

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

FINANCIAL STATEMENTS

31 DECEMBER 2012

Ernst & Young

ERNST & YOUNG

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

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2012

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RASMY GERGUIS AWAD
CHIEF FINANCIAL OFFICER



ENGR. ABDULEL AL SAAD ALDREES
CHIEF EXECUTIVE OFFICER



HAMAD BIN MOHAMMED ALDREES
CHAIRMAN OF THE BOARD OF DIRECTORS

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

Scope of audit:

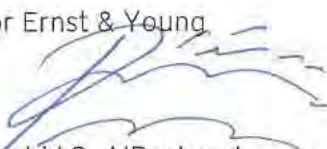
We have audited the accompanying balance sheet of Aldrees Petroleum and Transport Services Company, a Saudi Joint Stock Company (the Company) as of 31 December 2012 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

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

- i) present fairly, in all material respects, the financial position of the Company as of 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young


Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366



Riyadh: 3 Rabi Awal 1434H
(15 January 2013)

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

BALANCE SHEET

As at 31 December 2012

	Notes	2012 SR	2011 SR
ASSETS			
CURRENT ASSETS			
Cash at banks		17,100,843	21,418,415
Trade accounts receivable, net	3	102,607,031	86,564,854
Accrued income	4	20,854,842	18,814,132
Inventories, net	5	23,343,503	19,253,510
Prepaid expenses	6	121,757,705	125,673,438
Other assets	7	31,386,823	31,152,725
TOTAL CURRENT ASSETS		<u>317,050,747</u>	<u>302,877,074</u>
NON CURRENT ASSETS			
Investment in a joint venture	8	250,000	-
Deferred costs	9	20,281,552	27,555,079
Property and equipment	10	590,125,314	499,664,982
TOTAL NON CURRENT ASSETS		<u>610,656,866</u>	<u>527,220,061</u>
TOTAL ASSETS		<u>927,707,613</u>	<u>830,097,135</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short term loans	11	76,666,667	90,666,669
Current portion of long term loans	11	49,871,772	48,328,731
Trade payables	12	132,004,494	112,531,546
Due to a related party	19	217,238	975,876
Accrued expenses and other liabilities	13	85,875,485	80,531,106
Provision for zakat	14	2,369,302	1,967,549
TOTAL CURRENT LIABILITIES		<u>347,004,958</u>	<u>335,001,477</u>
NON CURRENT LIABILITES			
Long term loans	11	72,932,883	34,600,874
Employees' end of service indemnities		29,826,387	26,499,282
TOTAL NON CURRENT LIABILITIES		<u>102,759,270</u>	<u>61,100,156</u>
TOTAL LIABILITIES		<u>449,764,228</u>	<u>396,101,633</u>
SHAREHOLDERS' EQUITY			
Share capital	15	300,000,000	250,000,000
Statutory reserve		52,667,982	43,113,194
Retained earnings		125,275,403	140,882,308
TOTAL SHAREHOLDERS' EQUITY		<u>477,943,385</u>	<u>433,995,502</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>927,707,613</u>	<u>830,097,135</u>

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

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

STATEMENT OF INCOME
Year ended 31 December 2012

	Notes	2012 SR	2011 SR
Revenue		1,873,574,032	1,694,178,505
Cost of revenue		(1,702,074,157)	(1,529,914,489)
GROSS PROFIT		171,499,875	164,264,016
EXPENSES			
Selling and marketing	16	(5,428,989)	(6,243,775)
General and administrative	17	(61,142,425)	(58,126,951)
INCOME FROM OPERATIONS		104,928,461	99,893,290
Financial charges	11	(8,300,257)	(8,380,541)
Other income, net	18	942,679	2,601,816
INCOME BEFORE ZAKAT		97,570,883	94,114,565
Zakat	14	(2,023,000)	(1,950,000)
NET INCOME FOR THE YEAR		95,547,883	92,164,565
<u>Earnings per share from:</u>			
Income from operations	20	3.50	3.33
Net income	20	3.18	3.07

