



**Board of Directors Annual Report**  
**&**  
**Closing Accounts for the Fiscal Year Ended on**  
**31 December 2015**

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## Board of Directors Report

For

The Fiscal Year Ended on 31 December 2015

Shareholders of ALDREES Petroleum & Transport Services Co.

Dear Sirs,

Company Board of Directors is pleased to present you the annual report for the fiscal year ended on 31 December 2015. It is our pleasure to congratulate you for the achievements of your Company, thanks to God and to the efforts of all company employees. These considerable efforts were positively reflected on the fiscal performance of company.

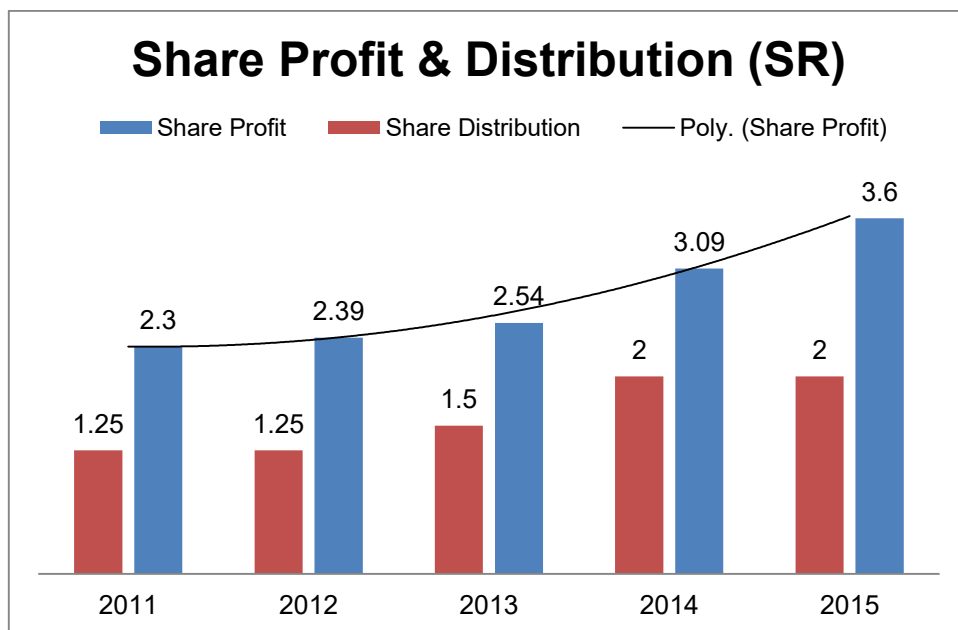
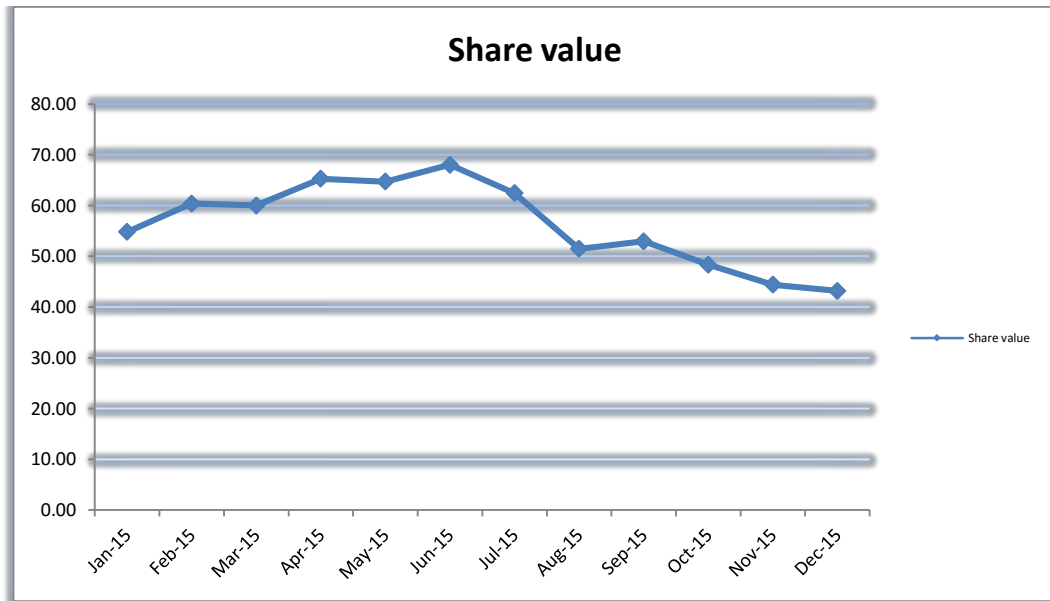
The fiscal year 2015 was a special one where the efforts of company employees were crowned with the continued success, progress and growth. Company was able to achieve excellence in performance and positive growth in profits since the net profits reached 144 million Saudi riyals, by a growth rate of 16.42% compared to the fiscal year 2014.

Strategic plans were applied to operations in order to maintain company market share and leading position as well as the competitive and marketing capabilities together with distinctive management of human resources. These plans contributed to the steady growth in profits and outstanding operational performance which supported company policies on the distribution of profits to shareholders.

Finally, we would like to express our deepest thanks for your confidence in Company Management, welcoming a new year with more confidence and optimism to achieve more successes during 2016 and we hope to see you at the annual meeting of Shareholders General Assembly to answer your questions regarding the matters stated in this Report.

Best Regards,

Diagram - Share Performance during 2015



\* Share profitability was amended in line with the recent increase in capital to 40 million shares.

### **Vision:**

Our vision is to be the best and most efficient Company in the field of petroleum services and transport of various products.

### **Mission:**

- Continuous improvement and development of our employees abilities.
- Applying the best international methods to our operations.

Company aims at providing excellent services through continuous development and improving efficiency of human resources where the operations are supervised by a trained team of engineers, technicians and labor, ensuring the safety of trucks, devices, equipment and stations, and the more important their occupational safety.

## Description of Company Activity, Sectors and Subsidiaries:

The company activities include, pursuant to the Commercial Registration thereof, the wholesale and retail trade in fuels, oils, gas, cooked & uncooked catering as well as goods and fittings transport paid services on the roads of the Kingdom of Saudi Arabia; establishing workshops and auto wash; purchasing lands and constructing buildings thereon and investing the same, whether through sale or lease, for the benefit of company; and establishing, managing, operating and hiring express service centers for hot and cold drinks and food. These activities comprise management of two sectors. The below Report shows activity and revenue analysis of each sector separately as follows:

Description	2015	2014	2013	2012	2011
Income statement (SR in thousand)	SR	SR	SR	SR	SR
Sales:					
Petroleum	2,049,557	1,893,394	1,765,573	1,682,775	1,516,640
Transport	253,434	250,928	217,111	190,799	177,539
<b>Total</b>	<b>2,302,991</b>	<b>2,144,322</b>	<b>1,982,684</b>	<b>1,873,574</b>	<b>1,694,179</b>
Sales Percentage:					
Petroleum	89 %	88.30%	89.05%	89.82%	89.52%
Transport	11 %	11.70%	10.95%	10.18%	10.48%
Growth Percentage:					
Petroleum	8.25 %	7.24%	4.92%	10.95%	16.19%
Transport	1 %	15.58%	13.79	7.47%	1.40%
<b>Total</b>	<b>7.40%</b>	<b>8.16%</b>	<b>5.82%</b>	<b>10.59%</b>	<b>14.44%</b>

## First: (Petroleum) Sector:

Your Company applies state of the art technology; quality and safety standards, continuous improvement and development of our employees abilities along with the best international and scientific methods to our operations so as to provide good services at service centers, as a result in increasing the number of fuel stations in all cities of KSA by (1.7%) so that the total number of stations will be (486). This expansion is perceivable indeed by all shareholders where no area in Saudi Arabia does not include an Company station.

The following is a summary of the number of owned and leased stations:

Description	2015	2014	2013	2012	2011
<b>Company owned</b>					
At start of year	15	13	13	12	12
Additions during the year	1	2	-	1	-
Exclusions	2	-	-	-	-
At the end of year	14	15	13	13	12
<b>Leased Rentals</b>					
At start of year	463	458	448	439	405
Additions during the year	39	29	29	28	57
Exclusions	30	24	19	19	23
At the end of Year	472	463	458	448	439
<b>Total stations.</b>	<b>486</b>	<b>478</b>	<b>471</b>	<b>461</b>	<b>451</b>
<b>Growth Rate</b>	<b>1.7%</b>	<b>1.5%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>8.2%</b>

### **Petroleum Sector Strategy:**

- ❖ Aiming at possession of more service stations.
- ❖ Establishing modern stations and providing excellent services.
- ❖ Leasing station facilities for big companies of good reputation and registered trade mark.
- ❖ Spreading on highways in the form of integrated service centers in order to serve travelers.
- ❖ Applying new technologies with regard to fuel filling systems as well as all operational and administrative systems.
- ❖ Relying on other sources (other than sale of fuel) to increase company income.
- ❖ Supporting the Sector through efficient human resources in order to improve the operational level, particularly the national cadre.
- ❖ Orientation strategic partnership with respect to the operation of other services associated with gasoline sale.

## Second: Transport Sector:

Your Company provides the best transportation and maintenance methods using modern trucks and high-quality spare parts at the best prices through continuous development and raising the efficiency of human resources. Maintenance works are managed by a technical work team trained under the supervision of highly efficient engineers to ensure safety of the driver, trucks and equipment. The distinguished operation of transport fleet spread services thereof across the Gulf Cooperation Council Countries and some other and neighboring Arab countries.

The following is a summary of the number of trucks and transportation units owned by company:

Description	2015	2014	2013	2012	2011
Truck Head:					
Year start	1328	1292	1145	1062	1051
Additions during the year	25	60	290	112	44
Exclusions	75	24	143	29	33
Year end	1278	1328	1292	1145	1062
Trailers:					
Year start	2077	1903	1680	1607	1448
Additions during the year	39	186	233	124	177
Exclusions	72	12	10	51	18
Year end	2044	2077	1903	1680	1607
<b>Total truck heads and trailers</b>	<b>3322</b>	<b>3405</b>	<b>3195</b>	<b>2825</b>	<b>2669</b>



## Description of Plans, Decisions and Future Expectations:

The future plans are considered as a continuation of company growth and development through planned expansion and spread with regard to increasing the number of stations and trucks, ensuring the application of quality and safety standards inside cities and on highways. During 2016, Company will:

- ❖ Company is planing to renovate 40 to 50 existing stations inside the cities with the new identity & 5 stations on highways.
- ❖ Increase the number of trucks and trailers by (10).
- ❖ Find locations in Dammam and Jizan to be purchased in order to integrate with the transport fleet system instead of the currently leased locations.
- ❖ Intent in its future plans on providing logistic services through Company - Bertschi Logistics Branch which is expected to begin operation in 2016.

## Human Resources:

Whereas delivering the best services to customers is a key goal for the company, then Company for this purpose continues to train and qualify its employees through in-house training center to raise the marketing and supervisory culture and awareness and to promote skills in the area of petroleum services through Petrol Centers as well as the services provided to customers via Transport Sector.

Company is a leading Company in the achievement of quality and safety. In the previous years, Company sought to obtain international certificates in the field of quality, safety and environment and was one of the first companies recognized by the specialized international organizations in the areas of quality and safety.

We were the first ever to get ISO 9001: 2008 certificate of quality and we are the first to receive the latest version thereof. SAI GLOBAL awarded Company ISO 9001: 2008 Quality Management System Certification on 25 February 2009, after Company had met all requirements therefor. The said Certificate covers management services related to fuel stations and land transport services.

The Certificate is valid after renewal for three (3) years until 21 February 2018, including periodical reviews to make sure of Company adherence to the global standards agreed upon. There is no wonder that the quality of our Company did not come by chance, yet it is the fruit of our sincere efforts, smart trends and important competencies.

As for safety and given the importance of this system in our business and all aspects of life, the Management stressed the necessity for development of safety system in line with work volume and Company future aspirations for expansion and integration. Thus, obtainment of an international certifications ensures our commitment and application of all required safety regulations.

After we had developed the safety system and work environment in conformity with the international standards of safety, we had the right to get (OHSAS 18001: 2007) Occupational Health and Safety Certificate. Company received the Occupational Health and Safety Certificate on 29 January 2010 without difficulty due to the strength of safety system that was previously applied. The said certificate has been renewed until 27 January 2019.

The third certificate is Safety and Quality Assessment System (SQAS) awarded by (CEFIC), an international Company, on 11 November 2012. This certificate proves the application of quality and safety standards by another global body. The said certificate has been renewed until 12 February 2018.

The company got a new certificate in Responsible Care (RC 14001) Committed to the community and the environment and their employees have made great achievements in this regard, we are now on our way to the common system, which is the optimal system for the integration of global systems in quality, safety and the environment.

