

**Aldrees Petroleum and Transport
Services Company
(A Saudi Joint Stock Company)**

FINANCIAL STATEMENTS

31 DECEMBER 2013

Ernst & Young

 **ERNST & YOUNG**

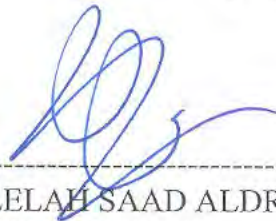
Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

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RASMY GERGUIS AWAD
CHIEF FINANCIAL OFFICER



ENGR. ABDULELAH SAAD ALDREES
CHIEF EXECUTIVE OFFICER



HAMAD BIN MOHAMMED ALDREES
CHAIRMAN OF THE BOARD OF DIRECTORS



**AUDITORS' REPORT TO THE SHAREHOLDERS
ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Scope of audit:

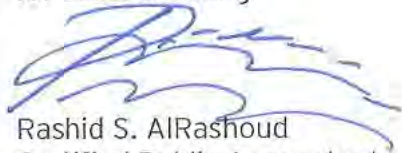
We have audited the accompanying balance sheet of Aldrees Petroleum and Transport Services Company, a Saudi Joint Stock Company (the Company) as of 31 December 2013 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the Company as of 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young


Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366



Riyadh: 15 Rabi Awal 1435H
(16 January 2014)



Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

BALANCE SHEET

As at 31 December 2013

	Notes	2013 SR	2012 SR
ASSETS			
CURRENT ASSETS			
Cash at banks		29,410,485	17,100,843
Trade accounts receivable, net	3	117,564,880	102,607,031
Accrued income	4	23,533,180	20,854,842
Inventories, net	5	22,926,894	23,343,503
Prepaid expenses	6	133,715,888	121,757,705
Other assets	7	34,227,477	31,386,823
TOTAL CURRENT ASSETS		361,378,804	317,050,747
NON CURRENT ASSETS			
Investments	8	9,207,721	250,000
Deferred costs	9	21,501,654	20,281,552
Property and equipment	10	697,018,793	590,125,314
TOTAL NON CURRENT ASSETS		727,728,168	610,656,866
TOTAL ASSETS		1,089,106,972	927,707,613
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short term loans	11	126,248,509	76,666,667
Current portion of long term loans	11	77,074,509	49,871,772
Trade payables	12	136,978,625	132,004,494
Due to a related party	19	810,009	217,238
Accrued expenses and other liabilities	13	97,231,660	85,875,485
Zakat payable	14	1,737,384	2,369,302
TOTAL CURRENT LIABILITIES		440,080,696	347,004,958
NON CURRENT LIABILITES			
Long term loans	11	96,424,446	72,932,883
Employees' end of service indemnities		34,566,029	29,826,387
TOTAL NON CURRENT LIABILITIES		130,990,475	102,759,270
TOTAL LIABILITIES		571,071,171	449,764,228
SHAREHOLDERS' EQUITY			
Share capital	15	300,000,000	300,000,000
Statutory reserve		62,837,224	52,667,982
Retained earnings		155,198,577	125,275,403
TOTAL SHAREHOLDERS' EQUITY		518,035,801	477,943,385
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,089,106,972	927,707,613

The attached notes 1 to 29 form part of these financial statements

Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

STATEMENT OF INCOME
Year ended 31 December 2013

	Notes	2013 SR	2012 SR
Revenue		1,982,683,403	1,873,574,032
Cost of revenue		(1,795,035,614)	(1,702,074,157)
GROSS PROFIT		187,647,789	171,499,875
EXPENSES			
Selling and marketing	16	(5,107,245)	(5,428,989)
General and administrative	17	(73,259,771)	(61,142,425)
INCOME FROM OPERATIONS		109,280,773	104,928,461
Financial charges	11	(9,836,987)	(8,300,257)
Share in losses of joint venture	8	(1,042,279)	-
Other income, net	18	5,510,909	942,679
INCOME BEFORE ZAKAT		103,912,416	97,570,883
Zakat	14	(2,220,000)	(2,023,000)
NET INCOME FOR THE YEAR		101,692,416	95,547,883
Earnings per share from:			
Income from operations	20	3.64	3.50
Net income	20	3.40	3.18

Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	2013 SR	2012 SR
OPERATING ACTIVITIES		
Income before zakat	103,912,416	97,570,883
Adjustments for:		
Depreciation	54,297,688	49,330,381
Amortisation of deferred costs	8,262,084	9,596,311
Written off deferred costs	233,190	176,923
Share in losses of joint venture	1,042,279	-
Allowance for doubtful trade accounts receivable	1,494,613	790,247
Provision for slow moving and obsolete inventories	163,686	703,656
(Gains) losses on disposal of property and equipment	(4,244,201)	28,583
Provision for employees' end of service indemnities	7,959,880	6,263,932
	<u>173,121,635</u>	<u>164,460,916</u>
Changes in operating assets and liabilities:		
Trade accounts receivable	(16,452,462)	(16,832,424)
Accrued income	(2,678,338)	(2,040,710)
Inventories	252,923	(4,793,649)
Prepaid expenses	(11,958,183)	3,915,733
Other assets	(2,840,654)	(234,098)
Trade payables	4,974,131	19,472,948
Due to a related party	592,771	(758,638)
Accrued expenses and other liabilities	11,356,175	5,344,379
	<u>156,367,998</u>	<u>168,534,457</u>
Cash from operations	156,367,998	168,534,457
Employees' end of service indemnities paid	(3,220,238)	(2,936,827)
Zakat paid	(2,851,918)	(1,621,247)
	<u>150,295,842</u>	<u>163,976,383</u>
Net cash from operating activities	150,295,842	163,976,383
INVESTING ACTIVITIES		
Investments	(10,000,000)	(250,000)
Deferred costs	(9,715,376)	(2,499,707)
Acquisition of property and equipment	(169,918,259)	(145,919,944)
Proceeds from disposal of property and equipment	12,971,293	6,100,648
	<u>(176,662,342)</u>	<u>(142,569,003)</u>
Net cash used in investing activities	(176,662,342)	(142,569,003)
FINANCING ACTIVITIES		
Proceeds from short term loans	1,366,158,562	1,040,277,960
Repayment of short term loans	(1,316,576,720)	(1,054,277,962)
Proceeds from long term loans	115,597,500	112,846,690
Repayment of long term loans	(64,903,200)	(72,971,640)
Dividends paid	(60,000,000)	(50,000,000)
Board of directors' remunerations	(1,600,000)	(1,600,000)
	<u>38,676,142</u>	<u>(25,724,952)</u>
Net cash from (used in) financing activities	38,676,142	(25,724,952)
INCREASE (DECREASE) IN CASH AT BANKS	12,309,642	(4,317,572)
Cash at banks at the beginning of the year	17,100,843	21,418,415
CASH AT BANKS AT THE END OF THE YEAR	29,410,485	17,100,843

The attached notes 1 to 29 form part of these financial statements

Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2013

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 31 December 2011	250,000,000	43,113,194	140,882,308	433,995,502
Transfer to capital (note 15)	50,000,000	-	(50,000,000)	-
Dividends	-	-	(50,000,000)	(50,000,000)
Board of directors' remunerations (note 21)	-	-	(1,600,000)	(1,600,000)
Net income for the year	-	-	95,547,883	95,547,883
Transfer to statutory reserve	-	9,554,788	(9,554,788)	-
Balance at 31 December 2012	<u>300,000,000</u>	<u>52,667,982</u>	<u>125,275,403</u>	<u>477,943,385</u>
Dividends (note 21)	-	-	(60,000,000)	(60,000,000)
Board of directors' remunerations (note 21)	-	-	(1,600,000)	(1,600,000)
Net income for the year	-	-	101,692,416	101,692,416
Transfer to statutory reserve	-	10,169,242	(10,169,242)	-
Balance at 31 December 2013	<u><u>300,000,000</u></u>	<u><u>62,837,224</u></u>	<u><u>155,198,577</u></u>	<u><u>518,035,801</u></u>

Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

1 ORGANISATION AND ACTIVITIES

Aldrees Petroleum and Transport Services Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, the Kingdom of Saudi Arabia under commercial registration number 1010002475 issued in Riyadh on 13 Rabi Al-Thani 1382H (corresponding to 12 September 1962).

