
**UNITED INTERNATIONAL
TRANSPORTATION COMPANY**
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2013
with
INDEPENDENT AUDITOR'S REPORT

**KPMG Al Fozan & Al Sadhan**

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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

The Shareholders
United International Transportation Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia.

We have audited the accompanying consolidated financial statements of United International Transportation Company ("the Company") and its subsidiaries ("the Group") which comprise the consolidated balance sheet as at December 31, 2013 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 23 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

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

- 1) present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2013, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
- 2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Al Sadhan



Ebrahim Oboud Baeshen
License No. 382

Rabi Al Awal 18, 1435H
Corresponding to January 19, 2014



UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

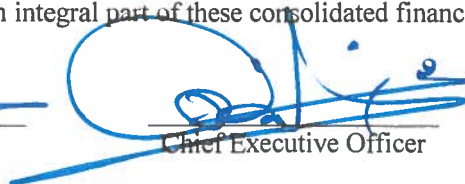
As at December 31, 2013

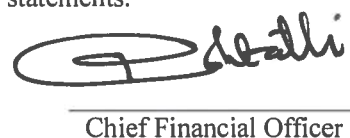
Expressed in Saudi Arabian Riyals

	Notes	2013	2012
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	4	26,735,601	17,167,313
Trade receivables - net	5	89,508,425	73,312,006
Inventories		4,760,534	4,235,230
Prepayments and other current assets	6	39,878,610	20,698,282
Total current assets		160,883,170	115,412,831
Non-current assets:			
Investment in an associate	7	28,314,735	27,161,329
Property and equipment	8	1,152,995,445	1,003,138,929
Total non-current assets		1,181,310,180	1,030,300,258
Total assets		1,342,193,350	1,145,713,089
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Current portion of long term bank debts	9(a)	312,168,274	250,649,783
Accounts payable	10	80,444,590	81,013,422
Accrued expenses and other current liabilities	11	25,799,995	20,786,231
Accrued Zakat and income tax	13	5,088,672	4,600,648
Total current liabilities		423,501,531	357,050,084
Non-current liabilities:			
Long-term bank debts	9(b)	200,794,856	171,884,176
Employees' end of service benefits		29,186,804	23,234,293
Total non-current liabilities		229,981,660	195,118,469
Total liabilities		653,483,191	552,168,553
<u>EQUITY</u>			
Equity attributable to the Company's shareholders:			
Share capital	14	305,000,000	244,000,000
Statutory reserve	15	78,953,818	63,933,127
Foreign currency translation reserve		(216,305)	(42,302)
Retained earnings		304,412,374	285,558,609
Total shareholders' equity		688,149,887	593,449,434
Non-controlling interests		560,272	95,102
Total equity		688,710,159	593,544,536
Total liabilities and equity		1,342,193,350	1,145,713,089

The accompanying notes 1 through 23 form
an integral part of these consolidated financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

	Notes	<u>2013</u>	<u>2012</u>
Revenue	17	668,478,154	582,211,015
Cost of revenue	18	(553,673,228)	(488,205,143)
Gross profit		<u>114,804,926</u>	<u>94,005,872</u>
Expenses:			
General and administrative	19	(33,179,916)	(40,892,874)
Marketing expenses	20	(29,826,605)	(28,726,794)
Total expenses		<u>(63,006,521)</u>	<u>(69,619,668)</u>
Income from operations		51,798,405	24,386,204
Gain on sale of vehicles		<u>111,681,708</u>	<u>112,431,482</u>
Income from continued operations		163,480,113	136,817,686
Other (expenses) / income			
Finance charges		(12,695,970)	(9,495,805)
Share of profit from an associate	7	1,153,406	482,094
Other income – net		<u>3,726,329</u>	<u>2,642,291</u>
Total other expenses-net		<u>(7,816,235)</u>	<u>(6,371,420)</u>
Net income before Zakat and income tax and non-controlling interest		155,663,878	130,446,266
Zakat and income tax	13	(4,875,326)	(4,656,696)
Net income before non-controlling interest		150,788,552	125,789,570
Share of non-controlling interest in the net profit of consolidated subsidiary		<u>(581,642)</u>	<u>(13,511)</u>
Net income for the year		150,206,910	125,776,059
Earnings per share	21	<u>4.92</u>	<u>4.12</u>

The accompanying notes 1 through 23 form an integral part of these consolidated financial statements.