The company got the final qualification certificate of 3 years for the management, operation and maintenance of gas stations and service centers on regional highways, and after the company submitted its request to the Ministry of Municipal and Rural Affairs in reference to study of company's file and application as per the provisions and standards of the list of fuel stations and service centers the Ministry has approved the rehabilitation of the facilities which was issued under Ministerial Decree No. 8679 and the date of 02/13/1435H by the Committee. Having this certificate will create significant impact on gaining new investment opportunities through the acquisition of new and distinctive sites.

Company is very keen on Saudization of all jobs. At the present, there are many technical positions occupied by citizens who are provided with theoretical and field training courses by Company. Furthermore, the best cadres are selected and Company continues to apply the plans of replacing foreign employees with national ones.

**Company Board of Directors recommends the following:**

- ❖ Cash dividends for the fiscal year 2015 with a total amount of 80 million Saudi riyals, 2 Saudi riyals per share shall be distributed. These distributed dividends represent 20% of a share nominal value.

Cash dividends shall be payable to shareholders enrolled in Company Register at the Securities Depository Center (TADAWUL) by the end of trading on the day of General Assembly meeting to be defined later. In addition, the date of distribution will be announced in due course.

- ❖ A reward of 1.4 million Saudi riyals shall be paid as total Board fees for 2015. The total paid amounts shall be within the limits stipulated by the Companies Law or any other regulations, decisions or instructions complementary thereto, including meeting attendance allowance. Such reward shall be deducted from the net profits, not exceeding 10%.
- ❖ A reward amounting seventy thousand Saudi riyals shall be paid to each of the two members of Audit Committee, who are not directors, for 2015.
- ❖ An amount of 500 thousand Saudi riyals as a maximum shall be allocated to be paid during 2016 for community service and the Chief Executive Officer shall be authorized to pay the same amount during 2016, as applicable.
- ❖ The recommendation given by Audit Committee in its Meeting No. (9), Fourth Period on the selection of an external Auditor, among the proposals submitted, to audit Company accounts for the fiscal year ended on 31 December 2016 shall be approved.
- ❖ The Board of Directors Report regarding the fiscal year ended on 31 December 2015 shall be approved.
- ❖ The Auditor's Report regarding the fiscal year ended on 31 December 2015 shall be approved.
- ❖ The balance sheet as well as profit and loss account for the fiscal year ended on 31 December 2015 shall be approved.
- ❖ The Board Chairman and directors shall be discharged with respect to management of Company business and the external Auditor shall be discharged until 31 December 2015.
- ❖ The contracts concluded and business carried out between Company and:
  1. Aldrees Industry & Trade Company (ALITCO).
  2. Seven Orbits Trading Company.
  3. Al Manakh station on an annual rent from Mr. Hamad bin Mohammed Aldrees (owner of station).

4. A location in Jizan is rented from Eng. Abdulmohsen bin Mohammed Aldrees for Transport Sector as a workshop, management center and housing.

The same shall be authenticated for a following year.

- ❖ The General Assembly shall convene in order to approve recommendations and resolutions that require certification.

## **RISK MANAGEMENT:**

### **POLICY:**

To structure and formalize the risk management activities across the business units, COMPANY has developed a risk management framework. The COMPANY business units are required to implement and use this common risk management framework.

COMPANY takes risks inherent to its strategy in order to achieve its corporate and business units' objectives and to deliver superior shareholder returns. COMPANY is developing and implementing a common and systematic approach for managing risk across the company. This approach increases risk awareness, ensures the appropriate management of risks, and makes the business unit risk profiles transparent, thus enabling risks to be compared and aggregated and allowing one to take a portfolio approach to risk management.

The COMPANY business units are expected to actively anticipate and manage their risks, taking advantage of opportunities and containing potential hazards in line with their risk tolerance. The external and internal risks facing the COMPANY business units are changing constantly and the business units are expected to proactively:

- ❖ Utilize experience through knowledge sharing;
- ❖ Deal with ambiguity, uncertainty and increasing complexity;
- ❖ Prioritize, make decisions and implement solutions on a timely basis;
- ❖ Recognize and act on opportunities as they occur;
- ❖ Ensure results in spite of a changing business unit environment.

## Objectives of RM at the Company

The primary objectives of the RM at the Company are identified as:

- ❖ **"Keep the Company out of Trouble"**, by ensuring effective and efficient management of risk and thereby, minimizing the likelihood of occurrence and the impact of risk incidents.
- ❖ **"Make the Company's Business Better"**, by assisting the management in managing risk and leveraging risk opportunities.
- ❖ Foster a **culture of risk awareness** where management embraces Risk Management and accept ownership of risk and accountability for the management of those risks.
- ❖ **Embed an efficient Risk Management process** at the Company by optimizing the cost of managing business risk.
- ❖ Maintain a **current and accurate assessment of all significant business risks at the Company**, and ensure that appropriate risk treatment plans are in place.
- ❖ **Provide required assurance to the Board and senior management** with regards to the "Risk Management Process".
- ❖ **"Risk Management" is embedded in the management decision-making and strategic planning process**

## DEFINITIONS:

- ❖ Risk Management Policy – The present policy document summarizing the objectives and requirements for risk management;
- ❖ Risk Management Process – A common four-step process for identifying, assessing, responding to and monitoring business unit risks;
- ❖ Roles and Responsibilities – Clearly defined responsibilities for managing and reporting on risks within line management and separately for supporting and auditing the risk management process;
- ❖ Risk Reporting – Common terminology, formats, and frequencies for reporting on key business unit risks;
- ❖ Risk Measurement – Common scales for measuring the likelihood and potential impact of risks;
- ❖ Risk Categorization – Common categories for risks, allowing risk consolidation and identification of key risk areas;
- ❖ Assurance Structure – An accompanying assurance structure, including a risk compliance auditor, which monitors and assures the application of the risk management framework within the business units;

- ❖ Support Structure – A dedicated support function (Risk Support Officer) and a set of common user-friendly tools that allow the business units to implement and apply the elements of the risk management framework.

## PROCEDURES:

### Risk Strategy and Risk Tolerance

Risk is part of doing business and risk management is therefore part of day-to-day business management. COMPANY aims to formalize risk management to the extent that business units are able to apply best-practice techniques, to share knowledge and experience, and to make the key risks to the shareholders transparent.

COMPANY aims to be risk aware, but not overly risk averse, and to actively manage business unit risks to protect and grow the business units. To achieve its business unit objectives, COMPANY recognizes that it will take on certain business unit risks. COMPANY aims to take risks in an informed and proactive manner, such that the level of risk is consistent with the potential business unit rewards and that COMPANY understands and is able to manage or absorb the impact of the risk in the event that it materializes. Management will establish such risk responses as are required to achieve the business unit objectives in accordance with the acceptability of the risk. Quantified business unit risk tolerances will be formulated and regularly updated by management at group, divisional and business-unit level. COMPANY will aim to actively avoid risks that could:

- ❖ Negatively affect the safety of our employees or other stakeholders, such as customers;
- ❖ Negatively affect our reputation;
- ❖ Lead to laws or regulations being breached and legislation.
- ❖ Endanger the future existence of the company.

### Risk Management Requirements

In order to formalize risk management across COMPANY and in order to set a common level of transparency and risk management performance, a number of requirements have been defined for the business units. The COMPANY group, divisions and business units are obliged to address the following requirements with regard to risk management:



- ❖ Develop and review, at least annually, a statement on the risk tolerance of the group/division/business unit;
- ❖ Conduct a formalized risk assessment at least annually, this assessment to include the identification, prioritization, measurement and categorization of all key risks that could potentially affect the business unit's objectives;
- ❖ Report annually on the key business unit risks as identified in COMPANY's risk reporting formats;
- ❖ Continuously monitor key risks and controls and implement appropriate risk responses where necessary;
- ❖ Formalize responsibilities for managing risk and for sustaining COMPANY's risk management framework within the business unit;
- ❖ Monitor and review the application of the risk management framework.

### Assurance

COMPANY has a corporate internal audit function that conducts a systematic program of operational and financial audits across the business units. Through the risk management process, the business units themselves are responsible for assessing their risks, for implementing appropriate controls, for monitoring risks and controls, and for gaining assurance that the risks are being managed as intended. Formalized assurance from a corporate level focuses on auditing how the business units apply the risk management framework. Operational and financial audits will be executed on a regular basis from corporate level. The outcome of the risk assessment process will be used as input for the audit planning by corporate audit.

### Risk Management Roles and Responsibilities

Risk management is primarily the responsibility of line management. Specific responsibilities for applying, supporting and auditing the risk management process are detailed in this section.

## Business Unit Management (Risk Management Officers of Divisions and HO Department)

By definition, risk management is a normal part of day-to-day management practice. The specific responsibilities of business unit management with respect to structured risk management are to:

- ❖ Implement the risk management framework within the business unit;
- ❖ Develop and review the business unit's risk tolerance;
- ❖ Identify and assess the risks faced, and report material risk information annually as part of the budget and ad-hoc in the case of significant new risks arising;
- ❖ Manage the material risks within the business unit and ensure the actual risk profile is consistent with the risk tolerance;
- ❖ Develop and maintain an appropriate organization to facilitate the application of the risk management framework.

## RISK MANAGEMENT COMMITTEE

- ❖ Formulate and update COMPANY's Risk Management Policy;
- ❖ Formulate the corporate risk tolerance; review and approve the business unit risk tolerance statements;
- ❖ Determine, communicate and support COMPANY's risk management approach to the business units;
- ❖ Review business unit risk reporting critically and provide feedback to the business units as part of the Three-year Planning process;
- ❖ Ensure that the appropriate structure, processes and competences are in place across COMPANY in order to address the requirements set out in this policy;
- ❖ Report to the Supervisory Board and the Audit Committee on material risks.



## **Audit Committee/Supervisory Board of Directors (BOD)**

- ❖ Review and approve the risk management policy insofar as it is consistent with COMPANY's corporate objectives;
- ❖ Review and approve the corporate risk tolerance (risk appetite);
- ❖ Be aware of the most significant risks across the business units and of whether management is responding appropriately;
- ❖ Review the portfolio of risks and consider it in the light of the corporate risk tolerance;
- ❖ Monitor and ensure the appropriate application of the risk management framework within the business units.

## **Risk Support Officer**

The Risk Support Officer is a dedicated part-time function at COMPANY level which is filled by the Head of Internal Audit. The Risk Support Officer ensures that risk management is conducted in a structured, systematic and continuous manner across the COMPANY business units. The Risk Support Officer's specific responsibilities are to:

- ❖ Maintain COMPANY's risk management framework (tools and methodologies);
- ❖ Support business units in their use of these tools and methodologies;
- ❖ Maintain risk management communication within the COMPANY organization;
- ❖ If requested by a business unit, facilitate a risk assessment as part of the Three-year Plan and as part of support for key decisions;
- ❖ Provide an annual risk report for COMPANY Holding, as well as a consolidated risk report;
- ❖ Coordinate and supply training in risk management.

## **Risk Compliance Auditor**

The Risk Compliance Auditor is responsible for reviewing and reporting on how well the business units are addressing the requirements set out in COMPANY's Risk Management Policy. The Risk Compliance Auditor is generally externally resourced and

reports directly to the Audit and Compliance Committee. The Risk Compliance Auditor's specific responsibilities are to:

- ❖ Evaluate and report on the compliance of the business units with COMPANY's Risk Management Policy;
- ❖ Evaluate controls in key risk areas on an ad-hoc basis;
- ❖ Evaluate compliance with other COMPANY policies on an ad-hoc basis;
- ❖ Review and report on the extent to which management has applied COMPANY's risk management framework.

Each one who has a desire for investment shall carefully study all information stated in this Report, including risk factors indicated below. Company activity, financial position, business results and cash flows may be adversely and materially affected in the event of occurrence of a risk factor that Company Management (Management) believes at the present time is important or any other risks that the Management could not identify or believes they are immaterial, or if the latter become significant. The occurrence of one or some of these risks may lead to a decline in the share price in the market; hence, the investor may lose the whole or part of its investment in Company shares.

### **Risks related to Company Activity:**

#### **1. Risks associated with legislations and regulations:**

Petroleum and transport services in Saudi Arabia shall be subject to specific instructions and rules to be complied with by Company, such as renewal of Transport License by the Ministry of Transport; a license to be regularly renewed by Company upon expiry thereof. Although Company renews the said license and did not previously face any obstacles in this regard, there is no guarantee that Company will be able to renew the same in the future, which may significantly influence Company ability to continue transport activity.

A license for each station shall be issued by the Ministry of Municipal and Rural Affairs as well as the General Directorate of Civil Defense so as to conduct business related to petroleum services for each station separately. In the future, if Company cannot obtain these licenses for the new stations or renew the same for the existing ones, the business thereof may be affected.