The Company's objectives, as per its commercial registration, include retail and wholesale trading of fuel, lubricants, catering services and the transportation of goods using highways in the Kingdom of Saudi Arabia in accordance with license number 10111012400, establishment of vehicle workshops and car washes and acquisition of land to construct buildings for sale or lease for the interest of the Company and construction, managing, operating and renting take away centres for hot and cold beverages and food.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

These financial statements have been prepared on a historical cost basis using the accrual basis of accounting.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Revenue recognition

Revenue from sales is recognized when goods are delivered and services are rendered to customers. Rental income is recognized on a straight line basis over the term of the lease.

Accounts receivable

Accounts receivable are stated at original invoice amount less appropriate allowance for any doubtful trade accounts receivable. An estimate for allowance for doubtful trade accounts receivable is made when collection of the full amount is doubtful. Bad debts are written off as incurred.

Accrued income

Accrued income comprise of revenue earned for services provided and goods delivered but not yet billed as at the balance sheet date.

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Cost is determined using the weighted average cost method. An appropriate provision is made for obsolete and slow moving inventories, if required.

Prepaid expenses

Prepaid expenses represent amounts paid in advance for renting petrol stations, offices, employees housing and other services. Prepaid expenses are amortized, using the straight line method, over the period of the related contracts.

Deferred costs

Deferred costs represent key money paid for renting new petrol stations in the Kingdom of Saudi Arabia. Deferred costs are amortized, using the straight line method, over the period of the contracts.

Aldrees Petroleum and Transport Services Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investment in jointly controlled entity

A joint venture is contractual arrangements whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each party has an interest are referred to as "jointly controlled entities". The Company applies the equity method of accounting for its interests in jointly controlled entities.

Under the equity method, the interest in the jointly controlled entity is carried in the balance sheet at cost as adjusted by post-incorporation changes in the Company's share of the net assets of the jointly controlled entity, less any impairment in the value of individual investment.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life or term of the lease. Expenditures for repair and maintenance are charged to statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

Impairment of long term assets

The Company periodically reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset the Company estimates the recoverable amount of the cash generating unit which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as expenses immediately in the statement of income. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior year. A reversal of an impairment loss is recognized as income immediately in the statement of income.

Trade payable and accrued expenses

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

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Unearned revenue

Unearned revenue represents advances received against prepaid petrol cards issued by the Company that have not been utilized by customers at the balance sheet date and unearned rental income received in advance.

Zakat

Zakat is provided on accrual basis in accordance with the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. The zakat provision is charged to the statement of income. Any differences resulting from the final assessments are recorded in the year of their finalization.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service indemnities

Employees' end of service indemnities required by Saudi Arabia labour law are provided in the financial statements based on the employees' length of service.

Loans and borrowings

Loans and borrowings are recognised at the proceeds value received by the Company.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the income for the year should be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the total reserve equals 50% of the capital. The reserve is not available for dividend distribution.

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rates prevailing on that date. Gains and losses arising on settlement and translation of foreign currency transactions are recognised in the statement of income.

Operating leases

Lease of property and equipment under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the statement of income.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the marketing of the Company's products and services. All other expenses are classified as general and administrative expenses.

Cash and cash equivalents

Cash and cash equivalents consists of bank balances and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

3 TRADE ACCOUNTS RECEIVABLE, NET

	2013 SR	2012 SR
Trade accounts receivable	120,642,501	104,446,948
Allowance for doubtful trade accounts receivable	(3,077,621)	(1,839,917)
	<u>117,564,880</u>	<u>102,607,031</u>

Certain of the above trade accounts receivable are past due, more than normal collection cycle, but not impaired and are expected, on the basis of past experience, to be fully recoverable as majority of these receivables are from government or semi government institutions.

Movements in the allowance for doubtful trade accounts receivable were as follows:

	2013 SR	2012 SR
At 1 January	1,839,917	1,049,670
Provision for the year	1,494,613	790,247
Written-off during the year	(256,909)	-
At 31 December	<u>3,077,621</u>	<u>1,839,917</u>

4 ACCRUED INCOME

Accrued income represent revenue earned from services provided and goods delivered to customers but not yet billed at the balance sheet date and are current in nature.