Chairman
Chief Executive Officer
Chief Financial Officer

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

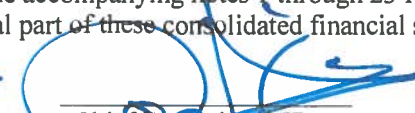
For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

	Note	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:			
Net income		150,206,910	125,776,059
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation		383,613,940	330,310,840
Amortisation of payment under operating lease		243,459	4,429,368
Finance charges		12,695,970	9,495,805
Gain on sale of vehicles		(111,681,708)	(112,431,482)
Provision for Zakat and income tax		4,875,326	4,656,696
Share of minority interests in net income of a consolidated subsidiary		581,642	13,511
Share of profit from an associate		(1,153,406)	(482,094)
Employees' end of service benefits charge		6,900,767	4,096,566
		<u>446,282,900</u>	<u>365,865,269</u>
Changes in operating assets and liabilities:			
Trade receivables		(16,196,419)	21,889,976
Inventories		(525,304)	(121,793)
Prepayments and other current assets		(4,951,936)	(735,268)
Accounts payable		(568,832)	(42,389,251)
Accrued expenses and other current liabilities		5,013,764	3,050,062
Total adjustments		<u>429,054,173</u>	<u>347,558,995</u>
Employees' end of service benefits paid		(948,256)	(860,788)
Zakat and income tax paid		(4,387,302)	(3,567,049)
Net cash provided by operating activities		<u>423,718,615</u>	<u>343,131,158</u>
Cash flows from investing activities:			
Investment in an associate		--	(26,679,235)
Additions to property and equipment		(627,721,801)	(571,346,764)
Proceeds from sale of property and equipment		191,461,202	194,962,393
Net cash used in investing activities		<u>(436,260,599)</u>	<u>(403,063,606)</u>
Cash flows from financing activities:			
Changes in long-term bank debts, net		90,429,171	109,341,267
Financial charges paid		(12,695,970)	(9,495,805)
Other changes in non-controlling interest		(116,472)	22,778
Director's remuneration paid		(4,092,456)	(3,693,133)
Net movement in foreign currency translation reserve		(174,003)	(38,647)
Dividends paid		(51,239,998)	(45,750,000)
Net cash from financing activities		<u>22,110,272</u>	<u>50,386,460</u>
Net increase / (decrease) in cash and cash equivalents		9,568,288	(9,545,988)
Cash and cash equivalents at beginning of year		17,167,313	26,713,301
Cash and cash equivalents at end of year	4	<u>26,735,601</u>	<u>17,167,313</u>
Non-cash transaction:			
Assets held for sale/ Assets written off		<u>14,471,851</u>	<u>5,219,867</u>

The accompanying notes 1 through 23 form an integral part of these consolidated financial statements.


Chairman


Chief Executive Officer


Chief Financial Officer

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

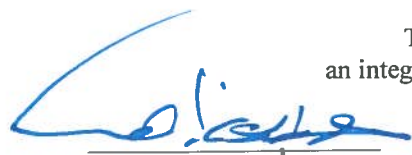
STATEMENT OF CHANGES IN EQUITY

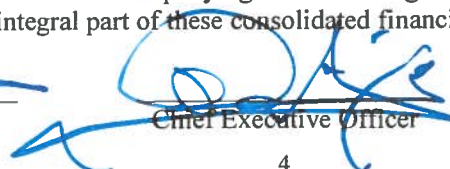
For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

