	<i>Principal field of activity</i>	<i>% of capital held (directly or indirectly)</i>		
		<i>31 March 2017</i>	<i>31 December 2016</i>	<i>1 January 2016</i>
Tranzlease Holdings India Private Limited	Operating lease of motor vehicles	32.96%	32.96%	32.96%
Unitrans Infotech Services India Private Limited	Providing Information Technology services	49%	49%	49%

2 BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in KSA. These are also the Group's first interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") for part of the period covered by the first annual financial statements prepared in accordance with IFRS as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), and accordingly International Financial Reporting Standard, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in KSA has been applied. Refer to note 5 for information on the first time adoption of IFRS as endorsed in KSA, by the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements to be prepared in accordance with IFRS as endorsed in KSA and other standards and pronouncements that are issued by the SOCPA, which would be produced for year ending 31 December 2017. In addition, results for the interim period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

2.2 Basis of measurement

The interim condensed consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

2 BASIS OF PREPARATION (continued)

2.3 Functional and presentation currency

The interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Group. All financial information presented in SR has been rounded off to the nearest thousand, unless otherwise indicated.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements:

- a) Decision related to control over investee (note 3.1)
- b) Lease classification (note 3.9)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Allowance for inventory losses

The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the specific manufacturer, past sales trends and both existing and emerging market conditions.

Allowance for doubtful receivable

A provision for impairment of trade receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses are recognised in interim condensed consolidated statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets (continued)

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

Defined benefit plans

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on interim condensed consolidated statement of financial position date on high quality corporate bonds. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the respective countries. Further details about employee benefits obligations are provided in (Note 11).

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the interim condensed consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Provisions

By provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of these interim condensed consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position at 1 January 2016 for the purposes of transition to IFRS, except for the application of relevant exceptions or available exemptions as stipulated in IFRS 1. Details of such exceptions and exemption are disclosed in note 5.

3.1 Basis of consolidation

The Group's interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 March 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. The interim condensed consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the interim condensed consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after income tax. The financial statements of the associate are prepared for the same reporting period as the Group using consistent accounting policies. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of results of an associate' in the interim condensed consolidated statement of profit or loss and other comprehensive income. Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in associates, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currencies

The Group's interim condensed consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to interim condensed consolidated statement of profit or loss and other comprehensive income reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in interim condensed consolidated statement of profit or loss and other comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to interim condensed consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Saudi Riyals at exchange rates at the reporting date. Dividends received from foreign associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the interim condensed consolidated statement of profit or loss and other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to the interim condensed consolidated statement of profit or loss and other comprehensive income as part of the profit or loss on disposal. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign exchange translation reserve via other comprehensive income.

3.3 Current versus non-current classification

Assets

The Group presents assets and liabilities in the interim condensed consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when it is:

- expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Vehicle rental and lease arrangements

Revenue from vehicle rental is recognised on accrual basis over the rental period in accordance with the terms of the agreements. Lease revenue is recognized over the period of lease agreement. In case the vehicle is not returned by the expiry of the rental agreement period, revenue is continued to be recognized till the vehicle is returned by the customer to the extent that revenue recognition criteria is met, such as the probability that the associated economic benefits will flow to the Group.

Sale of inventories

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of vehicles can be estimated reliably, there is no continuing management involvement with the vehicles, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards depends on the terms of the sales agreement.

Income from other services

Income from other services that are incidental to vehicle rental arrangements or sale of vehicles are recognized when these related services are provided and classified as part of revenue from these core operating activities.

Income from other services is recognized similarly and classified as other income in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Income and expenses are presented in a net basis only when permitted under IFRS, or of gains and losses arising from a group of similar transactions.

Dividends

Revenue is recognised when the Group's right to receive the amount is established, which is generally when shareholders approve the dividend.

3.5 Expenses

Cost of revenue

Cost of revenue represents all expenses directly attributable or incidental to the core operating activities of the Group including but not limited to: depreciation of vehicles under rental and lease arrangements, cost of vehicle inventories disposed of, directly attributable employee related costs etc.

Selling, marketing and general and administrative expenses

Selling and marketing expenses are costs arising from the Group's efforts underlying marketing activities and function. All other expenses are classified as general and administrative expenses. Allocation of common expenses between cost of revenue, selling and marketing and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

Franchise fee

Franchise and similar fee that the Group is obligated to pay under contractual arrangements are recognised on accrual basis.