A large number of Company employees are non-Saudis (fuel station workers and trailer drivers). If more stringent requirements for Saudization are applied, Company may be

adversely affected. Thus, Company would not be able to obtain visas for the purpose of labor recruitment. This will in turn cause inability to operate the stations and transport.

In general, any amendment to the regulations and instructions relating to Company business, including transport, loading, unloading and storage of petroleum products as well as hazardous and flammable substances, and to the requirements of environment protection and cafe licensing would materially increase the costs and burdens of Company, which may be negatively reflected on Company financial position, business results and cash flows.

## **2. Reliance on Customers by Governmental Agencies and Companies:**

The percentage of revenues earned from contracts signed with the governmental agencies and private companies in 2015 were about 21.70% of the petroleum services total revenues, while Transport Sector revenues depend on companies. Whereas the contracts are renewed through open tenders, then there is no guarantee that the same will be renewed in the future. In case of inability to renew these contracts by Company, the financial position, business results and cash flows thereof may be adversely affected.

## **3. Risks associated with fuels availability and prices:**

Company, like others engaged in the provision of petroleum services, relies on Saudi Aramco to obtain fuels. Therefore, any delay in the supplies received from Aramco or any change in the terms of contracts signed therewith in this regard may adversely affect Company activity.

Any significant change in fuel prices or profit margin by the official bodies may adversely affect Company main activities, business results and cash flows. Moreover, Company financial position may be affected in general in case of inability to keep up with any potential rise in fuel prices by increasing the prices of its services or reducing the operating costs.

## **4. Risks associated with Insurance Coverage:**

Company took all necessary measures to minimize any potential losses by purchasing insurance policies for Petroleum Sector, covering public liability, vehicle accidents, fire and crime. The insurance policies for Transport Sector cover vehicles, land transport services, liability against third party, fire and crime. Company net income, operation results and financial position may be affected as a result of any future losses pertaining to accidents or

damages not covered by these policies or to accidents not covered by insurance such as terrorist acts and risks that may result from handling hazardous and toxic substances which may harm the environment or human beings.

#### **5. Reliance on Important Human Cadres:**

Company depends on the efficiency and expertise of the Executive Management as well as important human cadres in Company. Company took several measures to reduce loss of such cadres or inability to find suitable alternatives in case of losing the same. Company does not guarantee the possibility to keep the working qualified human cadres or to find alternatives with the same degree of qualifications in case the same are lost; which may be negatively reflected on Company revenues, business results and financial position.

#### **6. Reliance on Certain Important Computer Programs:**

Company Management relies effectively on Enterprise Resource Planning (ERP) System, which provides integrated results for Company operations and facilitates information flow among departments. Any malfunction, failure or dispute regarding the property rights of this System may adversely affect Company operations.

#### **7. Risks associated with Market:**

##### **A. Competitive Environment**

There is no guarantee for Company ability to continue effective competition against existing or new companies in the market. Changes in the competitive environment may result in reduction of prices and profit margins as well as loss of the market share partially, which would adversely affect Company's profits.

##### **B. Excellence of Services**

The provision of excellent services at reasonable prices is one of the most important factors that have made Company a strong competitor in the market. Company cannot guarantee the inability of existing or potential competitors to provide services that might be better and more distinctive than those offered by Company, which may adversely affect the operating results of Company.

##### **C. Mergers and Alliances**

It is possible to merge or unite companies engaged in petroleum and transport services in order to constitute rapidly evolving competitive consortiums, which could enable the same to get a larger share in the market on Company account.

#### **8- Distribution of Profits:**

Company resolution on the distribution of any future profits depends on several factors, including profit realization, financial position, working capital requirements, distributable profits, credit limits available for Company along with the general economic situation. It also relies on many other factors to be evaluated by the Board of Directors. Accordingly, Company does not assure the existing or prospective shareholders that any profits will be distributed in the future or confirm the amount of profits to be distributed in case of distribution approval.

#### **9- Financial Risk:**

**Financial risk can occur if the company fails to provide adequate liquidity to meet the firm's obligations or manages financial risks in a manner that is inconsistent with the firm's business objectives. Its severity depends on a number of factors, which include the firm's size, industry, financial position (e.g., public/private, leverage, free cash flow to equity, etc.), and the direction of the market as a whole.**

**1-Price Risk:** The exposure of earnings or net worth to changes in market factors (e.g., interest rates, currency rates), which affect income, expense or balance sheet values

##### **a. Interest Rate Risk**

The risk that interest rates deviate from their expected value, resulting in lower-than-expected investment yields, higher-than-expected borrowing or product costs, or deterioration of the firm's competitive position in its industry.

##### **b. Currency Risk**

The exposure to fluctuations in exchange rates may arise as a result of business activity in foreign markets and investment in securities, which are issued by overseas entities or are denominated in a foreign currency

##### **c. Equity Risk**

The exposure to fluctuations in the income stream and/or value of equity ownership in an incorporated entity

##### **d. Commodity Risk**

This can be a financial market risk if a company chooses an investment as part of a diversification strategy for managing investment risk. From the industrial perspective, commodity risk is the exposure to fluctuations in prices of commodity-based materials or products (e.g., gold, energy, copper, coffee)

#### **e. Financial Instrument Risk**

Financial market risk can vary depending upon the particular segment of the market to which the holder of a financial instrument is exposed, or the way in which the exposure is structured

**2-Liquidity Risk:** The exposure to loss as a result of the inability to meet cash flow obligations in a timely and cost-effective manner. Liquidity risk often arises as a result of an investment portfolio with a cash flow and/or maturity profile, which differs from the underlying cash flows dictated by the company's operating requirements and other obligations.

#### **a. Cash Flow Risk**

Actual losses incurred as a result of the inability to fund the operational or financial obligations of the business.

#### **b. Opportunity Cost Risk**

The use of funds in a manner that leads to the loss of economic value, including time value losses, transaction costs due to inappropriate or inefficient management of cash flows, and other causes of loss of value

#### **c. Concentration Risk**

Exposure to loss as a result of the inability to access cash in a timely manner due to the inability to liquidate exposures without moving the market, unusual market conditions, use of "proprietary" financial products, or excessive reliance on a small number of funding sources

**3-Credit Risk:** The exposure to actual loss or opportunity cost as a result of default (or other failure to perform) by an economic or legal entity (the debtor) with which the company does business.

#### **a. Default Risk**

A counterparty will be unable to fulfill its obligations

#### **b. Concentration Risk**

Inappropriate emphasis of sales volume or revenues on a single customer, industry sector, or other economic segment leads to exposure to excessive loss

#### **c. Settlement Risk**



In financial terms, this risk arises when financial counterparties effect their payments to each other at different times or in different locations. In a non-financial context, settlement risk describes the risk of unexpected costs and/or administrative inconvenience associated with the failure to deliver payment in the right place at the right time

#### **d. Collateral Risk**

This is the risk that the value of an asset provided as collateral for a loan, receivable, or commitment to perform may be partially or totally lost

### **10- Information for Decision-Making Risk:**

The risk that information used to support strategic, operational and financial decisions is not relevant or reliable. This risk relates to the usability and timeliness of information that is either created or summarized by processes and application systems or a failure to understand information needs.

#### **1-Operational Risk**

- ❖ **Budget and Planning Risk:** Budgets and business plans are not realistic, based on appropriate assumptions, based on cost drivers and performance measures, accepted by key managers, or used as a monitoring tool.
- ❖ **Product/Service Pricing Risk:** The Company's price is more than customers are willing to pay or does not cover production and distribution costs.
- ❖ **Contract Commitment Risk:** The Company does not have information that effectively tracks contractual commitments outstanding at a point in time, so that the financial implications of decisions to enter into incremental commitments can be appropriately considered by decision-makers.
- ❖ **Measurement (Operations) Risk:** Process performance measures do not provide a reliable portrayal of operating performance and do not accurately reflect reality. The measures do not provide relevant information for decision-making because they are not informative, understandable, believable, actionable, or indicators of change.
- ❖ **Alignment Risk:** The objectives and performance measures of the company's business processes are not aligned with its overall business objectives and strategies. The objectives and measures do not focus people on the right things and lead to conflicting, uncoordinated activities.

- ❖ **Accounting Information Risk:** Financial accounting information used to manage business processes is not properly integrated with non-financial information focused on customer satisfaction, measuring quality, reducing cycle time and increasing efficiency. The result is a myopic, short-term fixation on manipulating the outputs of business processes to achieve financial targets, rather than fulfilling customer expectations by controlling and improving processes.

## 2-Public Reporting:

- ❖ **Financial Reporting Evaluation Risk:** Financial reports issued to existing and prospective investors and lenders include material misstatements or omit material facts, making them misleading.
- ❖ **Internal Control Evaluation Risk:** Failure to accumulate sufficient relevant and reliable information to assess the design and operating effectiveness of internal control over financial reporting, resulting in inaccurate assertions by management in the internal control report.
- ❖ **Executive Certification Risk:** Failure to accumulate sufficient, relevant and reliable information to assess the design and operating effectiveness of disclosure controls and procedures, resulting in material information not being disclosed timely to certifying officers and in public reports.
- ❖ **Taxation Risk:** Significant transactions of the company have adverse tax consequences that could have been avoided had they been structured differently. Failure to comply with all tax regulations (e.g. payment and filing requirements) creates risks.
- ❖ **Regulatory Reporting Risk:** Reports of operating and financial information required by regulatory agencies are incomplete, inaccurate or untimely, exposing the company to fines, penalties and sanctions.

## 3-Strategic Risk

- ❖ **Environmental Scan Risk:** The failure to monitor and stay in touch with a rapidly changing environment, resulting in obsolete business strategies.
- ❖ **Business Model Risk:** The organization has an obsolete business model and doesn't recognize it and/or lacks the information needed to make an up-to-date assessment



of its current model and build a compelling business case for modifying that model on a timely basis.

- ❖ **Business Portfolio Risk:** The risk that a firm will not maximize business performance by effectively prioritizing its products or balancing its businesses in a strategic context.
- ❖ **Investment Valuation/Evaluation Risk:** Management does not have sufficient financial information to make informed short-term and long-term investment decisions and link the risks accepted to the capital at risk. Management and key decision-makers are unable to reliably measure the value of a specific business or any of its significant segments in a strategic context.
- ❖ **Organization Structure Risk:** The Company's organizational structure does not support change or the company's business strategies.
- ❖ **Measurement (Strategy) Risk:** Occurs when overall organizational performance measures focus primarily on near-term financial results or are not consistent with and do not support business strategies.
- ❖ **Resource Allocation Risk:** The Company's resource allocation process does not establish and sustain competitive advantage or maximize returns for shareholders.
- ❖ **Planning Risk:** the Company's business strategies are not driven by creative and intuitive input or based on current assumptions about the external environment, resulting in strategies that are out-of-date and unfocused.
- ❖ **Lifecycle Risk:** An organization's approach to managing the movement of its product lines and evolution of its industry along the lifecycle (e.g., start-up, growth, maturity and decline) threatens the ultimate success of its business strategies.

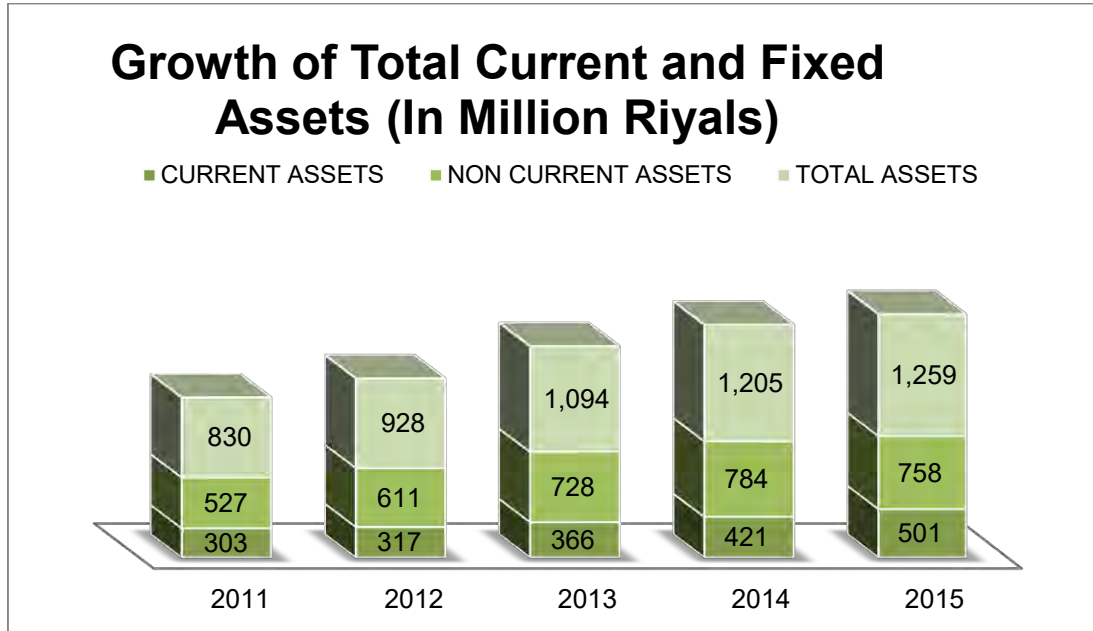
### Financial Results and Profits:

The following figures summarize the statement of financial position, statement of income, statement of cash flows for the fiscal years ended on 31 December 2015, 2014, 2013, 2012 and 2011.