	Equity attributable to the Company's shareholders						Non-controlling interests	Total
	Share capital	Proposed capital – bonus shares	Statutory reserve	Foreign currency translation reserve	Retained earnings	Total		
Balance at January 1, 2012	183,000,000	--	51,355,521	(3,655)	282,803,289	517,155,155	104,369	517,259,524
Proposed capital - bonus shares	--	61,000,000	--	--	(61,000,000)	--	--	--
Bonus share issued	61,000,000	(61,000,000)	--	--	--	--	--	--
Final dividend for 2011	--	--	--	--	(45,750,000)	(45,750,000)	--	(45,750,000)
Net income for the year	--	--	--	--	125,776,059	125,776,059	13,511	125,789,570
Transfer to statutory reserve	--	--	12,577,606	--	(12,577,606)	--	--	--
Directors remuneration	--	--	--	--	(3,693,133)	(3,693,133)	--	(3,693,133)
Foreign currency translation adjustment	--	--	--	(38,647)	--	(38,647)	(22,778)	(61,425)
Balance at December 31, 2012	244,000,000	--	63,933,127	(42,302)	285,558,609	593,449,434	95,102	593,544,536
Proposed capital - bonus shares	--	61,000,000	--	--	(61,000,000)	--	--	--
Bonus share issued	61,000,000	(61,000,000)	--	--	--	--	--	--
Final dividend for 2012	--	--	--	--	(51,239,998)	(51,239,998)	--	(51,239,998)
Net income for the year	--	--	--	--	150,206,910	150,206,910	581,642	150,788,552
Transfer to statutory reserve	--	--	15,020,691	--	(15,020,691)	--	--	--
Directors remuneration	--	--	--	--	(4,092,456)	(4,092,456)	--	(4,092,456)
Foreign currency translation adjustment	--	--	--	(174,003)	--	(174,003)	(116,472)	(290,475)
Balance at December 31, 2013	305,000,000	--	78,953,818	(216,305)	304,412,374	688,149,887	560,272	688,710,159

The accompanying notes 1 through 23 form
an integral part of these consolidated financial statements


Chairman


Chief Executive Officer


Chief Financial Officer

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

1. THE COMPANY, ITS SUBSIDIARIES AND THEIR NATURE OF BUSINESS

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

The principal activities of the Company are leasing and rental of vehicles under the name of "Budget Rent a Car" as per the license No. 0202000400 issued by the Ministry of Transportation.

At December 31, the Company has investments in the following subsidiaries (collectively described as "the Group"):

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%)</u>	
		<u>2013</u>	<u>2012</u>
Unitrans Infotech Services India Private Limited ("Unitrans Infotech")	India	65%	65%
Aljozoor Alrasekha Trucking Company Limited ("Rahaal")	Saudi Arabia	100%	100%

Unitrans Infotech is engaged in the business of providing Information Technology services and Rahaal is engaged in leasing and rental of heavy vehicles and equipments.

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

These consolidated financial statements have been approved by the Company's Board of Directors on Rabi Al Awal 18, 1435H, corresponding to January 19, 2014.

(b) Basis of measurement

These consolidated financial statements are prepared under the historical cost basis using the accrual basis of accounting and the going concern concept except for assets held for sale which are measured at lower of their carrying amount and fair value less cost to sell.

(c) Functional and presentation currency

The accompanying consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

2. BASIS OF PREPARATION (continued)

(d) Critical accounting judgements and estimates

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. The following are the areas where the Group has applied significant judgements and estimates.

Vehicles (included under property and equipment)

The Group's management uses its judgements for estimation of useful lives and expected residual value of vehicles at their expected date of disposal based on past experience and available information as at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Group's consolidated financial statements. Certain comparative amounts have been reclassified to conform with the current period's presentation.

(a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries set forth in Note 1 above.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(b) **Investment in an associate**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity, unless the presumption is rebutted by alternate agreements or understanding between the shareholders. Associates are accounted for using the equity method (equity accounted investee) and are initially recognized at cost. The Group's investment in an associate includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Group's share of income and expenses and equity movement of the equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. The Group's share of profits or losses of the investee company is credited or charged to the consolidated statement of income.

(c) **Foreign currency translation**

The consolidated financial statements are reported into Saudi Arabian Riyals, which is the Company's functional and presentation currency. Each subsidiary has its own functional currency.

Transactions denominated in foreign currencies are translated to the functional currencies of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities of the Company denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the Company at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the consolidated statement of income.

Assets and liabilities of foreign subsidiary are translated into Saudi Arabian Riyals at the exchange rates in effect at the date of the consolidated balance sheet. The equity components of foreign subsidiary with the exception of retained earnings of subsidiary, are translated at the exchange rates in effect at the dates of the transaction. The elements of foreign subsidiary's statement of income is translated using the weighted-average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiaries' financial statements into Saudi Arabian Riyals are reported as a separate component of equity (foreign currency translation reserve) attributable to shareholders of the Company in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Trade receivables

Trade receivables are carried at original invoice amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Group will be able to collect all amounts due according to the original terms of agreement.