5 INVENTORIES, NET

	2013 SR	2012 SR
Fuel, lubricants and filters	16,047,447	16,448,412
Spare parts	7,696,715	8,360,676
	<u>23,744,162</u>	<u>24,809,088</u>
Provision for slow moving and obsolete inventories	(817,268)	(1,465,585)
	<u>22,926,894</u>	<u>23,343,503</u>

6 PREPAID EXPENSES

	2013 SR	2012 SR
Prepaid rent	103,757,836	96,375,509
Others	29,958,052	25,382,196
	<u>133,715,888</u>	<u>121,757,705</u>

Aldrees Petroleum and Transport Services Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

7 OTHER ASSETS

	2013 SR	2012 SR
Receivables from employees	17,733,984	15,589,955
Advance payments to suppliers	12,696,750	12,911,820
Marginal deposits on letters of guarantee (Note 22)	23,253	27,470
Miscellaneous	3,773,490	2,857,578
	<u>34,227,477</u>	<u>31,386,823</u>

8 INVESTMENTS

On 28 August 2012, the Company signed a joint venture (JV) agreement with Emirates National Oil Company ("ENOC") through one of ENOC's wholly owned subsidiary for the purpose of establishing a Saudi limited liability company to engage in acquisition, leasing, construction, operation and maintenance of modern fuel stations on highways and in selected cities in the Kingdom of Saudi Arabia. The total initial committed funding is SR 45,000,000 to be shared equally by the two parties.

The jointly controlled entity namely United Fuel Company ("UNIFCO") has been established. As of 31 December 2013, the Company and co-venturer has made a funding of SR 10,250,000 each (2012: SR 250,000). The balance of SR 12,250,000 out of the committed funding of SR 22,500,000 by each party is yet to be paid. The JV has not yet started its commercial operations. The movement is given below:

	2013 SR	2012 SR
At the beginning of the year	250,000	-
Additions	10,000,000	250,000
Share in losses of a joint venture	(1,042,279)	-
	<u>9,207,721</u>	<u>250,000</u>

Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

9 DEFERRED COSTS

Deferred costs represent key money paid for renting new petrol stations in the Kingdom of Saudi Arabia. Deferred costs are amortized, using the straight line method, over the period of the contracts.

	2013 SR	2012 SR
Cost:		
At the beginning of the year	54,388,071	52,437,243
Additions	9,715,376	2,499,707
Written off (*)	(23,763,309)	(548,879)
At the end of the year	<u>40,340,138</u>	<u>54,388,071</u>
Amortization:		
At the beginning of the year	34,106,519	24,882,164
Charge for the year	8,262,084	9,596,311
Written off (*)	(23,530,119)	(371,956)
At the end of the year	<u>18,838,484</u>	<u>34,106,519</u>
Net book value	<u>21,501,654</u>	<u>20,281,552</u>

(*) Due to the full amortization of the deferred costs relating to certain contracts of petroleum services segment, the management has written off the deferred cost and accumulated amortization of the related contracts.

Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

10 PROPERTY AND EQUIPMENT

The depreciation rates for the major classes of assets are as follows:

Buildings	3%	Leasehold improvements	Shorter of lease period/useful life	Machinery and equipment	10%
Trucks	7.14% with 20% salvage value	Vehicles	15% – 25%	Computers	12.5% – 25%
Tools	12% – 20%	Furniture and fixtures	10%		