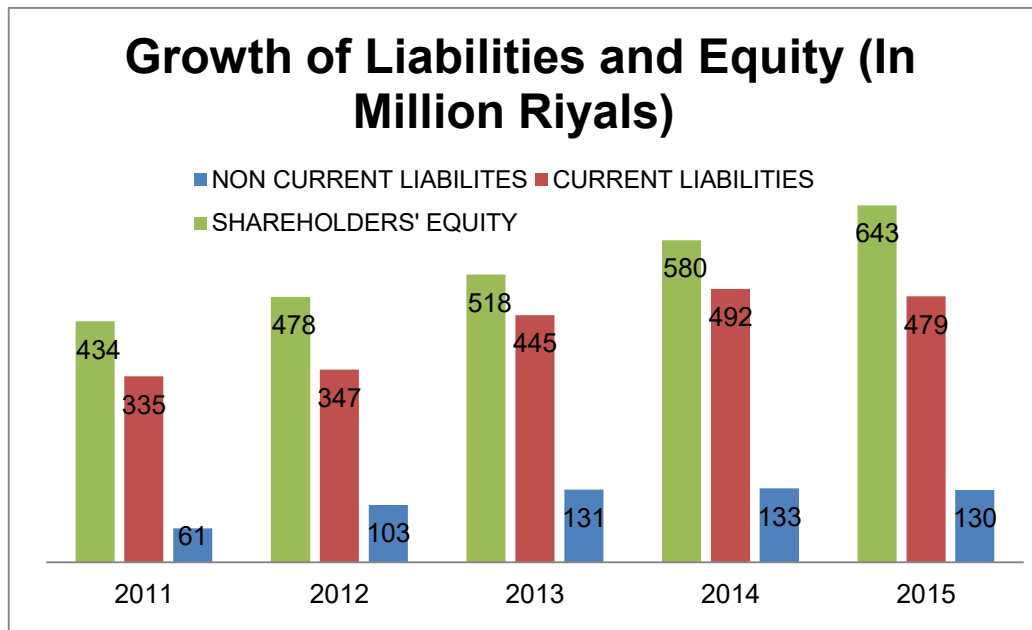
Table - Items of Assets, Liabilities and Equity

Statement	2015	2014	2013	2012	2011
<b>Financial Position</b> <b>(In Thousands)</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
Current asset	500,627	421,227	366,074	317,051	302,877
Current liabilities	485,748	491,881	444,776	347,005	335,001
Working capital	14,879	(70,654)	(78,702)	(29,954)	(32,124)
other long-term assets	21,910	41,267	30,709	20,531	27,555
Fixed assets	736,383	742,816	697,019	590,125	499,665
Total assets	1,258,920	1,205,310	1,089,107	927,707	830,097
Current liabilities	485,748	491,881	440,081	347,005	335,001
Long-term loans	81,380	92,529	96,424	72,933	34,601
Other liabilities	48,798	40,539	34,566	29,826	26,499
Total liabilities	615,926	624,949	571,071	449,764	396,101
Paid capital	400,000	400,000	300,000	300,000	250,000
Reserves and retained earnings	242,994	180,361	218,036	177,943	183,996
Shareholders' equity	642,994	580,361	518,036	477,943	433,996
<b>Total liabilities and shareholders' equity</b>	<b>1,258,920</b>	<b>1,205,310</b>	<b>1,089,107</b>	<b>927,707</b>	<b>830,097</b>

Figure - Items of Assets, Liabilities and Equity



Company assets continued to grow through the past five years from 830 million Saudi riyals in 2011 to 1,259 million Saudi riyals in 2015



Equity also continued its growth during the past five years from 434 million Saudi riyals in 2011 to 643 million Saudi riyals in 2015

**Table - Statement of Income**

Statement	2015	2014	2013	2012	2011
<b>income statement</b> <b>(In Thousands)</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
Sales	2,302,992	2,144,322	1,982,683	1,873,574	1,694,178
Cost of sales	2,051,148	1,917,208	1,795,035	1,702,074	1,529,914
Total profit	251,844	227,114	187,648	171,500	164,264
Sale expenses	7,578	6,712	5,107	5,429	6,244
General and administrative expenses	97,459	82,073	73,260	61,143	58,127
Income from main activities	146,807	138,329	109,281	104,928	99,893
Financing expenses	9,973	11,587	9,837	8,300	8,381
Profit (loss) of joint investment	2,980	(1,938)	(1,042)	0,0	0,0
other revenues	9,371	1,980	5,510	943	2,602
Income before Zakat	149,185	126,784	103,912	97,571	94,114
Zakat	5,150	3,060	2,220	2,023	1,950
Net income	144,035	123,724	101,692	95,548	92,164

Figure - Statement of Income (In Thousand riyals)

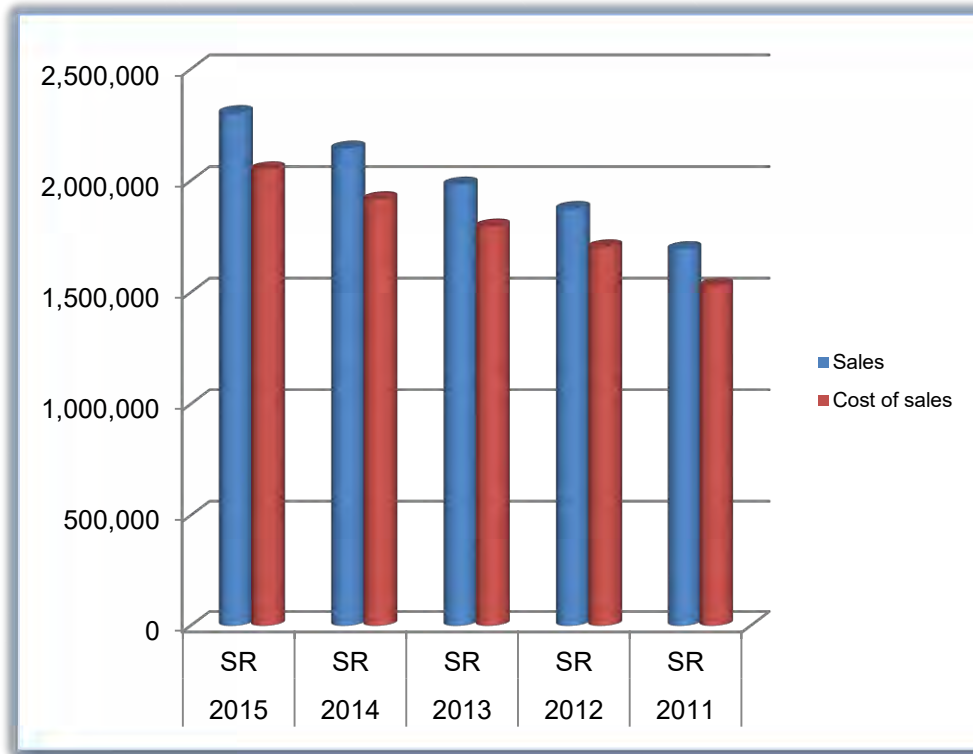
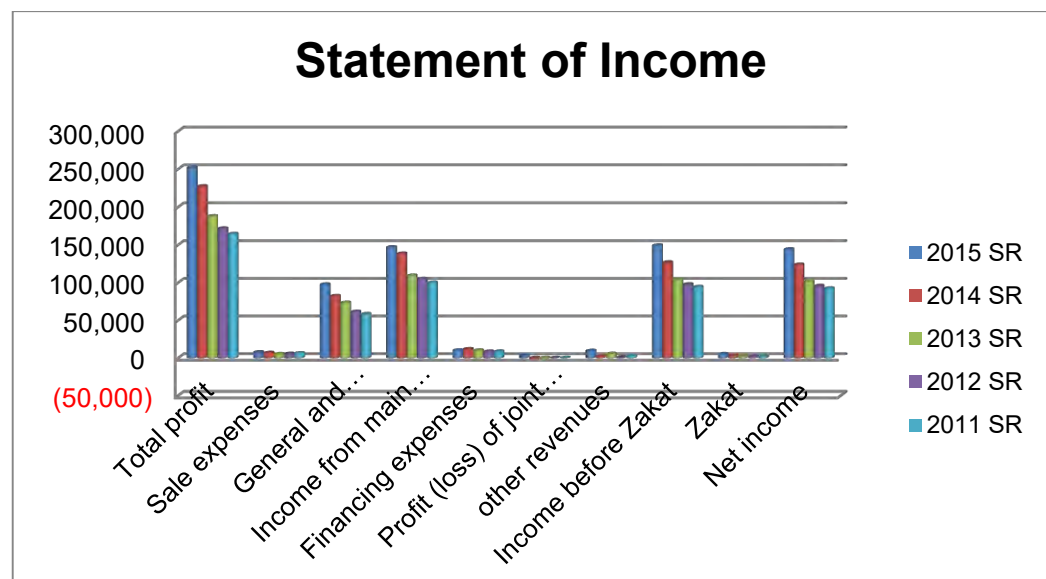


Figure - Statement of Income (In Thousand riyals)



**Table - Statement of Income as a percentage of Revenues**

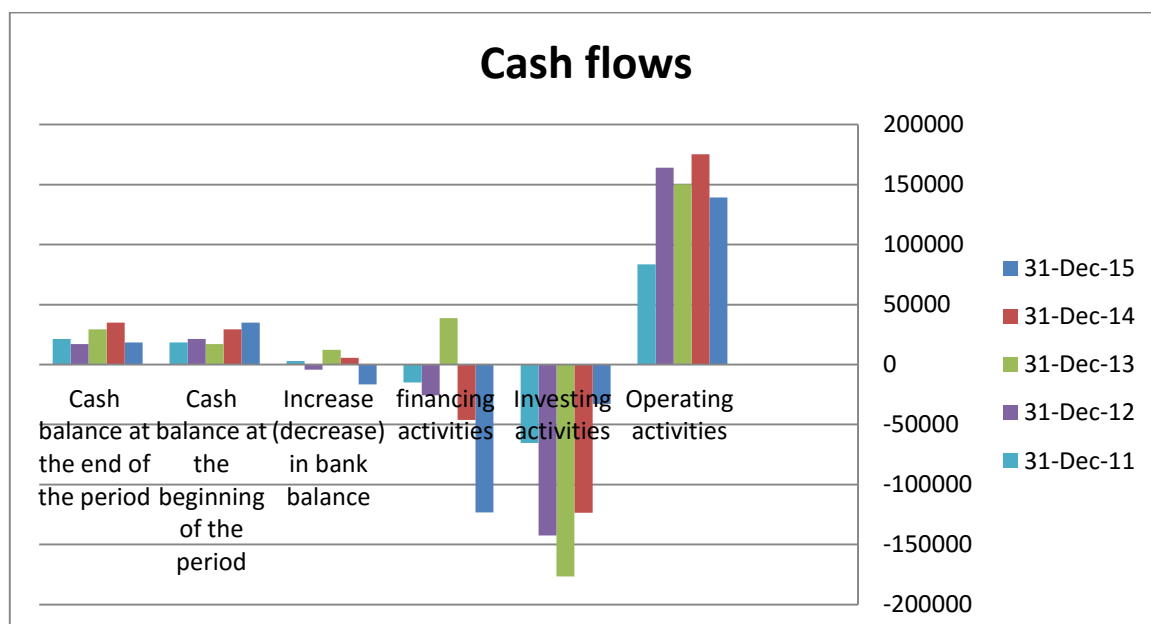
Statement	2015	2014	2013	2012	2011
<b>Income statement (In Thousands)</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales	89.06%	89.41%	90.54%	90.85%	90.30%
Total profit	10.94%	10.59%	9.46%	9.15%	9.70%
Sale expenses	0.33%	0.31%	0.26%	0.29%	0.37%
General and administrative expenses	4.23%	3.83%	3.69%	3.26%	3.43%
Income from main activities	6.37%	6.45%	5.51%	5.60%	5.90%
Financing expenses	0.43%	0.54%	0.50%	0.44%	0.49%
Profit (loss) of joint investment	0.13%	-0.09%	-0.05%	0.0	0.0
other revenues	0.41%	0.09%	0.28%	0.05%	0.15%
Income before Zakat	6.48%	5.91%	5.24%	5.21%	5.56%
Zakat	0.22%	0.14%	0.11%	0.11%	0.12%
Net income	6.25%	5.77%	5.13%	5.10%	5.44%