3.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance cost and other costs that an entity incurs in connection with the borrowing of funds.

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For the three-month period ended 31 March 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Zakat

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (“GAZT”). Provision for zakat for the Group and zakat related to the Group’s ownership in the Saudi Arabian subsidiary is charged to the interim condensed consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

The companies under Group withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.8 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment (other than vehicles transferred to inventories as ‘Vehicles for sale’) are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other income in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income as incurred.

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For Impairment assessment of property, plant and equipment, refer note 3.15.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings and other installations	10 to 20 years
• Vehicles	2 to 5 years
• Furniture, fixtures and office equipment	4 to 5 years
• Machinery and equipment	4 to 7 years

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the interim condensed consolidated statement of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the interim condensed consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in interim condensed consolidated statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

The amortization period for the intangible assets with finite life is as follows:

Software	4 years
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Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Inventories

Inventories represent vehicles for sale, spare parts and other supplies. These are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make sale. The carrying amount of inventories is recognized as an expense when the inventories are sold. The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc.

Vehicles for sale

Vehicles for sale that were previously held as part of property and equipment for lease and rental arrangements are transferred to inventories at their carrying amount when they cease to be held for lease and rental purposes and become held for sale in the ordinary course of the Group's business. Other costs are included in the cost of vehicle inventories only to the extent that they are incurred in bringing the vehicles to their present location and condition necessary to make the sale.

Spare parts and supplies

The cost of spare parts and supplies is based on weighted average principle. Other costs are included in the cost of spare parts and supplies only to the extent that they are incurred in bringing them to their present location and condition.

3.12 Cash and cash equivalents

Cash and cash equivalents in the interim condensed consolidated statement of financial position comprise cash at banks and cash on hand. For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

3.13 Financial instruments

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity investments, available for sale (AFS) financial assets. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at fair value through profit or loss (FVPL)
- Loans and receivables
- Held to maturity investments
- AFS financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through interim condensed consolidated statement of profit or loss and other comprehensive income include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the interim condensed consolidated statement of profit or loss and other comprehensive income.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

i) Financial assets (continued)

Loans and receivables

The loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the interim condensed consolidated statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the interim condensed consolidated statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income as finance costs.

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

AFS financial assets (continued)

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the interim condensed consolidated statement of profit or loss and other comprehensive income in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to interim condensed consolidated statement of profit or loss and other comprehensive income over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the interim condensed consolidated statement of profit or loss and other comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

i) Financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Subsequent measurement

Gains or losses on liabilities held for trading are recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Borrowings

This is the category most relevant to the Group. After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the interim condensed consolidated statement of profit or loss and other comprehensive income. This category generally applies to all borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the interim condensed consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or of gains or losses arising from a group of similar assets.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The Group's obligation under employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income. Also refer to defined benefits plans in (Note 2.4).

3.15 Impairment of financial and non-financial assets

Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it include the assets in group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in interim condensed consolidated statement of profit or loss and other comprehensive income. Interest income (recorded as finance income in the interim condensed consolidated statement of profit or loss and other comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance charges in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Impairment of financial and non-financial assets (continued)

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the other comprehensive income - is removed from OCI and recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income. Impairment losses on equity investments are not reversed through the interim condensed consolidated statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognised in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income, the impairment loss is reversed through the interim condensed consolidated statement of profit or loss and other comprehensive income.

The Group recognizes loss allowances for expected credit losses ("ECL") representing "12 month ECL" or "lifetime ECL" on the following financial instruments that are not measured at fair value through profit or loss:

- Financial assets that are in the nature of debt instruments
- Receivables

Available-for-sale (AFS) financial investments (continued)

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments (other than lease receivables) that are determined to have low credit risk at the reporting date or on which credit risk has not increased significantly since their initial recognition. Loss allowance for lease and other accounts receivables are measured at an amount equal to lifetime ECL. 12 month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

ECL are a probability weighted estimate of credit losses and are estimated with reference to loss norms as well as probability of defaults and loss given default percentages where available. ECL for specifically identified significant credit impaired receivables is computed as the difference between the gross carrying amount and the present value of estimated future cash flows, to the extent that corresponding information is reliably available.