	Land SR	Buildings SR	Leasehold improvements SR	Machinery and equipment SR	Trucks and vehicles SR	Computers SR	Tools SR	Furniture and fixtures SR	Work in progress SR	Total 2013 SR	Total 2012 SR
Cost:											
At the beginning of the year	155,455,109	43,469,122	73,002,964	28,596,741	530,456,033	10,805,246	8,063,812	10,687,694	7,829,760	868,366,481	734,823,711
Additions	-	106,176	11,011,611	4,595,987	123,804,160	619,820	290,306	988,162	28,502,037	169,918,259	145,919,944
Disposals	-	-	(1,858,552)	(849,357)	(34,868,081)	(132,603)	(42,948)	(154,280)	-	(37,905,821)	(12,377,174)
Transfers	-	903,217	2,670,879	-	-	-	-	-	(3,574,096)	-	-
At the end of the year	155,455,109	44,478,515	84,826,902	32,343,371	619,392,112	11,292,463	8,311,170	11,521,576	32,757,701	1,000,378,919	868,366,481
Depreciation:											
At the beginning of the year	-	17,710,275	32,869,367	17,210,218	189,551,578	6,789,709	7,070,160	7,039,860	-	278,241,167	235,158,729
Charge for the year	-	1,330,248	9,749,963	3,012,913	37,532,009	1,208,987	522,939	940,629	-	54,297,688	49,330,381
Disposals	-	-	(1,082,495)	(618,240)	(27,180,452)	(109,945)	(34,146)	(153,451)	-	(29,178,729)	(6,247,943)
At the end of the year	-	19,040,523	41,536,835	19,604,891	199,903,135	7,888,751	7,558,953	7,827,038	-	303,360,126	278,241,167
Net book value:											
At 31 December 2013	155,455,109	25,437,992	43,290,067	12,738,480	419,488,977	3,403,712	752,217	3,694,538	32,757,701	697,018,793	
At 31 December 2012	155,455,109	25,758,847	40,133,597	11,386,523	340,904,455	4,015,537	993,652	3,647,834	7,829,760		590,125,314

Work in progress at 31 December 2013 and 2012 represents cost incurred in connection with buildings and leasehold improvements of fuel stations and workshops.

Depreciation expenses allocated to cost of sales is SR 50,891,693 (2012: SR 46,603,091) and to general and administrative expenses SR 3,405,995 (2012: SR 2,727,290)

Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

11 LOANS

In the normal course of business, the Company has obtained Islamic long term and short term facilities from various local commercial banks amounting to SR 1,436.7 million (2012: SR 1,300 million). These facilities include advances in the current account, short term and long term tawarruq loans, notes payable, letters of guarantee against the advance payments and contract performance. The Company has unutilized facilities amounting to SR 733.2 million (2012: SR 709.7 million). The following is the details of loans as of 31 December:

- a) Short term loans outstanding were amounting to SR 126,248,509 (2012: SR 76,666,667).
b) Long term loans consist of the following:

Bank	Type of facilities	Facility amount in SR		Utilized amount in SR		Outstanding Balance in SR		Purpose	Repayment frequency	Repayment	
		2013	2012	2013	2012	2013	2012			Starting date	Ending date
Al Rajhi	Long term murabaha loan	60,000,000	60,000,000	60,000,000	60,604,840	30,918,274	51,119,887	Acquisition of trucks and fuel stations	Quarterly	27 March 2012	19 September 2015
Riyad	Revolving long term tawarruq loan	90,000,000	90,000,000	90,000,000	90,000,000	41,137,664	45,580,319	Finance the operations	Monthly	31 March 2009	25 September 2016
Samba Financial Group	Revolving Long term tawarruq loan	100,000,000	100,000,000	27,862,500	100,000,000	26,576,563	462,500	Finance the working capital and acquisition of property and equipment	Quarterly	29 December 2013	28 September 2017
Gulf International Bank	Long term tawarruq loan	75,000,000	75,000,000	26,657,850	22,157,850	16,675,413	20,311,363	Finance the working capital and acquisition of property and equipment	Quarterly/ Monthly	17 September 2013	12 September 2015
Al Bilad Bank	Revolving long term tawarruq loan	100,000,000	10,000,000	53,391,000	6,156,000	43,191,041	5,330,586	Acquisition of trucks and fuel stations	Monthly	4 July 2012	4 July 2015
National Commercial Bank	long term tawarruq loan	30,000,000	-	18,000,000	-	15,000,000	-	Acquisition of trucks	Quarterly	28 May 2013	27 May 2016
		<u>455,000,000</u>	<u>335,000,000</u>	<u>275,911,350</u>	<u>278,918,690</u>	<u>173,498,955</u>	<u>122,804,655</u>				

The above facilities bear finance charges at SIBOR plus an agreed margin and are secured by promissory notes issued by the Company. Certain of the above facilities are also secured by assignment of contracts proceeds. The loan agreements referred to above includes financial covenants relating to current ratio, liabilities to total equity ratio, net gearing ratio, debt service coverage ratio and total shareholders' equity.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