### Cash flows:

Cash flows from operating activities are the main source for funding Company activities, profit distribution and capital expansions:

Cash flows	2015	2014	2013	2012	2011
Cash flows (In Thousands)	SR	SR	SR	SR	SR
Operating activities	139,304	175,246	150,296	163,976	83,370
Investing activities	(32,716)	(123,605)	(176,662)	(142,569)	(65,367)
financing activities	(123,249)	(46,090)	38,676	(25,725)	(15,061)
Increase (decrease) in bank balance	(16,661)	5,551	12,310	(4,318)	2,942
Cash balance at the beginning of the period	34,961	29,410	17,100	21,418	18,476
Cash balance at the end of the period	18,300	34,961	29,410	17,100	21,418

Figure - Cash Flows (Thousands Riyals)





### Total Geographical Analysis of Company Revenues and Subsidiaries

Year	Statement	Central Region	Eastern Region	Western Region	Qassim and Hail Region	Southern Region	Northern Region	Road Stations	Total
<b>Geographical Analysis (In Million)</b>		<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>2015</b>	Revenues:								
	Fuel Sales	896.8	383.3	401.3	76.9	75.2	40.2	175.8	<b>2,049.5</b>
	Chemicals transport revenues		57.6	59.2	-	-	-	-	<b>116.8</b>
	Foodstuff transport revenues	-	34.9	10.4	-	3.1	-	-	<b>48.4</b>
	Revenues of fuel transport and others	16.8	21.2	14.3	-	-	36.0	-	<b>88.3</b>
	<b>Total</b>	<b>913.6</b>	<b>497.0</b>	<b>485.2</b>	<b>76.9</b>	<b>78.3</b>	<b>76.2</b>	<b>175.8</b>	<b>2,303.0</b>
<b>2014</b>	Revenues:								
	Fuel Sales	851.2	350.2	353.4	68.0	69.9	38.2	162.4	<b>1,893.4</b>
	Chemicals transport revenues	-	56.2	46.7	-	-	-	-	<b>102.9</b>
	Foodstuff transport revenues	-	50.0	23.2	-	2.7	-	-	<b>75.9</b>
	Revenues of fuel transport and others	25.8	8.6	8.1	-	29.7	-	-	<b>72.1</b>
	<b>Total</b>	<b>877.0</b>	<b>464.9</b>	<b>431.4</b>	<b>68.0</b>	<b>102.3</b>	<b>38.2</b>	<b>162.4</b>	<b>2,144.3</b>

## Operation Results:

Based on the foregoing, the Statement of Income for the year ended on 31 December 2015 compared to 2014 is growing. In 2015, Company revenues amounted to (2,303) million Saudi riyals, while the same were (2,144) million Saudi riyals in 2014 by a growth rate of (7.40%). This is attributable to the increase of stations number operated by Company to (486) stations. The continuing expansion in Transport Sector business has also contributed to the increase of Company revenues during this year. Revenues, gained from Petroleum Sector and Transport Sector, represent 89.00% and 11.00% of Company revenues for 2015 respectively. The operating profit generated from Company main business was (146.8) million Saudi riyals in 2015, while the same amounted to (138.3) million Saudi riyals in the previous year by a growth rate of (6.15%). Further, the net profit for 2015 was (144) million Saudi riyals while the same amounted to (123.7) million Saudi riyals in the previous year by a growth rate of (16.4%).

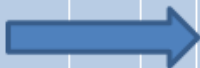
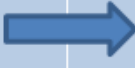
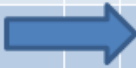
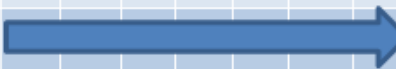
Sales increase in Transport and Petrol sectors and reduction in financial charges and increase in other income by SR 6.9 million because of sale of the two petrol stations due to their low revenue, gain on exit from the joint venture by SR 2.9 million.

- ❖ There is no difference or discrepancy compared to the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA).
- ❖ Implementation of international standards plan

Where international standards will be applied according to the following stages:

- 1st stage: identify the differences that will occur in the accounts for the company in the application of international standards and explain these differences to department's heads.
- 2nd stage: Training will be during that period based on the points that was planned and in accordance with international standards.
- 3rd stage: the preparation of the company's budget in accordance with international standards as a model illustrating the work and how the budget form looks.
- 4th stage: the preparation of the company's budget in accordance with international standards for the fiscal year ending Dec. 31

- It has been agreed with the office of Al-Azm and Sudairy Chartered Accountants & Consultants, a member of Crowe Horwath International, to apply the above stages starting from 2015 financial statements.
- The financial statements will be issued (Saudi Arabia standards - International standards) in preparation for the application of international accounting standards on January 1, 2017.

<b>Project Time Table</b>														
week /stages	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>First Stage</b>														
<b>Second Stage</b>														
<b>Third Stage</b>														
<b>Fourth Stage</b>														

### Subsidiaries:

### Investment in Joint Ventures:

- ❖ 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.

On 15 July 2015, the Company sold all its shares in United Fuel Company ("UNIFCO") to Emirates National Oil Company ("ENOC") with a consideration of SR 22,500,000 and realized gain amounting of SR 3,855,460 which recognized in statement of income.

This step comes as a confirmation of what transpired from the two sides achieving the public interest to both of them, and to settle the separate work of each partner the ability to face the challenges of the coming period, especially the commitment to the requirements of the authorities.

- ❖ On 21 Shaaban 1434 A.H. (corresponding to 30 June 2013), has extracted incorporation and commercial registration number 1010433172 Company concluded a joint venture agreement with Bertschi AG to establish a jointly managed firm with a capital of one million Saudi riyals owned equally by both companies, 50%- 50%, regarding the capital, investments and profits. The duration of the Agreement shall be twenty four (24) months and shall end upon the establishment of jointly managed firm and when the joint venture

agreement forms an integral part of the future partner agreements. The new Company will be managed by an independent team comprising the two companies inside Saudi Arabia. Company will be engaged in providing services related to management of logistics and storage operations of chemical, industrial and service facilities as well as containers, and of chemicals transport tankers cleaning stations, taking into account that Bertschi is a Swiss Company engaged in the field of logistic and chemical transport services through land and sea tankers together with trains in Europe, China and Singapore.

**The following is the movement in the investments account.**

	<b>UNIFCO</b>	<b>Bertschi AG</b>	<i>Total</i>	<i>Total</i>
	<i>2015</i>	<i>2015</i>	<i>2015</i>	<i>2014</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
At the beginning of the period	<b>19,519,540</b>	-	<b>19,519,540</b>	9,207,721
Additions	-	<b>500,000</b>	<b>500,000</b>	12,250,000
Disposals	<b>(22,500,000)</b>	-	<b>(22,500,000)</b>	-
Gain of joint venture	<b>2,980,460</b>	-	<b>2,980,460</b>	(1,938,181)
At 31December	-	<b>500,000</b>	<b>500,000</b>	19,519,540

❖ **There are no shares or debt instruments issued to each subsidiary.**

**Profit Distribution Policy Description:**

Company annual net profits are distributed after deducting all general expenses and other expenses as follows:

Ten percent (10%) of the net profits shall be retained to form statutory reserve. The Ordinary General Assembly may stop such retention when the said reserve reaches half of the capital.

The Ordinary General Assembly may, upon the Board of Directors proposal, set aside a certain percentage of the net profits to form eventual reserve and assign the same for a certain purpose or purposes.

After that, a first payment, equivalent to (5%) of the paid capital, from the remaining profits shall be distributed to shareholders.

A percent not exceeding (10%) of the remaining profits shall be assigned to reward the Board of Directors, provided that the same shall not, in all cases, exceed the maximum limits allowed according to the decisions and instructions issued by the official authorities. The residual profits shall be distributed afterwards to shareholders for an additional share of profits.

#### Payment of Profits:

Profits to be distributed to shareholders shall be paid in place and time determined by the Board of Directors according to the instructions issued by the Ministry of Commerce and Industry.

- ❖ Description of any interest in voting shares of persons (other than directors and senior executives as well as their relatives) and any change in such rights during the fiscal year.

Sr. No.	Stakeholder Name	Beginning of Year		End of Year		Net Change	Change Ratio
		Number of shares	Debt instruments	Number of shares	Debt instruments		
1			-		-		

- ❖ Description of any benefit for the directors, their spouses and minor children in the shares or debt instruments of Company or any of its subsidiaries:

Sr. No.	Stakeholder Name	Beginning of Year		End of Year		Net Change	Change Ratio
		Number of shares	Debt instrument	Number of Shares	Debt instrument		
1	Mr. Hamad bin Mohammed Aldrees	2704032	-	2704032	-	-	-

2	Eng. Abdulmohsen bin Mohammed Aldrees	111945	-	11945	-	-100000	-0.2500
3	Mr. Hussain bin Abdulrahman Alazel	1600	-	1600	-	-	-
4	Mr. Ahmed bin Abdullah Alaqeel	4000	-	4000	-	-	-
5	Mr. Eid bin Falih Alshamri	2000	-	2000	-	-	-
6	Mr. Adil bin Faris Alotaybi	0.00	-	-	-	-	-
7	Eng. Abdulilah bin Saad Aldrees	1600	-	1600	-	-	-

\* The wife of Mr. Hussain Alazel owns (800) shares at the end of 2015, net change (800) shares and change ratio (0.0020).

❖ **Description of any interest of senior executives, their spouses and minor children in the shares or debt instruments of Company or any of its subsidiaries.**

Sr. No.	Stakeholder Name	Beginning of Year		End of Year		Net Change	Change Ratio
		Number of shares	Debt instrument	Number of shares	Debt instrument		
1	Eng. Abdulilah bin Saad Aldrees	1600	-	1600	-	-	-

2	Mr. Khalid bin Abdalmohsen Aldrees	-	-	-	-	-	-
3	Mr. Mahmoud bin Yousuf Almaghrabi	10209	-	10209	-	-	-
4	Mr. Rassmi Jirjis Awad	-	-	-	-	-	-

**A detailed table indicating ownership of directors, Senior executives as well as their spouses and minor children of Company shares**

Name	Number of shares at the beginning of year	Ownership ratio at the beginning of year	Net change of shares number during the year	change ratio during the year	Total shares at the end of year	Total ownership ratio at the end of year
Mr. Hamad Mohammed Aldrees	2704032	6.76008	-	-	2704032	6.7601
Eng. Abdulmohsen bin Mohammed Aldrees	111945	0.27986	-100000	-0.2500	11945	0.0299
Mr. Hussain bin Abdulrahman Alazel	1600	0.00400	-	-	1600	0.0040
Mr. Ahmed bin Abdullah Alaqeel	4000	0.01000	-	-	4000	0.0100
Mr. Eid bin Falih Alshamri	2000	0.00500	-	-	2000	0.0050
Eng. Abdulilah bin Saad Aldrees	1600	0.00400	-	-	1600	0.0040
Mr. Adil bin Faris Alotaybi	-	-	-	-	-	-
Mr. Khalid bin Abdulmohsin Aldrees	-	-	-	-	-	-
Mr. Mahmoud bin Yousuf Almaghrabi	10209	0.02552	-	-	10209	0.0255
Mr. Rasmi Jirjis Awad	-	-	-	-	-	-



## Loans:

Company obtains Islamic banking facilities from local banks on down payments in the current account as follows:

**Table - Loans**

Statement	2015	2014
Loan No. 1	-	837,333
Loan No. 2	4,801,082	10,979,131
Loan No. 3	-	794,408
Loan No. 4	-	2,025,000
Loan No. 5	-	3,044,098
Loan No. 6	-	1,173,750
Loan No. 7	-	3,750,000
Loan No. 8	-	723,813
Loan No. 9	-	2,171,438
Loan No. 10	-	3,368,025
Loan No. 11	10,287,500	14,145,313
Loan No. 12	4,099,219	5,465,625
Loan No. 13	3,942,036	6,967,469
Loan No. 14	-	8,038,070
Loan No. 15	-	6,133,106
Loan No. 16	-	6,314,308
Loan No. 17	-	7,214,990
Loan No. 18	750,000	2,250,000
Loan No. 19	3,000,000	9,000,000
Loan No. 20	-	1,041,313
Loan No. 21	5,465,625	7,651,875