(e) Revenue recognition

Revenue from vehicle rental is recognized over the rental period, in accordance with terms of rental agreements (net of discount). Rental revenue also includes fees for services incidental to vehicle rental. Revenue from unbilled rentals is recognized at their net realizable amount. Lease revenue is recognized over the period of lease agreement. Revenue from services is recognised when services are rendered.

(f) Inventories

Inventories represent spare parts and other supplies for vehicles, which are valued at the lower of cost, determined using weighted average method, or net realizable value. Provision is made, where necessary for obsolete and defective stocks. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

(g) Property and equipment

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

Depreciation is based on the cost of an asset less its estimated residual value expected at their date of disposal. Depreciation is recognised in consolidated statement of income on a straight line basis over the estimated useful lives of each component of an item of property and equipment. Land is not depreciated.

The estimated useful lives of each part of individual item of property and equipment are as follows:

	<u>Years</u>
Buildings and other installations	10-20
Vehicles	2-3
Furniture, fixtures and office equipments	4-5
Machinery and equipments	4-7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property and equipment (continued)

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised separately in consolidated statement of income. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if necessary.

(h) Impairment

Property and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(i) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale under current assets. Immediately before classification as held for sale, the assets are re-measured at the lower of their carrying amount and fair value less cost to sell.

(j) Vehicles' financing

Vehicles purchased under Murabaha and Al Tawarroq agreements are recorded at their fair value at the inception. Bank fees and other charges are allocated to the statement of income over the instalment term at a constant periodic basis.

(k) Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for supplies or services received, whether or not billed to the Group.

(l) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit, will be required to settle the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Franchise fee

Franchise fee principally consists of royalties paid by the Company and is recorded on accrual basis.

(n) Employees' end of service benefits

The Group's employees' end of service benefits is calculated in accordance with Saudi Arabian Labour regulations, are accrued and charged to consolidated statement of income. The liability is calculated at value of the vested benefits to which the employee is entitled, should his services are terminated at the balance sheet date. The foreign subsidiary's end of service liability is determined in accordance with respective applicable laws.

(o) Expenses

Marketing expenses and general and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting principles. Marketing expenses are those arising from the Group's efforts underlying the marketing functions. All other expenses are classified as general and administrative expenses. Allocations of common expenses between cost of revenues and marketing and general and administrative expenses, when required, are made on a consistent basis.

(p) Zakat and income tax

Zakat liability for the Company and one of the subsidiary is recognised in accordance with the regulations of Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia. Foreign subsidiary is subject to tax regulations in India. The provision for Zakat and income tax is charged to consolidated statement of income for each reporting period. Any differences resulting from the final assessments are recognised in the consolidated statement of income in the period of finalization.

(q) Dividends

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.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Group to liquidate without any restrictions.

(s) Offsetting

Financial assets and liabilities are offset and reported net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

	<u>2013</u>	<u>2012</u>
Bank balances	25,834,096	16,260,704
Cash in hand	<u>901,505</u>	<u>906,609</u>
	<u>26,735,601</u>	<u>17,167,313</u>

5. TRADE RECEIVABLES - NET

Trade receivables at December 31 comprise the following:

	<u>2013</u>	<u>2012</u>
Customers	114,205,680	95,058,267
Provision for doubtful debts	<u>(24,697,255)</u>	<u>(21,746,261)</u>
	<u>89,508,425</u>	<u>73,312,006</u>

Movement in provision for doubtful debts is as follows:

	<u>2013</u>	<u>2012</u>
Opening balance	21,746,261	19,500,000
Charge for the year (Note 19)	4,838,230	15,689,148
Written off	<u>(1,887,236)</u>	<u>(13,442,887)</u>
Closing balance	<u>24,697,255</u>	<u>21,746,261</u>

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets at December 31 comprise the following:

	<u>2013</u>	<u>2012</u>
Assets held for sale	14,471,851	4,839,056
Prepaid rent	10,504,397	7,496,864
Advance rent for vehicles acquired under operating lease	7,161,541	--
Employee loans	3,795,720	3,325,340
Prepaid medical insurance	1,753,615	781,471
Prepaid vehicle insurance	825,326	2,112,153
Due from related parties (Note 12a)	--	1,249,001
Deposits and others	1,366,160	894,397
	<u>39,878,610</u>	<u>20,698,282</u>

7. INVESTMENT IN AN ASSOCIATE

During 2012, the Company acquired 32.75% stake in M/s Tranzlease Holdings India Private Limited ("THL"), a Private Limited Company in India for a total consideration of SR 26.7 million. THL is engaged in the business of operating lease of motor vehicles including passenger cars, commercial vehicles and specialized vehicles.