At each reporting date, the Group assesses whether a financial asset is credit impaired, which includes assessment of factors such as:

- Significant financial difficulty or bankruptcy of counterparty
- Breach of terms of agreement

Loss allowances for ECL are presented in the interim condensed consolidated financial statements as a deduction from the gross carrying value of the corresponding financial asset. Lease and other receivables are written off when there is no realistic prospect of recovery.

Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Impairment of financial and non-financial assets (continued)

Impairment losses are recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the interim condensed consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.17 Cash dividend and non-cash distribution to equity holders of the parent

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	Effective from periods beginning on or after the <u>following date</u>
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 2	Amendments to IFRS 2 Classification and Measurement of Share-Based Payment Transactions.	1 January 2018
IAS 40	Amendments to IAS 40 Transfers of investment property	1 January 2018
IFRIC 22	IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018
IFRS 16	Leases	1 January 2019

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

5 FIRST-TIME ADOPTION OF IFRS

For all periods up to and including the year ended 31 December 2016, the Group prepared and published its audited consolidated financial statements only in accordance with generally accepted accounting standards in KSA ("SOCPA GAAP"). These are the Group's first interim condensed consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting" and IFRS 1, "First-time Adoption of International Financial Reporting Standards" that are endorsed in KSA.

Accordingly, the Group has prepared consolidated financial statements, which comply with IFRS as endorsed in KSA applicable for periods beginning on or before 1 January 2017, together with the comparative period data. In preparing these interim condensed consolidated financial statements, the Group's opening consolidated statement of financial position was prepared as at 1 January 2016 after incorporating certain adjustments made as required due to the first time adoption of IFRS as endorsed in KSA.

In preparing its opening consolidated statement of financial position as at 1 January 2016 in accordance with IFRS as endorsed in KSA, the consolidated financial statements for the year ended 31 December 2016 and the interim consolidated financial statements for the three month period ended 31 March 2016, the Group has analyzed the impact and noted following adjustments are required to the amounts reported previously in the consolidated financial statements prepared in accordance with SOCPA GAAP.

Group has elected the business combination exemption in IFRS 1 to not apply IFRS 3 retrospectively, to past business combinations. Accordingly, the Group has not restated business combinations that took place prior to the transition date.

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5 FIRST-TIME ADOPTION OF IFRS (continued)

The following is a reconciliation of the Group's consolidated statement of financial position reported in accordance with SOCPA GAAP to its consolidated statement of financial position under IFRS at the transition date, 1 January 2016:

	Note	<i>SOCPA GAAP as at 1 January 2016 SR'000</i>	<i>Remeasurement SR'000</i>	<i>IFRS as at 1 January 2016 SR'000</i>
ASSETS				
Non-current assets				
Property and equipment	5(i)	1,498,810	(751)	1,498,059
Intangible assets	5(i)	-	751	751
Investment in associates		26,061	-	26,061
		1,524,871	-	1,524,871
Current assets				
Inventories	5(ii)	3,643	11,516	15,159
Trade receivables, net		123,642	-	123,642
Prepayments and other receivables	5(ii)	28,560	(11,516)	17,044
Cash and cash equivalents		22,078	-	22,078
		177,923	-	177,923
TOTAL ASSETS		1,702,794	-	1,702,794
EQUITY AND LIABILITIES				
Equity				
Share capital		508,333	-	508,333
Statutory reserve		114,936	-	114,936
Retained earnings		278,235	-	278,235
Total equity		901,504	-	901,504
LIABILITIES				
Non-current liabilities				
Borrowings		249,259	-	249,259
Employee benefits		35,655	-	35,655
		284,914	-	284,914
Current liabilities				
Current portion of borrowings		400,672	-	400,672
Trade payables		71,351	-	71,351
Accrued expenses and other liabilities		39,107	-	39,107
Zakat payable		5,246	-	5,246
		516,376	-	516,376
Total liabilities		801,290	-	801,290
TOTAL EQUITY AND LIABILITIES		1,702,794	-	1,702,794

Notes to the above reconciliation

5 (i) An amount of SR 751 thousand as at 1 January 2016 has been reclassified from property and equipment to intangible assets representing software that were previously classified as part of property and equipment under SOCPA GAAP.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

5 FIRST-TIME ADOPTION OF IFRS (continued)

5 (ii) Vehicles held for sale by the Group in the ordinary course of its operations, amounting to SR 11,516 thousand, were previously classified as “assets held for sale” as part of prepayment and other receivables. Since these vehicles and their subsequent sale represents a routine operating activity of the Group, these have been classified to inventories.