Loan No. 22	5,647,813	7,834,063
Loan No. 23	-	25,000,000
Loan No. 24	-	35,000,000
Loan No. 25	-	12,457,641
Loan No. 26	-	11,340,819
Loan No. 27	-	11,340,053
Loan No. 28	14,166,667	19,166,667
Loan No. 29	10,937,500	14,687,500
Loan No. 30	-	30,000,000
Loan No. 31	-	25,000,000
Loan No. 32	-	20,141,888
Loan No. 33	52,829,152	-
Loan No. 34	11,464,434	-
Loan No. 35	20,817,441	-
Loan No. 36	28,000,000	-
Loan No. 37	39,000,000	-
Loan No. 38	30,000,000	-
Loan No. 39	28,000,000	-
Loan No. 40	-	-
Loan No. 41	-	-
Loan No. 42	-	-
	-	-
<b>Total</b>	<b>273,208,469</b>	<b>315,057,696</b>

### Loan Maturities:

Statement	In Thousands Riyals	In Thousands Riyals
	2015	2014
Less than a year	191,827,907	222,122,934
From one to two years	55,882,796	59,491,457
From two to five years	25,497,766	33,443,305
More than five years	-	-

**Table - Movement of Loans for 2015 (In Million Riyals)**

Donator	Principal	Due part	Duration	Balance at the beginning of the year	Amount paid during the year	Issue Date	Maturity Date
Albilad Bank	15	Long term	36 months	8	8	17/06/2013	17/06/2016
Albilad Bank	10.4	Long term	36 months	6.1	6.1	24/09/2013	24/09/2016
Albilad Bank	10.2	Long term	36 months	6.3	6.3	09/10/2013	07/10/2016
Albilad Bank	11.7	Long term	36 months	7.2	7.2	29/10/2013	29/10/2016
Albilad Bank	4.2	Long term	24 months	1.1	1.1	04/07/2013	03/07/2015
Albilad Bank	17.8	Long term	36 months	12.5	12.5	22/01/2014	22/01/2017
Albilad Bank	15	Long term	36 months	11.3	11.3	26/03/2014	24/03/2017

Albilad Bank	15	Long term	36 months	11.3	11.3	30/03/2014	28/03/2017
Albilad Bank	20	Long term	48 months	19.2	5	28/10/2014	28/10/2018
Albilad Bank	15	Long term	48 months	14.7	3.8	27/11/2014	27/11/2018
Albilad Bank	19.4	Long term	22 months	0	19.4	01/01/2015	01/11/2015
Albilad Bank	14	Long term	36 months	0	14	28/01/2015	28/01/2018
Albilad Bank	70.6	Long term	36 months	0	17.7	15/03/2015	15/02/2018
Albilad Bank	14	Long term	36 months	0	2.5	26/03/2015	26/03/2019
Albilad Bank	24	Long term	48 months	0	3.2	28/07/2015	28/07/2018
Albilad Bank	35	Short term	31 days	35	35	29/12/2014	28/01/2015
Albilad Bank	49	Short term	29 days	0	49	29/01/2015	26/02/2015
Albilad Bank	25	Short term	28 days	0	25	26/02/2015	25/03/2015
Albilad Bank	25	Short term	32 days	0	25	29/03/2015	29/04/2015
Albilad Bank	30	Short term	31 days	0	30	28/04/2015	28/05/2015
Albilad Bank	25	Short term	9 days	0	25	27/05/2015	04/06/2015
Albilad Bank	25	Short term	15 days	0	25	28/05/2015	11/06/2015
Albilad Bank	25	Short term	9 days	0	25	29/06/2015	07/07/2015
Albilad Bank	40	Short term	32 days	0	40	29/06/2015	30/07/2015

Albilad Bank	25	Short term	17 days	0	25	28/07/2015	13/08/2015
Albilad Bank	35	Short term	31 days	0	35	30/08/2015	29/09/2015
Albilad Bank	30	Short term	24 days	0	30	29/09/2015	22/10/2015
Albilad Bank	35	Short term	18 days	0	35	28/09/2015	15/10/2015
Albilad Bank	26	Short term	18 days	0	26	27/10/2015	11/11/2015
Albilad Bank	30	Short term	23 days	0	30	27/10/2015	18/11/2015
Albilad Bank	30	Short term	24 days	0	30	29/11/2015	22/12/2015
Albilad Bank	30	Short term	10 days	0	0	29/12/2015	07/01/2016
Albilad Bank	28	Short term	24 days	0	0	29/12/2015	21/01/2016
Riyad Bank	5	Long term	36 months	0.8	0.8	13/06/2012	12/06/2015
Riyad Bank	24	Long term	48 months	11	6.2	25/09/2012	24/09/2016
Riyad Bank	2.5	Long term	36 months	0.8	0.8	12/11/2012	11/11/2015
Riyad Bank	12	Long term	48 months	7	3	30/03/2013	30/03/2017
Riyad Bank	60	short term	12 months	20.1	20.1	01/04/2014	30/03/2015
Riyad Bank	25	short term	18 days	25	25	29/12/2014	14/01/2015
Riyad Bank	75	short term	90 days	0	75	05/04/2015	04/07/2015
Riyad Bank	65	short term	90 days	0	65	03/06/2015	31/08/2015
Riyad Bank	10	short term	30 days	0	10	02/09/2015	01/10/2015
Riyad Bank	42	short term	30 days	0	42	30/09/2015	31/10/2015
Riyad Bank	25	short term	10 days	0	25	27/01/2015	05/02/2015

Riyad Bank	40	short term	31 days	0	40	01/03/2015	31/03/2015
Riyad Bank	25	short term	11 days	0	25	29/03/2015	08/04/2015
Riyad Bank	25	short term	16 days	0	25	29/06/2015	14/07/2015
Riyad Bank	25	short term	10 days	0	25	28/07/2015	06/08/2015
Riyad Bank	25	short term	31 days	0	25	28/07/2015	27/08/2015
Riyad Bank	10	short term	8 days	0	10	27/08/2015	03/09/2015
Riyad Bank	17	Short term	9 days	0	17	30/08/2015	07/09/2015
Riyad Bank	16	Short term	10 days	0	16	27/10/2015	05/11/2015
Riyad Bank	40	Short term	31 days	0	40	27/10/2015	26/11/2015
Riyad Bank	20	Short term	30 days	0	20	29/11/2015	28/12/2015
Riyad Bank	39	Short term	31 days	0	0	29/12/2015	28/01/2016
AlRajhi	12.2	Long term	36 months	2	2	24/04/2012	25/04/2015
AlRajhi	18.3	Long term	36 months	3	3	24/04/2012	25/04/2015
AlRajhi	4.7	Long term	36 months	1.2	1.2	01/08/2012	01/08/2015
AlRajhi	15	Long term	36 months	3.8	3.8	17/09/2012	19/09/2015
AlRajhi	2.9	Long term	36 months	0.7	0.7	17/09/2012	19/09/2015
Gulf Bank	8.7	Long term	48 months	2.2	2.2	17/09/2012	12/09/2015
Gulf Bank	13.5	Long term	36 months	3.4	3.4	26/09/2012	26/09/2015
Gulf Bank	4.5	Long term	48 months	2.2	1.5	08/04/2013	08/04/2017
Gulf Bank	25	Short term	15 days	0	25	29/01/2015	12/02/2015

Gulf Bank	25	Short term	19 days	0	25	01/03/2015	19/03/2015
Gulf Bank	25	Short term	23 days	0	25	29/03/2015	20/04/2015
Gulf Bank	25	Short term	23 days	0	25	29/03/2015	20/04/2015
Gulf Bank	25	Short term	10 days	0	25	28/04/2015	07/05/2015
Gulf Bank	25	Short term	17 days	0	25	28/04/2015	14/05/2015
Gulf Bank	15	Short term	29 days	0	15	28/05/2015	25/06/2015
Gulf Bank	10	Short term	23 days	0	10	03/06/2015	25/06/2015
Gulf Bank	25	Short term	24 days	0	25	28/07/2015	20/08/2015
Gulf Bank	27	Short term	23 days	0	27	30/08/2015	21/09/2015
Gulf Bank	30	Short term	10 days	0	30	29/11/2015	08/12/2015
National Bank	18	Long term	48 months	9	6	28/05/2013	28/05/2017
National Bank	30	Short term	10 days	30	30	29/12/2014	07/01/2014
National Bank	25	Short term	24 days	25	25	29/12/2014	21/01/2014
National Bank	25	Short term	23 days	0	25	28/01/2015	19/02/2015
National Bank	30	Short term	12 days	0	30	01/03/2015	12/03/2015
National Bank	14	Short term	26 days	0	14	29/03/2015	23/04/2015
National Bank	25	Short term	24 days	0	25	28/04/2015	21/05/2015

National Bank	25	Short term	19 days	0	25	31/05/2015	18/06/2015
National Bank	25	Short term	31 days	0	25	31/05/2015	30/06/2015
National Bank	25	Short term	24 days	0	25	30/06/2015	23/07/2015
National Bank	18	Short term	29 days	0	18	30/06/2015	28/07/2015
National Bank	25	Short term	31 days	0	25	28/07/2015	27/08/2015
National Bank	27	Short term	16 days	0	27	30/08/2015	14/09/2015
National Bank	25	Short term	7 days	0	25	30/09/2015	06/10/2015
National Bank	39	Short term	28 days	0	39	30/09/2015	27/10/2015
National Bank	10	Short term	31 days	0	10	06/10/2015	05/11/2015
National Bank	20	Short term	27 days	0	20	28/10/2015	23/11/2015
National Bank	30	Short term	16 days	0	30	30/11/2015	15/12/2015
National Bank	28	Short term	16 days	0	0	30/12/2015	14/01/2015
Samba Bank	20.6	Long term	48 months	14.1	3.8	29/09/2013	29/09/2017
Samba Bank	7.3	Long term	48 months	5.5	1.4	25/12/2013	25/12/2017
Samba Bank	8.7	Long term	48 months	7.7	2.2	01/07/2013	15/07/2013
Samba Bank	8.7	Long term	48 months	7.8	2.2	26/09/2013	21/10/2013
	<b>2,297.90</b>			<b>315.00</b>	<b>1,843.70</b>		



**Table - Movement of Loans for 2014 (In Million Riyals)**

Donator	Principal	Due part	Duration	Balance at the beginning of the year	Amount paid during the year	Issue Date	Maturity Date
Albilad Bank	15.0	Long term	36 months	13.0	5.0	17/06/2013	17/06/2016
Albilad Bank	10.4	Long term	36 months	9.5	3.3	24/09/2013	24/09/2016
Albilad Bank	10.2	Long term	36 months	9.7	3.3	09/10/2013	07/10/2016
Albilad Bank	11.7	Long term	36 months	11.0	3.7	29/10/2013	29/10/2016
Albilad Bank	60.0	Short term	12 months	15.1	15.1	01/04/2013	30/03/2014
Albilad Bank	4.2	Long term	24 months	3.1	2.0	04/07/2013	03/07/2015
Albilad Bank	17.8	Long term	36 months	0.0	5.2	22/01/2014	22/01/2017
Albilad Bank	15.0	Long term	36 months	0.0	3.6	26/03/2014	24/03/2017
Albilad Bank	15.0	Long term	36 months	0.0	3.6	30/03/2014	28/03/2017
Albilad Bank	20.0	Long term	48 months	0.0	0.7	28/10/2014	28/10/2018
Albilad Bank	15.0	Long term	48 months	0.0	0.2	27/11/2014	27/11/2018
Albilad Bank	30.0	Short term	11 days	0.0	30.0	29/12/2013	09/01/2013
Albilad Bank	24.0	Short term	30 days	0.0	24.0	28/01/2014	27/02/2014
Albilad Bank	25.0	Short term	27 days	0.0	25.0	03/03/2014	25/03/2014

Albilad Bank	25.0	Short term	14 days	0.0	25.0	31/03/2104	14/04/2014
Albilad Bank	18.0	Short term	30 days	0.0	18.0	31/03/2014	29/04/2014
Albilad Bank	12.0	Short term	30 days	0.0	12.0	31/03/2014	29/04/2014
Albilad Bank	30.0	Short term	9 days	0.0	30.0	29/04/2014	08/05/2014
Albilad Bank	25.0	Short term	23 days	0.0	25.0	27/05/2014	19/06/2014
Albilad Bank	11.0	Short term	11 days	0.0	11.0	26/06/2014	10/07/2014
Albilad Bank	30.0	Short term	25 days	0.0	30.0	26/06/2014	24/07/2014
Albilad Bank	63.0	Short term	30 days	0.0	63.0	22/07/2014	21/08/2014
Albilad Bank	30.0	Short term	14 days	0.0	30.0	27/08/2014	11/09/2014
Albilad Bank	40.0	Short term	14 days	0.0	40.0	29/09/2014	13/10/2014
Albilad Bank	48.0	Short term	30 days	0.0	48.0	28/10/2014	27/11/2014
Albilad Bank	25.0	Short term	23 days	0.0	25.0	30/11/2014	23/12/2014
Albilad Bank	35.0	Short term	30 days	0.0	35.0	29/12/2014	28/01/2014
Hollandi Bank	0.6	Short term	1 day	0.0	0.6	30/09/2014	01/10/2014
Riyad Bank	9.5	Long term	48 months	2.2	2.2	29/11/2010	29/11/2014
Riyad Bank	5.0	Long term	36 months	2.5	1.6	13/06/2012	12/06/2015
Riyad Bank	24.0	Long term	48 months	16.9	5.8	25/09/2012	24/09/2016