12 TRADE PAYABLES

	2013 SR	2012 SR
Saudi Arabian Oil Company ("Aramco")	114,274,954	111,528,914
Other trade payables	22,703,671	20,475,580
	<u>136,978,625</u>	<u>132,004,494</u>

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	2013 SR	2012 SR
Unearned revenue	68,222,326	64,281,116
Accrued expenses	23,952,040	17,993,027
Advances from customers	5,057,294	3,601,342
	<u>97,231,660</u>	<u>85,875,485</u>

14 ZAKAT

Charge for the year

The zakat charge consists of:

	2013 SR	2012 SR
Provision for the year	2,202,283	1,997,348
Adjustment for previous years	17,717	25,652
Charge for the year	<u>2,220,000</u>	<u>2,023,000</u>

The calculation of zakat base is as follows:

Shareholders' equity — beginning of the year	477,943,385	433,995,502
Employees' end of service indemnities and allowances	27,015,592	25,374,054
Long term loans	173,498,955	122,804,655
Zakatable income for the year	88,091,298	74,889,997
Deductions:		
Book value of long term assets, net	(635,771,752)	(525,570,300)
Dividends and Board of Directors' remunerations	(61,600,000)	(51,600,000)
Zakat base	<u>69,177,478</u>	<u>79,893,908</u>

The difference between the financial and amounts subject to Zakat are due to difference in depreciation rates and treatment of certain allowances and provisions.

Zakat charge has been computed for the year ended 31 December 2013 based on Zakatable income and 2012 on Zakat base.

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At 31 December 2013

14 ZAKAT (continued)

Movements in provision during the year

The movement in zakat provision for the year ended 31 December 2013 and 2012 is as follows:

	2013 SR	2012 SR
At the beginning of the year	2,369,302	1,967,549
Provided during the year	2,220,000	2,023,000
Payments during the year	(2,851,918)	(1,621,247)
At end of the year	<u>1,737,384</u>	<u>2,369,302</u>

Status of assessments

The Company has received the final zakat assessments for the years up to 2007. The Company has filed its financial statements and zakat returns for the years from 2008 to 2012 with the DZIT but has not yet received the related final zakat assessments. Management believes that adequate provision has been made for zakat and any additional zakat liability that may arise, would not have a material effect on the Company's financial statements.

15 SHARE CAPITAL

On 17 Rabi Al Akhar 1433H (corresponding to 10 March 2012), the shareholders approved an increase in the share capital from SR 250 million to SR 300 million through distribution of one bonus share for every five shares held.

The Company's share capital at 31 December 2013 amounted to SR 300 million (2012: SR 300 million) consisting of 30 million (2012: 30 million) fully paid and issued share of SR 10 each.

16 SELLING AND MARKETING EXPENSES

	2013 SR	2012 SR
Commissions, bonus and sales incentives	4,358,218	4,289,815
Advertising and publicity	749,027	1,139,174
	<u>5,107,245</u>	<u>5,428,989</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2013 SR	2012 SR
Employees' salaries and benefits	55,036,794	45,326,304
Depreciation (note 10)	3,405,995	2,727,290
Rent	2,351,086	2,195,013
Maintenance	1,877,875	1,863,566
Utilities	1,793,157	1,878,762
Allowances for doubtful trade receivables	1,494,613	790,247
Printing and stationery	1,151,633	1,236,017
Travel expense	940,361	963,605
Donations for social services	678,315	541,639
Professional fees	489,658	399,019
Saudi Stock Market expenses ("Tadawul")	337,500	488,096
Insurance	239,523	245,997
Governmental expenses	128,128	149,926
Other	3,335,133	2,336,944
	<u>73,259,771</u>	<u>61,142,425</u>

Employees' salaries and benefits referred to above include an amount of SR 12.8 million for the year ended 31 December 2013 (2012: SR 12.3 million), which represents the salaries and benefits of the Company's key executives and Board of Directors' attendance fees which were approved by the Company's Board of Directors.