Movement in investment in associate is analyzed as follows:

	<u>2013</u>	<u>2012</u>
Opening balance / initial cost of investment	27,161,329	26,500,000
Additions during the year	--	179,235
Share of profit for the year	1,153,406	482,094
	<u>28,314,735</u>	<u>27,161,329</u>

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8. PROPERTY AND EQUIPMENT

The movement in property and equipment during the year ended December 31, 2013 is analyzed as follows:

	<u>Land</u>	<u>Building and other installation</u>	<u>Vehicles</u>	<u>Furniture, fixtures and office equipment</u>	<u>Machinery and equipment</u>	<u>Capital work in progress</u>	<u>Total</u>
<u>Cost:</u>							
At beginning of the year	46,779,685	36,239,830	1,495,156,225	25,332,746	5,381,306	27,501,943	1,636,391,735
Additions	--	1,593,021	617,457,105	3,358,333	1,020,153	4,293,189	627,721,801
Disposals	--	--	(327,703,911)	--	--	--	(327,703,911)
Transferred to assets held for sale	--	--	(20,735,230)	--	--	--	(20,735,230)
At the end of the year	<u>46,779,685</u>	<u>37,832,851</u>	<u>1,764,174,189</u>	<u>28,691,079</u>	<u>6,401,459</u>	<u>31,795,132</u>	<u>1,915,674,395</u>
<u>Depreciation:</u>							
At beginning of the year	--	12,115,011	596,275,051	19,907,404	4,955,340	--	633,252,806
Charge for the year	--	2,181,494	377,936,039	3,122,968	373,439	--	383,613,940
Disposals	--	--	(247,924,417)	--	--	--	(247,924,417)
Transferred to Assets held for sale	--	--	(6,263,379)	--	--	--	(6,263,379)
At the end of the year	<u>--</u>	<u>14,296,505</u>	<u>720,023,294</u>	<u>23,030,372</u>	<u>5,328,779</u>	<u>--</u>	<u>762,678,950</u>
<u>Net book value:</u>							
At December 31, 2013	<u>46,779,685</u>	<u>23,536,346</u>	<u>1,044,150,895</u>	<u>5,660,707</u>	<u>1,072,680</u>	<u>31,795,132</u>	<u>1,152,995,445</u>
At December 31, 2012	<u>46,779,685</u>	<u>24,124,819</u>	<u>898,881,174</u>	<u>5,425,342</u>	<u>425,966</u>	<u>27,501,943</u>	<u>1,003,138,929</u>

Capital work in progress represents construction work related to proposed Jeddah Head office and workshops in Jeddah and Jazan.

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9. LONG-TERM BANK DEBTS

	<u>2013</u>	<u>2012</u>
(a) <u>Current portion of long term bank debts</u>		
Murabaha sale agreements	231,193,605	88,080,899
Al Tawarroq agreements	<u>80,974,669</u>	<u>162,568,884</u>
	<u>312,168,274</u>	<u>250,649,783</u>
(b) <u>Long-term bank debts</u>		
Murabaha sale agreements	194,961,523	81,540,712
Al Tawarroq agreements	<u>5,833,333</u>	<u>90,343,464</u>
	<u>200,794,856</u>	<u>171,884,176</u>

Long-term bank debts consist of Group's borrowings under various Islamic Finance Products including Murabaha arrangements and Al Tawarroq arrangements from 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.