The following is a reconciliation of the Group’s consolidated statement of financial position reported in accordance with SOCPA GAAP to its consolidated statement of financial position under IFRS at 31 December 2016:

	<i>Note</i>	<i>SOCPA GAAP as at 31 December 2016 SR'000</i>	<i>Remeasurement SR'000</i>	<i>IFRS as at 31 December 2016 SR'000</i>
ASSETS				
Non-current assets				
Property and equipment	5(iii)	1,397,426	(561)	1,396,865
Intangible assets	5(iii)	-	561	561
Investment in associates		17,951	-	17,951
		1,415,377	-	1,415,377
Current assets				
Assets held for sale	5(iv)	16,438	(16,438)	-
Inventories	5(iv)	2,152	16,438	18,590
Trade receivables, net		164,405	-	164,405
Prepayments and other receivables		20,680	-	20,680
Cash and cash equivalents		20,745	-	20,745
		224,420	-	224,420
TOTAL ASSETS		1,639,797	-	1,639,797
EQUITY AND LIABILITIES				
Equity				
Share capital		610,000	-	610,000
Statutory reserve		132,381	-	132,381
Retained earnings		252,957	-	252,957
Total equity		995,338	-	995,338
LIABILITIES				
Non-current liabilities				
Borrowings		92,936	-	92,936
Employee benefits		37,870	-	37,870
		130,806	-	130,806
Current liabilities				
Current portion of borrowings		372,571	-	372,571
Trade payables		95,468	-	95,468
Accrued expenses and other liabilities		37,927	-	37,927
Zakat payable		7,687	-	7,687
		513,653	-	513,653
TOTAL LIABILITIES		644,459	-	644,459
TOTAL EQUITY AND LIABILITIES		1,639,797	-	1,639,797

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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5 FIRST-TIME ADOPTION OF IFRS (continued)

Notes to the above reconciliation

5 (iii) An amount of SR 561 thousand as at 31 December 2016 has been reclassified from property and equipment to intangible assets representing software that were previously classified as part of property and equipment under SOCPA GAAP.

5 (iv) Vehicles held for sale by the Group in the ordinary course of its operations, amounting to SR 16,438 thousand, were previously classified as “assets held for sale”. Since these vehicles and their subsequent sale represents a routine operating activity of the Group, they have been classified to inventories.

The following is a reconciliation of the Group’s interim condensed consolidated statement of financial position reported in accordance with SOCPA GAAP to its interim condensed consolidated statement of financial position under IFRS at 31 March 2016:

	Note	SOCPA GAAP as at 31 March 2016 SR'000	Remeasurement SR'000	IFRS as at 31 March 2016 SR'000
ASSETS				
Non-current assets				
Property and equipment	5(v)	1,462,492	(662)	1,461,830
Intangible assets	5(v)	-	662	662
Investment in associates		18,857	-	18,857
		<u>1,481,349</u>	<u>-</u>	<u>1,481,349</u>
Current assets				
Inventories	5(vi)	3,048	9,344	12,392
Trade receivables, net		138,869	-	138,869
Prepayments and other receivables	5(vi)	27,887	(9,344)	18,543
Cash and cash equivalents		26,649	-	26,649
		<u>196,453</u>	<u>-</u>	<u>196,453</u>
TOTAL ASSETS		<u>1,677,802</u>	<u>-</u>	<u>1,677,802</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		508,333	-	508,333
Statutory reserve		119,860	-	119,860
Retained earnings		322,108	-	322,108
		<u>950,301</u>	<u>-</u>	<u>950,301</u>
Liabilities				
Non-current liabilities				
Borrowings		191,286	-	191,286
Employees’ end of service benefits		36,358	-	36,358
		<u>227,644</u>	<u>-</u>	<u>227,644</u>
Current liabilities				
Current portion of borrowings		383,411	-	383,411
Trade payables		65,898	-	65,898
Accrued and other current liabilities		43,748	-	43,748
Zakat payable		6,800	-	6,800
		<u>499,857</u>	<u>-</u>	<u>499,857</u>
Total liabilities		<u>727,501</u>	<u>-</u>	<u>727,501</u>
TOTAL EQUITY AND LIABILITIES		<u>1,677,802</u>	<u>-</u>	<u>1,677,802</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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5 FIRST-TIME ADOPTION OF IFRS (continued)

Notes to the above reconciliation

5(v) An amount of SR 662 thousand as at 31 March 2016 has been reclassified from property and equipment to intangible assets representing software that were previously classified as part of property and equipment under SOCPA GAAP.