18 OTHER INCOME, NET

	2013 SR	2012 SR
Gains (losses) from disposal of property and equipment	4,244,201	(28,583)
Sales of scrap	1,266,708	971,262
	<u>5,510,909</u>	<u>942,679</u>

19 RELATED PARTIES TRANSACTIONS AND BALANCES

During the year, the Company transacted with following related parties. The transactions are made in normal course of business and terms of these transactions are approved by the Board of Directors.

<i>Name</i>	<i>Relationship</i>
Mr. Hamad Mohammad Aldrees	Shareholder
Mr. Abdul Mohsin Mohammad Aldrees	Shareholder
Aldrees Industrial and Trading Company	Affiliate
Seven Orbits Company for Trading	Affiliate

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

19 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

The significant transactions for the year ended 31 December are as follows:

<u>Nature of transaction</u>	2013 SR	2012 SR
Purchase of machinery, equipment and spare parts	<u>2,859,915</u>	<u>1,993,271</u>
Rent expenses	<u>2,271,104</u>	<u>2,400,001</u>

The related party balances for the year ended 31 December are as follows:

	2013 SR	2012 SR
Prepaid rent:		
Mr. Hamad Mohamrnad Aldrees	289,440	260,548
Mr. Abdul Mohsin Mohamrnad Aldrees	175,000	166,667
Seven Orbits Company for Trading	50,095	50,087
	<u>514,535</u>	<u>477,302</u>
Due to a related party:		
Aldrees Industrial and Trading Company	<u>810,009</u>	<u>217,238</u>

20 EARNINGS PER SHARE

Earnings per share attributable to income from operations and net income was calculated by dividing income from operations and net income for the year by the weighted average number of outstanding shares of 30 million as of 31 December 2013 (2012: 30 million shares).

21 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

The general assembly in its meeting on 20 Rabi Al Akhar 1434H (corresponding to 2 March 2013) has approved to distribute cash dividends amounting to SR 60 million representing SR 2 per share and to disburse remunerations for the Company's Board of Directors amounting to SR 1.6 million



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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

22 COMMITMENTS AND CONTINGENCIES

- a) At 31 December 2013, the Company had outstanding contingent liabilities in the form of letters of guarantee amounting to SR 403,674,307 (2012: SR 390,820,442). Letters of guarantee were issued against cash deposits amounting to SR 23,253 as of 31 December 2013 (2012: SR 27,470) (note 7).
- b) The rent expense against operating leases for the year ended 31 December 2013 amounted to SR 189,055,221 (2012: SR 182,253,530) and is included in the cost of revenue.

The Company has revocable commitments under these operating leases as follows:

	2013 SR	2012 SR
Within one year	153,802,730	147,110,730
More than one year	954,585,678	925,566,866
	<u>1,108,388,408</u>	<u>1,072,677,596</u>

- c) On 21 Sha'ban 1434 (corresponding to 30 June 2013), the Company has signed a Joint Venture (JV) agreement with Bertschi AG to establish a jointly controlled entity with a commitment to contribute a capital of SR 500,000.

23 SEGMENTAL INFORMATION

Since the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only. The Company has determined its business segments on the basis of type of goods supplied and services rendered by the Company's business segments and reported to the Company's executive management for the purposes of resource allocation and assessment of segment performance.

Transactions between the business segments are based on an arm length basis. For executive management purposes, the Company is organized in the following business segment after combining Super 2 operations in Petroleum Service Segment:

- Petroleum Services Segment
- Transport Services Segment

The selected segment information is provided by business segment as follows:

	<i>Petroleum services</i> SR	<i>Transport services</i> SR	<i>Intercompany elimination</i> SR	<i>Total</i> SR
<i>As of 31 December 2013</i>				
Total assets	594,671,085	573,718,608	(79,282,721)	1,089,106,972
Total liabilities	343,585,298	306,768,594	(79,282,721)	571,071,171
Revenue	1,801,983,386	236,423,752	(55,723,735)	1,982,683,403
Gross profit	108,215,640	79,432,149	-	187,647,789
Depreciation and amortization	26,232,348	36,327,424	-	62,559,772
Income from operations	61,882,535	47,398,238	-	109,280,773
Net income	57,165,841	44,526,575	-	101,692,416
Deferred cost additions	9,715,376	-	-	9,715,376
Capital expenditure additions	34,973,216	134,945,043	-	169,918,259