10. ACCOUNTS PAYABLE

Accounts payable at December 31 comprise of the following:

	<u>2013</u>	<u>2012</u>
Suppliers for vehicles	46,042,243	62,383,625
Suppliers for stores and spares and others	<u>34,402,347</u>	<u>18,629,797</u>
	<u>80,444,590</u>	<u>81,013,422</u>

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at December 31 comprise of the following:

	<u>2013</u>	<u>2012</u>
Employee related accruals	14,492,473	11,467,896
Accrued expenses	5,583,926	5,624,512
Deposit from customers – net	3,457,477	3,419,438
Due to related party (Note 12 (a))	660,905	--
Other provisions	<u>1,605,214</u>	<u>274,385</u>
	<u>25,799,995</u>	<u>20,786,231</u>

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12. RELATED PARTIES BALANCES AND TRANSACTIONS

Related party transactions mainly represent transactions with following parties which are undertaken at mutually agreed terms and approved by management:

(a) <u>The following are the related parties balances:</u>		<u>2013</u>	<u>2012</u>
	<u>Relationship</u>		
Due from related parties:			
Zahid Group	Affiliate	--	252,401
Automotive Maintenance Centre (AMC)	Affiliate	--	996,600
		--	1,249,001
Due to related party:			
Zahid Group	Affiliate	660,905	--
(b) <u>The following are the related parties transactions:</u>		<u>2013</u>	<u>2012</u>
Services provided			
<u>Zahid Group</u>			
Car rentals		287,699	181,882
Location rent		85,000	85,000
<u>Automotive Maintenance Centre (AMC)</u>			
Services received		298,315	1,252,220
<u>Sheikh Fahd Zahid</u>			
Location rent		63,193	63,193
Used car sale			
Automotive Maintenance Centre		33,557,213	38,067,210

- (c) Board of Directors remuneration for the year ended December 31, 2013 amounting to SR 4,092,456 (2012: SR 3,693,133) has been calculated in accordance with Company's Articles of Association and is considered as appropriation shown in the statement of changes in shareholders' equity.

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13. ZAKAT AND INCOME TAX

(a) Accrued Zakat and income tax

	<u>2013</u>	<u>2012</u>
Balance at beginning of the year	4,600,648	3,511,001
Payments during the year	(4,387,302)	(3,567,049)
Charge for the year	4,875,326	4,656,696
Balance at end of the year	<u>5,088,672</u>	<u>4,600,648</u>

(b) Zakat status

The Company has received the final Zakat assessment up to the year 2008. Zakat and tax department has claimed additional Zakat amounting to SR 1,387,306 for the year 2008. The Company has filed an objection against the additional demand and provided a bank guarantee to the Department of Zakat and income tax (DZIT) for the same amount. Till date, the objection has not come for hearing. For the financial years from 2009 to 2011, the DZIT completed its assessment and raised an additional demand for Zakat differences amounting to SR 1,194,951 as per their Letter No. 1195/22/1435 dated Muharam 30, 1435H, corresponding to December 3, 2013. The Company settled this demand on December 25, 2013, however, it has reserved its right to object. The objection is expected to be filed before January 31, 2014, corresponding to Rabi Al-Awal 30, 1435H. The assessment for the financial year ended December 31, 2012 is still under process.

The Company's subsidiary, Aljozor Alrasekha Trucking Company Limited, has received assessment for 2012 from DZIT with no additional liability. The Company is in the process of filling the zakat returns for 2013 with DZIT.

Income tax return of the foreign subsidiary has been filed with income tax authorities in India for the year ended March 31, 2013. An amount of SR 745,135 (2012: SR 17,262) has been charged in the statement of income as tax expense for the period.

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14. SHARE CAPITAL AND DIVIDEND DECLARATION

At December 31, 2013, the Company's share capital of SR 305 million (2012: SR 244 million) consists of 30.5 million (2012: 24.4 million) fully paid shares of SR 10 each.

On January 19, 2013, the Board of Directors , proposed final cash dividend of SR 51.24 million (representing SR 2.1 per share) for the year ended December 31, 2012. The Board of Directors in the same meeting also proposed to increase the Company's share capital to SR 305 million by issuing one bonus share for every four ordinary shares outstanding as of that date. Later, the shareholders in the Extraordinary General Assembly Meeting on April 17, 2013, approved the Board's proposal and authorized issuance of 6.1 million bonus share at a nominal value SR 10 each and resultantly the share capital of the Company was increased from SR 244 million to SR 305 million. The legal formalities for the increase in capital was completed on May 25, 2013.