5(vi) Vehicles held for sale by the Group in the ordinary course of its operations, amounting to SR 9,344 thousand, were previously classified as "assets held for sale" as part of prepayment and other receivables. Since these vehicles and their subsequent sale represents a routine operating activity of the Group, these have been classified to inventories.

Group's reconciliation of interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2016:

	Note	<i>SOCPA GAAP</i> 31 March 2016 SR'000	<i>Remeasurement</i> SR'000	<i>IFRS</i> 31 March 2016 SR'000
Revenue	5(vii) & (viii)	219,398	80,922	300,320
Cost of revenue	5(vii)	(184,432)	(41,974)	(226,406)
GROSS PROFIT		34,966	38,948	73,914
Gain on sale of vehicles	5(vii)	39,668	(39,668)	-
Other operating income, net	5(viii)	5,137	720	5,857
Selling and marketing expenses		(7,446)	-	(7,446)
General and administrative expenses	5(ix)	(10,316)	(450)	(10,766)
OPERATING PROFIT		62,009	(450)	61,559
Impairment of investments in associates		(6,619)	-	(6,619)
Finance costs, net		(4,004)	-	(4,004)
Share of results of associates		(585)	-	(585)
PROFIT BEFORE ZAKAT		50,801	(450)	50,351
Zakat expense		(1,554)	-	(1,554)
PROFIT FOR THE PERIOD		49,247	(450)	48,797
OTHER COMPREHENSIVE INCOME				
Gains/(losses) on actuarial valuation		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		49,247	(450)	48,797

The impact on net sales and cash flows and on earnings per share were:

	<i>SOCPA GAAP for the</i> <i>three-month period</i> <i>ended 31 March 2016</i> SR'000	<i>IFRS for the three-</i> <i>month period ended</i> <i>31 March 2016</i> SR'000	<i>Difference</i> SR'000
Net sales	219,398	300,320	80,922
Net cash from operating activities	146,992	80,623	(66,369)
Net cash used in investing activities	(62,733)	(818)	(61,915)
Net cash used in financing activities	(79,688)	(75,234)	4,454
Per ordinary share in SR:			
- net profit	0.81	0.80	0.01

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

5 FIRST-TIME ADOPTION OF IFRS (continued)

Notes to the above reconciliation

5(vii) Consistent with the reclassification of vehicle for sale from assets held for sale to inventories (note 5(ii)), an amount of SR 39,668 thousand representing the net gain on sale of vehicles has been reclassified to revenue and cost of sales via adjustments of SR 81,642 thousand (gross sales value) and SR 41,974 thousand (net carrying value of inventories).

5(viii) As explained in note 3.4, income from other services that are not incidental to the core operating activities of the Group are classified as other income in interim condensed consolidated statement of profit or loss and other comprehensive income. However, these amounts were classified as revenue under SOCPA. Hence, an amount of SR 720 thousand has been reclassified from revenue to other income.

5(ix) The Group previously recognized board of directors' remuneration in retained earnings through statement of changes in equity. Such remuneration is required to be recorded in interim condensed consolidated statement of profit or loss and other comprehensive income under IFRS and therefore an amount of SR 450 thousand has been reclassified from statement of changes in equity to statement of profit or loss.

Group's reconciliation of statement of profit or loss for the year ended 31 December 2016:

	Note	<i>SOCPA GAAP</i> 31 December 2016 SR'000	<i>Remeasurement</i> SR'000	<i>IFRS</i> 31 December 2016 SR'000
Revenue	5 (x) & (xi)	866,844	315,668	1,182,512
Cost of revenue	5(x)	(732,094)	(171,369)	(903,463)
GROSS PROFIT		134,750	144,299	279,049
Gain on sale of vehicles	5(x)	143,244	(143,244)	-
Other operating income, net	5(xi)	9,577	(1,055)	8,522
Selling and marketing expenses		(31,473)	-	(31,473)
General and administrative expenses	5(xii)	(49,990)	(4,315)	(54,305)
OPERATING PROFIT		206,108	(4,315)	201,793
Impairment of investments in associates		(6,619)	-	(6,619)
Finance costs, net		(16,063)	-	(16,063)
Share of results of associates		(1,491)	-	(1,491)
PROFIT BEFORE ZAKAT		181,935	(4,315)	177,620
Zakat expense		(7,485)	-	(7,485)
PROFIT FOR THE YEAR		174,450	(4,315)	170,135
OTHER COMPREHENSIVE INCOME				
Gains/(losses) on actuarial valuation		-	(51)	(51)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		174,450	(4,366)	170,084

Notes to the above reconciliation

5 (x) Consistent with the reclassification of vehicle for sale from assets held for sale to inventories (note 5 (ii)), an amount of SR 143,244 thousand representing the net gain on sale of vehicles has been reclassified to revenue and cost of sales via adjustments of SR 314,614 thousand (gross sales value) and SR 171,370 thousand (net carrying value of inventories).