Riyad Bank	2.5	Long term	36 months	1.6	0.7	12/11/2012	11/11/2015
Riyad Bank	12.0	Long term	48 months	9.9	2.8	30/03/2013	30/03/2017
Riyad Bank	6.0	Long term	48 months	5.0	5.0	14/05/2013	14/05/2017
Riyad Bank	14.5	long term	48 months	3.0	3.0	10/11/2010	10/10/2014
Riyad Bank	25.0	short term	18 days	25.0	25.0	29/12/2013	16/01/2014
Riyad Bank	60.0	short term	12 months	0.0	39.9	01/04/2014	30/03/2015
Riyad Bank	25.0	short term	18 days	0.0	25.0	29/12/2013	16/01/2014
Riyad Bank	25.0	short term	23 days	0.0	25.0	28/01/2014	20/02/2014
Riyad Bank	11.0	short term	17 days	0.0	11.0	28/02/2014	17/03/2014
Riyad Bank	10.0	short term	8 days	0.0	10.0	27/05/2014	05/06/2014
Riyad Bank	22.5	short term	29 days	0.0	22.5	28/05/2014	26/06/2014
Riyad Bank	20.0	short term	8 days	0.0	20.0	29/06/2014	07/07/2014
Riyad Bank	22.5	short term	25 days	0.0	22.5	26/06/2014	24/07/2014
Riyad Bank	35.0	short term	13 days	0.0	35.0	22/07/2014	04/08/2014
Riyad Bank	17.0	short term	11 days	0.0	17.0	24/07/2014	04/08/2014
Riyad Bank	25.0	short term	7 days	0.0	25.0	27/08/2014	04/09/2014
Riyad Bank	25.0	short term	9 days	0.0	25.0	28/10/2014	06/11/2014

Riyad Bank	7.0	short term	27 days	0.0	7.0	16/10/2014	13/11/2014
Riyad Bank	35.0	Short term	29 days	0.0	35.0	30/11/2014	29/12/2014
Riyad Bank	25.0	Short term	17 days	0.0	0.0	29/12/2014	14/01/2014
Riyad Bank	30.0	Short term	30 days	0.0	30.0	29/09/2014	28/10/2014
Riyad Bank	3.4	Short term	3 days	0.0	3.4	30/10/2014	02/11/2014
AlRajhi	7.6	Long term	48 months	2.5	2.5	26/12/2011	27/12/2014
AlRajhi	12.2	Long term	36 months	6.1	4.0	24/04/2012	25/04/2015
AlRajhi	18.3	Long term	36 months	9.1	6.0	24/04/2012	25/04/2015
AlRajhi	4.7	Long term	36 months	2.7	1.4	01/08/2012	01/08/2015
AlRajhi	15.0	Long term	36 months	8.8	5.0	17/09/2012	19/09/2015
AlRajhi	2.9	Long term	36 months	1.9	1.0	17/09/2012	19/09/2015
Gulf Bank	8.7	Long term	48 months	5.1	2.8	17/09/2012	12/09/2015
Gulf Bank	13.5	Long term	36 months	7.9	4.3	26/09/2012	26/09/2015
Gulf Bank	4.5	Long term	48 months	3.8	1.4	08/04/2013	08/04/2017
Gulf Bank	25	Short term	25 days	0.0	25.0	29/12/2013	23/01/2013
Gulf Bank	20.0	Short term	9 days	0.0	20.0	28/01/2014	06/02/2014
Gulf Bank	25.0	Short term	30 days	0.0	25.0	02/03/2014	31/03/2014

Gulf Bank	30.0	Short term	16 days	0.0	30.0	29/04/2014	15/05/2014
Gulf Bank	30.0	Short term	23 days	0.0	30.0	29/04/2014	22/05/2014
Gulf Bank	35.0	Short term	30 days	0.0	35.0	27/05/2014	26/06/2014
Gulf Bank	25.0	Short term	18 days	0.0	25.0	29/06/2014	17/07/2014
Gulf Bank	25.0	Short term	20 days	0.0	25.0	22/07/2014	11/08/2014
Gulf Bank	40.0	Short term	30 days	0.0	40.0	18/08/2014	18/09/2014
Gulf Bank	20.0	Short term	30 days	0.0	20.0	18/09/2014	16/10/2014
Gulf Bank	20.0	Short term	16 days	0.0	20.0	28/10/2014	13/11/2014
Gulf Bank	25.0	Short term	9 days	0.0	25.0	30/11/2014	09/12/2014
National Bank	18.0	Long term	48 months	15.0	6.0	28/05/2013	28/05/2017
National Bank	8.0	Short term	55 days	8.0	8.0	27/11/2013	21/01/2014
National Bank	20.0	Short term	30 days	0.0	20.0	29/12/2013	28/01/2013
National Bank	20.0	Short term	30 days	0.0	20.0	28/01/2014	28/02/2014
National Bank	12.0	Short term	30 days	0.0	12.0	28/02/2014	31/03/2014
National Bank	25.0	Short term	10 days	0.0	25.0	28/02/2014	10/03/2014
National Bank	25.0	Short term	12 days	0.0	25.0	28/02/2014	12/03/2014
National Bank	25.0	Short term	9 days	0.0	25.0	31/03/2014	09/04/2014

National Bank	25.0	Short term	7 days	0.0	25.0	31/03/2014	07/04/2014
National Bank	30.0	Short term	29 days	0.0	30.0	29/04/2014	28/05/2014
National Bank	30.0	Short term	25 days	0.0	30.0	29/06/2014	24/07/2014
National Bank	25.0	Short term	25 days	0.0	25.0	24/07/2014	18/08/2014
National Bank	30.0	Short term	23 days	0.0	30.0	27/08/2104	19/08/2014
National Bank	25.0	Short term	24 days	0.0	25.0	29/09/2014	23/10/2014
National Bank	25.0	Short term	23 days	0.0	25.0	28/10/2014	20/11/2014
National Bank	25.0	Short term	15 days	0.0	25.0	01/12/2014	16/12/2014
National Bank	30.0	Short term	10 days	0.0	0.0	29/12/2014	07/01/2014
National Bank	25.0	Short term	24 days	0.0	0.0	29/12/2014	21/01/2014
Samba Bank	20.6	Long term	48 months	19.3	5.0	29/09/2013	29/09/2017
Samba Bank	7.3	Long term	48 months	7.3	1.6	25/12/2013	25/12/2017
Samba Bank	8.7	Long term	48 months	0.0	1.0	01/07/2013	15/07/2013
Samba Bank	8.7	Long term	48 months	0.0	1.0	26/09/2013	21/10/2013
Samba Bank	25.0	Short term	16 days	0.0	25.0	28/01/2014	13/02/2014
	<b>2,063.5</b>			<b>225.0</b>	<b>1,640.4</b>		

- ❖ There is no description of categories and numbers of any transferable debt instruments and any contractual securities or memorandums of subscription right

or similar rights issued or granted by Company during the current year. Moreover, there is no consideration obtained by Company against the same.

- ❖ There is no transfer or subscription rights under transferable debt instruments and any contractual securities or memorandums of subscription right or similar rights issued or granted by Company.
- ❖ There is no recovery, purchase or cancellation on the part of Company regarding any recoverable debt instruments as well as the remaining securities value, provided that the listed securities purchased by Company shall be differentiated from those purchased by the subsidiaries thereof.

### Board of Directors Meetings:

During the year 2015, the Board of Directors held five meetings. The following table includes the relevant attendance sheet.

Sr. No.	Name	Dates of the Board of Directors Meetings					
		15/1	8/3	15/4	9/7	19/10	14/12
1	Hamad bin Mohammed Aldrees	√	√	√	√	√	√
2	Eng. Abdulmohsen bin Mohammed Aldrees	√	√	√	x	√	√
3	Hussain bin Abdulrahman Alazl	√	√	√	√	√	√
4	Ahmed bin Abdullah Alaqeel	√	√	√	√	√	√
5	Eid bin Falih Alshamri	√	√	√	x	√	√
6	Eng. Abdulilah bin Saad Aldress	√	√	√	√	√	√
7	Adil bin Faris Alotaybi	√	√	√	√	√	√

√ Attendance in person

x Attendance by proxy through another director

xx Apology

❖ Directors have interest in Company contracts:

	Member Name	Related party name	Nature of the contract	Duration of the contract	Contract Value Million SR
1	<ul style="list-style-type: none"> <li>- Eng. Abdulmohsen bin Mohammed Aldrees</li> <li>- Mr. Hussain bin Abdulrahman Alazel</li> <li>- Mr. Eid bin Falih Alsahmri</li> </ul>	Aldrees Industrial & Trading Company (ALITCO) Tools and Equipment Sector	Purchasing Gasoline pumps, knowing that the prices are competitive, There is no specific duration of the contract (multi).	Yearly	6,3
2	Mr. Hamad bin Mohammed Aldrees, Board Chairman	Al Manakh Station	Rent station /	11 years remaining 3 years	1
3	<ul style="list-style-type: none"> <li>- - Mr. Hamad bin Mohammed Aldrees</li> <li>- The Seven Orbits,</li> <li>- - Eng. Abdulmohsin bin Mohammed Aldrees</li> <li>- - Mr. Hussain bin Abdulrahman Alazel</li> <li>- - Mr. Eid Falih Alshamri</li> </ul>	The Seven Orbits, 50% investment with Aldrees Industrial & Trading Company (ALITCO)	Al Nour Al Zahran & Al Nour Al azizia Stations in the Eastern region	10 years. Only one (01) month remaining.	1,3
4	<ul style="list-style-type: none"> <li>- - Mr. Hamad bin Mohammed Aldrees</li> <li>- The Seven Orbits,</li> <li>- - Eng. Abdulmohsin bin Mohammed Aldrees</li> <li>- - Mr. Hussain bin Abdulrahman Alazel</li> <li>- - Mr. Eid Falih Alshamri</li> </ul>	The Seven Orbits, 50% investment with Aldrees Industrial & Trading Company (ALITCO)	Al Nour Al Ahadthah Stations in the Eastern region	9 years	0,400



5	Eng. Abdulmohsen bin Mohammed Aldrees, Board Vice-Chairman	Eng. Abdulmohsen bin Mohammed Aldrees, Board Vice-Chairman	A location in Jizan is rented for Transport Sector as a workshop, management center and housing	<b>Yearly</b>	<b>0,200</b>
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Note No. (19), page (17) regarding balances and transactions with the relevant authorities, included in Company balance sheet shall be referred.

The said transactions with the relevant authorities were approved by the Board of Directors. Permission for approval of the seventh ordinary general assembly held on 08 March 2015 regarding such transactions was obtained. The Board of Directors acknowledges that there are no works or contracts that have not been submitted.

Permission will be obtained from the general assembly regarding the relevant transactions according to the conditions approved for the year 2016.

- ❖ **There is no arrangement or agreement whereby a director or a senior executive waives any salary or compensation.**
- ❖ **There is no arrangement or agreement whereby a Company shareholder waives any rights pertaining to profits.**

**Table - Accrued Regular Payments:**

Statement	2015	2014
Zakat	4,217,815	2,880,608
General Organization for Social Insurance	-	-

- ❖ **There are no investments or reserves established for the benefit of Company employees.**

**\* We acknowledge the following:**

1. The account records were properly prepared.
2. The internal control system was prepared according to sound bases and implemented effectively.
3. There is no doubt to be mentioned as to Company ability to continue the activity thereof.

**Similarly, Company Board of Directors confirms the following:**

- All listed financial information was extracted from the audited financial statements of Company. without any material amendment thereto. The financial statements were also prepared and audited in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants.
- There is no material or negative change in the financial and commercial positions of Company during the year ended on 31 December 2015.

**\* Corporate Governance Regulation:**

Corporate Governance Regulation was sanctioned and approved by your esteemed assembly. This Regulation does not conflict with the indicative governance issued by the Capital Market Authority and applicable regulations and through which Company goals and ways of achieving the same as well as performance follow-up methods are determined.

Corporate Governance means the set of procedures, laws, standards, regulations and decisions ensuring transparency and fairness with a view to realizing quality and excellent performance. This could be done through the rationalization of Management actions to exploit the available economic resources in a manner realizing the best possible benefits for all interested parties by developing strategies, plans, policies, control and follow-up regarding all works related to Company affairs. Interested parties include employees, suppliers, customers, banks, third party lenders, legislators, work climate and the entire community.

**\* The following is a summary of the provisions that have been applied along with the provisions that have not been applied and reasons therefor.**

Company adhered to all regulations of the governance.