The Board of Directors in its meeting held on January 19, 2014, proposed final dividend of SR 68.63 million (representing SR 2.25 per share).

The Board of Directors in its meeting held on January 19, 2014, proposed to increase the Company's share capital to SR 406.7 million by issuing one bonus share for every three ordinary share outstanding.

15. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year 10% of its net income to a statutory reserve until such reserve equals 50% of its share capital.

Statutory reserve is not available for distribution to the shareholders. However, the statutory reserve can be used for meeting the Company's losses or for increasing its capital. If the reserve exceeds one half of the company's capital, the general meeting may resolve to distribute such excess as dividends among the shareholders in the years during which the Company fails to achieve sufficient net profits for distribution of the minimum dividends prescribed in Company's articles of association.

16. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2013, the Group had outstanding letters of guarantee amounting to SR 6,738,129 (2012: SR 6,587,046) issued by the local banks on behalf of the Company, in the normal course of business.

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17. REVENUE

	<u>2013</u>	<u>2012</u>
Rental	320,637,899	292,125,522
Operating lease (17.1)	347,840,255	290,085,493
	<u>668,478,154</u>	<u>582,211,015</u>

- 17.1 Operating leases relate to the vehicles owned by the Company with lease term up to 60 months having renewal option of the contract each year unless otherwise agreed with the lessee. On premature termination, lessee has to pay the minimum lease payments mentioned in the contract. The lessee does not have the option to purchase vehicles at the expiry of the lease period.

18. COST OF REVENUE

	<u>2013</u>	<u>2012</u>
Depreciation	382,943,729	329,669,947
Repairs and maintenance	91,393,899	83,591,387
Employees' cost	29,132,302	24,685,302
Insurance	17,397,956	16,736,591
Rent of counters and workshop	14,897,744	12,518,639
Franchise fee	8,982,598	7,433,994
Incentive and commission	4,334,831	3,245,551
Communication	2,545,928	2,059,712
Operating lease expense	243,459	4,429,368
Others	1,800,782	3,834,652
	<u>553,673,228</u>	<u>488,205,143</u>

19. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2013</u>	<u>2012</u>
Employees' cost	18,728,569	15,695,244
Provision for bad debt (Note 5)	4,838,230	15,689,148
Rent expense	2,191,927	1,738,902
Subscriptions	1,668,352	1,778,738
Legal and professional fee	1,135,306	1,178,052
Postage, telephone and telex	681,844	555,113
Depreciation expense	670,211	640,893
Repairs, rates and taxes	569,231	486,380
Others	2,696,246	3,130,404
	<u>33,179,916</u>	<u>40,892,874</u>

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20. MARKETING EXPENSES

	<u>2013</u>	<u>2012</u>
Employees' cost	23,731,024	21,804,587
Advertising, promotional and others	<u>6,095,581</u>	<u>6,922,207</u>
	<u>29,826,605</u>	<u>28,726,794</u>

21. EARNINGS PER SHARE

Earnings per share for the years ended December 31, 2013 and 2012 have been computed by dividing the net income for the respective year by the 30.5 million shares (including bonus shares).

22. SEGMENT INFORMATION

The Company has one operating segment representing leasing and rental of vehicles and the Company's principal operations are only within the Kingdom of Saudi Arabia; therefore, financial information has not been segmented into various business or geographical segments.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet include cash, trade receivables, accounts payable, due to related parties, long-term debts and certain accrued expenses and other liabilities.

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. Top 15 customers comprise 32% (2012: 34%) of gross trade receivables. The Group manages the potential credit risk through regular monitoring of customers. Cash and cash equivalents are placed with national banks with sound credit ratings.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Company limits its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligation as they fall due. The Company maintains good working relations with its banks and ensures compliance as the funds are available in accordance with the facility agreements with the banks. At December 31, 2013 the Company has unutilised bank facilities of SR 319 million (2012: SR 97 million).

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to significant currency rate risk except for consolidated financial assets and liabilities of its foreign subsidiary as all of its other consolidated financial assets and financial liabilities are denominated in Saudi Arabian Riyals.

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the risk through risk management strategies.

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. As the accompanying financial statements are prepared under the historical cost method, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.