5 (xi) As explained in note 3.4, income from other services that are not incidental to the core operating activities of the Group are classified as other income in statement of profit or loss. However, these amounts were classified as revenue under SOCPA. Hence, an amount of SR 1,055 thousand has been reclassified from revenue to other income.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

5 FIRST-TIME ADOPTION OF IFRS (continued)

5 (xii) The Group previously recognized board of directors' remuneration in retained earnings through statement of changes in equity. Such remuneration is required to be recorded in statement of profit or loss under IFRS and therefore an amount of SR 4,315 thousand has been reclassified from changes in equity to statement of profit or loss.

6 ZAKAT

a) Charge for the year

The Group's zakat charge is based on the separate financial statements of the Parent Company and its subsidiary.

Movement in provision during the period/year

The movement in the zakat provision for the period/year is as follows:

	<i>For the period ended 31 March 2017 SR'000</i>	<i>For the year ended 31 December 2016 SR'000</i>
At the beginning of the period/year	7,687	5,246
Provided during the period/year	1,513	7,485
Paid during the period/year	-	(5,044)
	<hr/>	<hr/>
At the end of the period/year	9,200	7,687
	<hr/> <hr/>	<hr/> <hr/>

b) Status of assessments

The Parent Company

The Parent Company has filed the zakat return for all years up to the financial year ended 31 December 2016. All assessment proceedings of the General Authority of Zakat and Tax ("GAZT") up to the end of the financial year ended 31 December 2008 have been completed. For the year from 2009 to 2011, the GAZT completed its assessment and raised an additional demand for zakat differences amounting to SR 1,194,951 during 2013. The Parent Company settled this demand on 25 December 2013 and filed an objection against the assessment; however, the said appeal was withdrawn during the year 2016. The assessments for the financial years 2012 through 2016 are under process.

Subsidiary- Aljozoor Alrasekha Trucking Company Limited

The subsidiary has filed the zakat returns up to the financial year ended 31 December 2016. The assessments for the financial years 2012 to 2016 are under process.

7 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share ('EPS') is not applicable to the Group. Also, no separate earning per share calculation from continuing operations has been presented since there were no discontinued operations during the period.

The EPS calculation is given below:

	<i>For the three-month period ended 31 March 2017 SR'000</i>	<i>For the three-month period ended 31 March 2016 SR'000</i>
Profit attributable to ordinary equity holders of the parent	42,477	48,797
	<hr/>	<hr/>
Weighted average number of ordinary shares for basic and diluted EPS	61,000	61,000
	<hr/>	<hr/>
Earnings per share	0.70	0.80
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

8 PROPERTY AND EQUIPMENT

	<i>For the three-month period ended 31 March 2017 SR'000</i>	<i>For the year ended 31 December 2016 SR'000</i>
Opening balance	1,396,865	1,498,059
Additions during the year	94,055	607,017
Transfer to inventories during the period/year	(12,970)	(16,437)
Depreciation for the period/year	(124,129)	(520,404)
Disposal during the period/year	(43,292)	(171,370)
Closing balance	<u>1,310,529</u>	<u>1,396,865</u>

9 EQUITY

Share capital

At 31 March 2017, the Parent Company's share capital of SR 610 million (31 December 2016: SR 610 million) consists of 61 million (31 December 2016: 61 million) fully paid shares of SR 10 each.

The Board of Directors in its meeting held on 19 January 2016, proposed final dividend of SR 76.25 million (representing SR 1.5 per share) for the year ended 31 December 2015. Additionally, the Board of Directors also proposed to increase the Parent Company's share capital to SR 610 million by issuing one bonus share for every five ordinary shares outstanding. The shareholders in the Extraordinary General Assembly Meeting on 5 May 2016, approved the Board's proposal and authorised issuance of 10.17 million bonus shares at a nominal value of SR 10 each and resultantly the share capital of the Parent Company was increased from SR 508.3 million to SR 610 million. The legal formalities for the increase in capital were completed on 21 June 2016.