**Directors Participation in other Joint Stock Companies**

Name	Participation in other Joint Stock Companies
Mr. Hamad bin Mohammed Aldrees	- Hamad Muhammad Aldrees and Partners Holding Company for Industry and Mining
Eng. Abdulmohsen bin Mohammed Aldrees	- Aldrees Industrial & Trading Company (ALITCO)
Mr. Hussain bin Abdulrahman Alazl	- Aldrees Industrial & Trading Company (ALITCO)
Mr. Ahmed bin Abdullah Alaqeel	- Southern Province Cement Company (SPCC) - Arab National Bank
Mr. Eid bin Falih Alshamri	- Aldrees Industrial & Trading Company (ALITCO) - Ithraa Capital Company
Eng. Abdulilah bin Saad Aldrees	- Jarir Marketing Company - Arab Club Company

#### Board of Directors Composition and Classification of its Directors

Name	Position	Classification
Mr. Hamad bin Mohammed Aldrees	- Chairman of the Board of Directors	Non-executive
Eng. Abdulmohsen bin Mohammed Aldrees	- Deputy chairman of the Board of Directors	Non-executive
Mr. Hussain bin Abdulrahman Alazl	- Board Director	Independent
Mr. Ahmed bin Abdullah Alaqeel	- Board Director	Independent
Mr. Eid bin Falih Alshamri	- Board Director	Independent
Eng. Abdulilah bin Saad Aldrees	- Board director and chief executive officer	Executive

Mr. Adil bin Faris Alotaybi	- Board director	Non-executive
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**\* Board of Directors Committees:**

Three committees emerge from the Board of Directors, namely: “Executive Committee”, “Audit Committee” and “Nomination, Reward & Governance Committee”. The said committees comprise the directors, Board secretary and members who are not Board directors as per the regulating instructions and procedures. A description of each committee is provided for hereinafter:

**\* Executive Committee:**

Executive Committee comprises (4) four members: Eng. Abdulmohsen bin Mohammed Aldrees (Chairman), Mr. Ahmed bin Abdullah Alaqeel (Member), Eng. Abdulilah bin Saad Aldrees (Member), and Mr. Khalid bin Abdulmohsen Aldrees (Member).

The following table includes an attendance sheet of Executive Committee Meetings during 2015:

No.	Name	Dates of Executive Committee Meetings					
		1/15	4/5	4/15	7/9	10/19	12/14
1	Eng. Abdulmohsen Mohammed Aldrees	√	√	√	X	√	√
2	Mr. Ahmed Abdullah Alaqeel	√	√	√	√	√	√
3	Eng. Abdulilah Saad Aldrees	√	√	√	√	√	√
4	Mr. Khalid Abdulmohsen Aldrees	√	√	√	√	√	√

- ✓ Attendance in person  
 x Attendance by proxy through another director  
 Xx Apology

**Responsibilities and tasks of the Executive Committee are as follows:**

- 1) Preparing Company balance sheets.

- 2) Presenting reports and proposals to the Board of Directors on appointing the managing members of the Executive Committee.
- 3) Supervising the implementation of Company comprehensive strategy.
- 4) Controlling the practical and financial operating performance of Company.
- 5) Presenting reports on all financial and strategic matters and matters related to Company Board of Directors.

**\* Audit Committee:**

Audit Committee assists Company Board of Directors in undertaking its responsibility for supervising the following matters entrusted to the Audit Committee:

- 1) Enabling the Board of Directors to conduct an annual audit of the work and referred to powers delegated to the Audit Committee, and presenting its recommendations to Company Board of Directors for the purpose of ensuring that the said Committee properly and efficiently performs its duties.
- 2) Studying the effect of internal control system soundness on preparing financial reports, and controlling the efficiency of the said systems.
- 3) Obtaining reports on the most important results, recommendations and corrective action plans that intended to be implemented by the management, and checking the adequacy of the corrective procedures as to the findings of internal audit.
- 4) Submitting recommendations to the Board of Directors on appointing, retaining and dismissing of the chartered accountants.
- 5) Exercising all the powers related to the recommendations of appointing the external auditor, determining the fees due thereto, and supervising the work of the said external audit.
- 6) Ensuring the independence of Internal Audit Department.
- 7) Following up the works of the chartered accountants and approving any work outside the scope of audit works entrusted to the said chartered accountants during audit works.
- 8) Reviewing the maintenance of coordination between the tasks entrusted to internal and external auditors.
- 9) Studying auditor's remarks on the financial statements, and following up procedures taken regarding the same.

- 10) Auditing the annual revised financial reports and ensuring its quality together with auditing press statements issued in this regard and results of auditing Company fiscal year in coordination with the external auditors and appropriate representatives of the Management.
- 11) Studying all transactions of the related parties as determined by the applicable laws, rules and regulations.
- 12) Auditing Company policies and practices as related to the financial and accounting reports, including any significant changes to such policies and practices, and discussing the same with Company Chief Financial Officer and external auditor.
- 13) Studying, evaluating and reporting the efficiency of determining risks significant to Company activity and method therein Company manages such risks, and submitting suitable recommendations in this regard to the Board of Directors.
- 14) Assuming the responsibility for implementing any other tasks entrusted thereto by the Board of Directors, and submitting to the Board a periodical report on audits performed by Audit Committee and its recommendations regarding the same.

Audit Committee comprises (4) four members: (Mr. Eid bin Falih Alshamri - Chairman), (Mr. Khalid bin Mohammed Alsolai - Member), (Mr. Saad bin Hamad Aldrees - Member) and (Mr. Adil bin Faris Alotaybi).

The following table includes an attendance sheet of Audit Committee meetings during 2015:

No.	Name	Dates of Audit Committee Meetings							
		5/51	3/8	4/51	1/72	2/9	51/59	55/52	57/71
1	Mr. Eid Falih Alshamri	√	√	√	√	x	√	√	√
2	Mr. Adil bin Faris Alotaybi	√	√	√	√	√	√	√	√
3	Mr. Khalid Mohammed Alsolai	√	√	√	√	√	√	√	√
4	Mr. Saad Hamad Aldrees	xx	xx	√	√	√	√	√	xx

- ✓ Attendance in person
- x Attendance by proxy through another director
- Xx Apology

### **Nomination, Reward & Governance Committee**

Nomination, Reward & Governance Committee performs its duties as a governance, reward and nomination committee.

The purpose of Nomination, Reward & Governance Committee is to assist the Board of Directors in the following tasks entrusted to the said Committee:

- 1) Looking for qualified individuals to elect them as Board directors for the purpose of ensuring that the Board includes members having appropriate skills and experience, selecting the said individuals based on the standards of membership set forth in the principles and rules of corporate governance, and making sure that any person previously convicted of a crime involving a breach of honor is not nominated for the membership of the Board.
- 2) Studying and evaluating the independency of each nominee for the Board membership, taking into account the instructions of Company on independency and standards determined by the "Capital Market Authority" by virtue of registration and listing rules.
- 3) Auditing the principles, policies and procedures of Company governance once annually at least, and submitting recommendations to the Board of Director so as for the Board to make any changes to the same, if appropriate.
- 4) Supervising the evaluation of Company Board of Directors and its organizational management in the light of the rules of corporate governance.
- 5) Submitting the recommendations of Governance Committee on the suitable composition of the Board and its efficiency in meeting its obligations towards Company and its shareholders.
- 6) Developing and applying Company policies and programs on rewards and salaries due to the chief executive officers and Board directors.
- 7) Auditing, approving and following up Company Professional and Ethical Code of Conduct.
- 8) Ensuring that there is no conflict of interests in case that a Board director serves as a member of the board of directors of another company.
- 9) Auditing the classification of each Board director as an independent director once annually at least. In order to determine whether the Board directors are qualified to



be independent ones or not, each director shall fill in a questionnaire to be audited by the Governance Committee.

Nomination, Reward & Governance Committee comprises (3) three members: Eng. Abdulmohsen bin Mohammed Aldrees - Chairman, Mr. Hussain bin Abdulrahman Alazel – Member, and Eid bin Falih Alshamri – Member.

The following table includes an attendance sheet of Audit Committee meetings during 2015:

No.	Name	Governance Committee Meetings	
		15/1	
1	Eng. Abdulmohsen Mohammed Aldrees	√	
2	Mr. Hussain Abdulrahman Alazel	√	
3	Mr. Eid Falih Alshamri	√	

- ✓ Attendance in person  
X Attendance by proxy through another director  
Xx Apology

### Rewards of Board Directors 2015

Statement	Executive Directors of the Board	Non-executive/ Independent Directors of the Board	Five of the senior executives who received the highest rewards and compensations plus the Chief Executive Officer and Chief Financial Officer
Salaries and compensations	0	0	4,287,000
Allowances	72,000	334,600	1,439,996
Periodical annual rewards	200,000	1,200,000	10,313,061
Incentive plans	0	0	0
Any compensations or other benefits in kind paid monthly or annually	0	0	0



- ❖ **There is no sanction, penalty or reserve provision imposed on Company by Capital Market Authority(CMA) or any other supervisory, regulatory or judicial entity.**

**\*Annual audit of the efficiency of controlling procedures & results of auditing the internal control system:**

Company has an internal autonomous audit department directly reporting to the Board of Directors and Audit Committee. The Internal Audit Department performs its duties in accordance with the Audit Regulation approved by Company board of directors. In addition, Internal Audit Department provides autonomous advisory and substantive services for the purpose of assisting the Board of Directors, Audit Committee and Executive Management in performing their responsibilities. Furthermore, the Executive Management has no influence over the Internal Audit Department. Internal Audit Department is entitled to exercise the full unrestricted powers of accessing any documents in accordance with the requirements of its work. To perform its works, Internal Audit Department adopted a regular approach of evaluating and improving the efficiency of internal control system; enabling Company to achieve its goals and safeguard assets thereof. Internal Audit Department work scope included checking the efficiency and adequacy of Company bylaws for the purpose of verifying whether Company bylaws accurately applied, as necessary, and are as required for ensuring the realization of Company goals or not. There are no remarks or material events during the period of the annual audit performed to evaluate the efficiency of the internal control procedures. In addition, the work scope of Internal Control Department included the following:

- 1- Most of Company departments and divisions were periodically audited and checked within periodical periods, conditional on giving internal priority to the activities and functions of high risks.
- 2- Officers of different departments, whose works were audited, were notified of findings discovered during the above-mentioned audit and Management recommendations for addressing such findings.
- 3- Procedures, submitted by the officers of different departments for the purpose of addressing findings discovered, were evaluated and recommendations, provided for in audit reports, were implemented once it is found that the taken procedures are not adequate. The same was discussed with the officers of different departments so as to ensure that taken procedures are adequate and efficient.

Audit Committee studied and followed up the implementation of the approved audit plan for 2015, in cooperation with Internal Audit Department, and further followed up the implementation of recommendations provided for in the reports of internal audit. Company has taken positive steps towards enhancing its internal control system. For enhancing the said internal control system more, Audit Committee involved an advisory

office specialized in the standards of internal audit and control systems so as for the said office to comprehensively audit Company Internal Audit Department and Internal Control system for the purpose of measuring the adequacy and efficiency of Company internal audit and internal control system. Results of the audit performed by the advisory office showed that systems available in Company and adopted in auditing are efficient. Audit Committee works on maintaining Company assets and providing reasonable evidence approving the soundness of the financial statements prepared based on the accounting records. Besides, Company Internal Audit Department, in coordination with and under the supervision of Audit Committee, continuously audits the internal control system so as to ensure that such system is adequate and efficient and conducts financial, administrative and operational audits for evaluating Company business.

**\* Revisers & Auditors:**

Will be selected external auditor from among the candidates by the Audit Committee to review the company's financial statements for the fiscal year 2016 financial statements, quarterly and determine his fees by regulation.

**\* Conclusion:**

"Management Discussion and Analysis of Company Financial Position and Business Results" was prepared by Company Management and Audit Committee and approved by the Board of Director. Management believes that there were no changes having material impact on the financial statements or future expectations. In addition, Company Management shall be fully responsible for the accuracy and credibility of the provided for herein information and financial analysis. Furthermore, Management confirms that it has taken all required procedures and fairly and fully disclosed such data, and there are no other documents or information whose omission may result in realizing financial data and information received as misleading ones in any way whatsoever.

Finally, Board directors of Aldrees Petroleum & Transport Services Co. (Aldrees) would like to thank and show its appreciation of all the employees of Company, shareholders, banks as well as all the governmental authorities for their continued support and cooperation. Company is going to continue achieving its intended goals and future aimed plans. We confidently look forward to a new year and aspire to meet and exceed the expectations of all Company shareholders during the coming year.



**Hamad bin Mohammed Aldrees**  
Board Of Directors Chairman



**Khalid Abdulmohsen Aldrees**  
Board of Directors Secretary