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2013

23 SEGMENTAL INFORMATION (continued)

	<i>Petroleum services</i> SR	<i>Transport services</i> SR	<i>Intercompany elimination</i> SR	<i>Total</i> SR
As of 31 December 2012				
Total assets	532,410,442	472,505,123	(77,207,952)	927,707,613
Total liabilities	302,890,496	224,081,684	(77,207,952)	449,764,228
Revenue	1,717,773,359	205,509,555	(49,708,882)	1,873,574,032
Gross profit	99,703,029	71,796,846	-	171,499,875
Depreciation and amortization	26,924,809	32,001,883	-	58,926,692
Income from operations	59,888,407	45,040,054	-	104,928,461
Net income	55,316,263	40,231,620	-	95,547,883
Deferred cost additions	2,499,707	-	-	2,499,707
Capital expenditure additions	49,017,028	96,902,916	-	145,919,944

24 SUBSEQUENT EVENTS

The Company's Board of Directors in their meeting held on 14 Rabi Awal 1435H (corresponding to 15 January 2014) recommended the following:

- 1) increase the Company's share capital by 33.33% (i.e. from SR 300 million to SR 400 million) consequently increasing the number of shares from 30 million to 40 million through distribution of one bonus share for every three shares held.
- 2) distribution of cash dividends of SR 2 per share totalling SR 60 million representing 20% of the Company's share capital before the increase.
- 3) payment of remunerations to the Company's Board of Directors amounting to SR 1.6 million for the year ended 31 December 2013.

The above recommendations are subject to general assembly and regulatory approvals.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

Financial instruments carried on the balance sheet include bank balances, trade accounts and other receivables; trade accounts payables, loans and other liabilities.

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the prevailing market commission rates. The Company is subject to commission rate risk on its commission bearing Islamic short term and long term facilities.

The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, with all other variables held constant. There is no impact on the Company's equity.

The sensitivity of the income is the effect of the assumed changes in commission rates on the Company's profit for one year, based on the floating commission rate financial liabilities held at 31 December:

<i>Increase/(decrease) in basis points</i>	<i>Effect on income for the year</i>	
	<i>2013</i> SR	<i>2012</i> SR
+5	(149,874)	(99,736)
+10	(299,747)	(199,471)
-5	149,874	99,736
-10	299,747	199,471

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Currency risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates, and believes that the Company is not exposed to significant currency risk since the Company did not undertake significant transactions in currencies other than Saudi Riyal and US Dollars. The Saudi Riyal is pegged to the US Dollar, accordingly, balances and transactions in US Dollars are not considered to represent significant currency risk.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company's policy is that all customers who wish to trade on credit terms are subject to credit worthiness evaluation process. Financial instruments that expose the Company to concentrations of credit risk consist primarily of bank balances and accounts receivable. The Company places its bank balances with a number of financial institutions with sound credit ratings and has a policy of limiting its balances deposited with each institution. The Company does not believe that there is a significant risk of non-performance by these financial institutions. The Company does not consider itself exposed to a concentration of credit risk with respect to accounts receivable due to its diverse customer base operating in various industries and located in many regions.

Liquidity risk

It is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that Islamic bank facilities are available. The terms and conditions of the facilities are disclosed in note 11. The Company's terms of sales require amounts to be paid either on cash on delivery or on terms basis. Trade payables are normally settled within 60 days of the date of purchase.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of bank balances and receivables, its financial liabilities consist of loans and payables.

The carrying values for bank balances, trade receivables, trade payables and other financial assets and liabilities are deemed to approximate their carrying amounts.

27 KEY SOURCES OF ESTIMATION UNCERTAINTY

Doubtful trade accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were SR 120,642,501 (2012: SR 104,446,948), and the allowance for doubtful trade accounts receivable was SR 3,077,621 (2012: SR 1,839,917). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

27 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives of property and equipment

The Company management determines the estimated useful lives of its property and equipment for calculating depreciation. The estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

28 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year.

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 14 Rabi Awal 1435H (15 January 2014).



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