The Board of Directors in its meeting held on 19 January 2017, proposed final dividend of SR 76.25 million (representing SR 1.25 per share) for the year ended 31 December 2016. Additionally, the Board of Directors also proposed to increase the Parent Company's share capital to SR 711.67 million by issuing one bonus share for every six ordinary shares outstanding. Subsequent to the period end, the shareholders in the Extraordinary General Assembly Meeting on 19 April 2017, approved the Board's proposal and authorized issuance of 10.17 million bonus shares at a nominal value of SR 10 each and resultantly the share capital of the Parent Company was increased from SR 610 million to SR 711.67 million.

Statutory reserve

In accordance with bye-laws of the Parent Company, the Parent Company has transferred 10% of its net income for the period to the statutory reserve. The Parent Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. This reserve is not available for distribution.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

10 BORROWINGS

	<i>31 March</i> <i>2017</i> <i>SR'000</i>	<i>31 December</i> <i>2016</i> <i>SR'000</i>	<i>1 January</i> <i>2016</i> <i>SR'000</i>
<i>Non-current portion</i>			
Murabaha sale agreements	60,982	91,825	238,425
Al Tawarroq agreements	4,478	1,111	10,834
	<u>65,460</u>	<u>92,936</u>	<u>249,259</u>
<i>Current portion</i>			
Murabaha sale agreements	276,091	327,294	332,898
Al Tawarroq agreements	44,689	45,277	67,774
	<u>320,780</u>	<u>372,571</u>	<u>400,672</u>

Long-term bank debts consist of Group's borrowings under various Islamic Finance Products including Murabaha and Al Tawarroq arrangements with commercial banks. Such debts bear financing charges at the prevailing market rates. These loans are secured by demand promissory notes. The loan agreements include covenants which, among other things, require certain financial ratios to be maintained. The instalments due within twelve months from the Interim Condensed Consolidated Statement of Financial Position date are shown as a current liability in the Interim Condensed Consolidated Statement of Financial Position.

11 EMPLOYEE BENEFITS

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The movement in EOSB for the period/year ended is as follows:

	<i>For the three-month</i> <i>period ended 31</i> <i>March 2017</i> <i>SR'000</i>	<i>For the year</i> <i>ended 31</i> <i>December 2016</i> <i>SR'000</i>
Balance at 1 January	37,870	35,655
<i>Included in statement of profit or loss</i>		
Current service cost	523	2,524
Interest cost	465	1,704
	<u>38,858</u>	<u>39,883</u>
<i>Included in statement of other comprehensive income</i>		
Actuarial loss	-	51
	<u>38,858</u>	<u>39,934</u>
Benefits paid	(1,932)	(2,064)
Balance at the end of the period/year	<u>36,926</u>	<u>37,870</u>

There has been no change in actuarial assumptions for the three-month period ended 31 March 2017. Hence, actuarial gain/loss for the period is nil.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

11 EMPLOYEE BENEFITS (continued)

Allocation of EOSB charge between cost of revenue, selling and marketing expenses and general and administrative expenses is as follows:

	<i>For the three-month period ended 31 March 2017 SR'000</i>	<i>For the three-month period ended 31 March 2016 SR'000</i>
Cost of revenue	468	500
Selling and marketing expenses	268	335
General and administrative expenses	252	394
	<u>988</u>	<u>1,229</u>

The following were the principal actuarial assumptions applied at the reporting date:

	<i>31 March 2017</i>	<i>31 December 2016</i>	<i>1 January 2016</i>
Discount rate	5%	5%	5%
Future salary growth / expected rate of salary increase:			
- First four years	3%	3%	3%
- Thereafter	5%	5%	5%
Mortality rate	0.65 - 6.67 per thousand	0.65 - 6.67 per thousand	0.65 - 6.67 per thousand
Employee turnover / withdrawal rates	0 - 57.36 per thousand	0 - 57.36 per thousand	0 - 57.36 per thousand
Retirement age	60 years	60 years	60 years

Similar assumptions, as above, were applied in the computation of EOSB as at 31 March 2016.

The sensitivity of EOSB to changes in the weighted principal assumptions is as follows:

	Impact on EOSB		
	Increase / (decrease) in actual figures		
	Change in assumption by	Increase in assumption by	Decrease in assumption by
Discount rate	1%	(4,180)	5,119
Future salary growth / expected rate of salary increase	1%	4,969	(4,144)
Mortality rate	1 year	(31)	37
Employee turnover / withdrawal rates	1 year	77	(84)
Retirement age	1 year	206	(231)

The weighted average duration of the defined benefit obligation is 9 years.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2017

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions.

a) The significant transactions and the related amounts are as follows:

<i>Related party</i>	<i>Nature of relationship</i>	<i>Nature of transactions</i>	<i>Amounts of transactions</i>	
			<i>For the three-month period ended 31 March 2017</i>	<i>For the three-month period ended 31 March 2016</i>
			<i>SR'000</i>	<i>SR'000</i>
Zahid Group (note b)	Shareholder	Car rentals	74	103
		Location rent	-	21
Automotive Maintenance Centre (AMC)	Affiliate	Services received	211	926
		Used car sale	5,067	11,594
Key management personnel	Employees	Short term benefits	1,045	1,045
		Long term benefits	103	472
		Board of Directors remuneration	450	450

b) Due from a related party as of period/year end represents the following:

	<i>31 March 2017</i>	<i>31 December 2016</i>	<i>1 January 2016</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Zahid Group	<u>113</u>	<u>132</u>	<u>69</u>

13 CONTINGENCIES AND COMMITMENTS

At 31 March 2017, the Group has outstanding letters of guarantee amounting to SR 3.8 million (as at 31 December 2016: SR 5.6 million/ as at 1 January 2016: SR 6.7 million) issued by the banks in Saudi Arabia on behalf of Group in the ordinary course of business.

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14 SEGMENTAL INFORMATION

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's top management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Lease segment – represents cars leased out to customers under medium to longer term rental arrangements
- Rental segment – represents cars leased out to customers under short term rental arrangements
- Others – represents inventories, other assets and liabilities and related income & expense for items not classified under lease and rental segments.

Segment results that are reported to the top management (Chairman, Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO)) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues, as included in the internal management reports that are reviewed by the top management. There are no inter segment revenue reported during the period. The following table presents segment information for the three month period ended 31 March 2017:

<i>Particulars</i>	<i>Lease</i>		<i>Rental</i>		<i>Others</i>		<i>Total</i>	
	<i>31 March 2017</i>	<i>31 March 2016</i>	<i>31 March 2017</i>	<i>31 March 2016</i>	<i>31 March 2017</i>	<i>31 March 2016</i>	<i>31 March 2017</i>	<i>31 March 2016</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Revenue - external customers	140,534	130,489	63,243	88,189	95,134	81,642	298,911	300,320
Depreciation and amortization	(92,246)	(84,750)	(31,999)	(44,625)	-	-	(124,245)	(129,375)
Segment profit	<u>48,288</u>	<u>45,739</u>	<u>31,244</u>	<u>43,564</u>	<u>95,134</u>	<u>81,642</u>	<u>174,666</u>	<u>170,945</u>
Unallocated income/(expenses):								
Cost of revenue							(108,616)	(97,031)
Other operating income, net							1,405	5,857
Selling and marketing expenses							(7,684)	(7,446)
General and administrative expenses							(11,671)	(10,766)
Impairment of investments in associates							-	(6,619)
Finance costs, net							(3,419)	(4,004)
Share of results of associates							(691)	(585)
Profit before zakat							<u>43,990</u>	<u>50,351</u>

Detail of segment assets and liabilities is given below:

<i>Particulars</i>	<i>Allocated</i>		<i>Unallocated</i>	<i>Total</i>
	<i>Lease</i>	<i>Rental</i>	<i>Others</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
31 March 2017				
Segment assets	923,301	287,327	360,579	1,571,207
Segment liabilities	-	-	533,392	533,392
31 December 2016				
Segment assets	970,423	325,406	343,968	1,639,797
Segment liabilities	-	-	644,459	644,459
1 January 2016				
Segment assets	923,836	468,385	310,573	1,702,794
Segment liabilities	-	-	801,290	801,290

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15 FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at 31 March 2017 and 31 December 2016, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 2 of the fair value hierarchy. No significant inputs were applied in the valuation of trade receivables as at 31 March 2017 and 31 December 2016.

During the period ended 31 March 2017, there were no movements between the levels.

16 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements have been approved by the Board of Directors on 3 May 2017, corresponding to 7 Sha'ban 1438H.