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

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	2012 SR	2011 SR
OPERATING ACTIVITIES		
Income before zakat	97,570,883	94,114,565
Adjustments for:		
Depreciation of property and equipment	49,330,381	44,165,416
Amortisation of deferred costs	9,596,311	9,518,403
Deferred costs written off	176,923	3,043,848
Allowance for doubtful trade accounts receivable	790,247	593,705
Provision for slow moving and obsolete inventories	703,656	460,469
Loss (gain) on disposal of property and equipment	28,583	(1,253,329)
Provision for employees' end of service indemnities	6,263,932	6,552,578
	<u>164,460,916</u>	<u>157,195,655</u>
Changes in operating assets and liabilities:		
Trade accounts receivable	(16,832,424)	(14,347,809)
Accrued income	(2,040,710)	(5,607,802)
Inventories	(4,793,649)	(11,207)
Prepaid expenses	3,915,733	(15,205,545)
Other assets	(234,098)	(12,777,990)
Trade payables	19,472,948	(36,859,640)
Due to a related party	(758,638)	(1,441,538)
Accrued expenses and other liabilities	5,344,379	18,129,133
	<u>168,534,457</u>	<u>89,073,257</u>
Cash from operations		
Zakat paid	(1,621,247)	(1,299,742)
Employees' end of service indemnities paid	(2,936,827)	(4,403,428)
	<u>163,976,383</u>	<u>83,370,087</u>
Net cash from operating activities		
INVESTING ACTIVITIES		
Investment in a joint venture	(250,000)	-
Additions to deferred costs	(2,499,707)	(10,398,858)
Acquisition of property and equipment	(145,919,944)	(58,398,556)
Proceeds from disposal of property and equipment	6,100,648	3,430,683
	<u>(142,569,003)</u>	<u>(65,366,731)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Proceeds from short term loans	1,040,277,960	820,824,000
Repayment of short term loans	(1,054,277,962)	(735,323,998)
Proceeds from long term loans	112,846,690	7,600,000
Repayment of long term loans	(72,971,640)	(56,560,661)
Dividends paid	(50,000,000)	(50,000,000)
Board of directors' remunerations	(1,600,000)	(1,600,000)
	<u>(25,724,952)</u>	<u>(15,060,659)</u>
Net cash used in financing activities		
(DECREASE) INCREASE IN CASH AT BANKS	<u>(4,317,572)</u>	<u>2,942,697</u>
Cash at banks at the beginning of the year	<u>21,418,415</u>	<u>18,475,718</u>
CASH AT BANKS AT THE END OF THE YEAR	<u><u>17,100,843</u></u>	<u><u>21,418,415</u></u>

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

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year ended 31 December 2012

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 31 December 2010	250,000,000	33,896,737	109,534,200	393,430,937
Dividends	-	-	(50,000,000)	(50,000,000)
Board of directors' remunerations	-	-	(1,600,000)	(1,600,000)
Net income for the year	-	-	92,164,565	92,164,565
Transfer to statutory reserve	-	9,216,457	(9,216,457)	-
Balance at 31 December 2011	250,000,000	43,113,194	140,882,308	433,995,502
Transfer to capital (note 15)	50,000,000	-	(50,000,000)	-
Dividends (note 21)	-	-	(50,000,000)	(50,000,000)
Board of directors' remunerations (note 21)	-	-	(1,600,000)	(1,600,000)
Net income for the year	-	-	95,547,883	95,547,883
Transfer to statutory reserve	-	9,554,788	(9,554,788)	-
Balance at 31 December 2012	<u>300,000,000</u>	<u>52,667,982</u>	<u>125,275,403</u>	<u>477,943,385</u>

1 ORGANISATION AND ACTIVITIES

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

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

Use of estimates

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

Revenue recognition

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

Accounts receivable

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

Accrued income

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

Inventories

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

Prepaid expenses

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in a joint venture

The Company has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Company accounts for its interest in the joint venture using the equity method.

Under the equity method, the investment in the jointly controlled entity is carried in the balance sheet at cost adjusted by the changes in the Company's share of net asset of the entity and the statement of income reflects the share of the results of its operations. Where there has been a change recognised directly in the equity of the jointly controlled entity, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in shareholders' equity. Profits and losses resulting from transaction between the Company and the jointly controlled entity are eliminated to the extent of the Company's interest in the entity.

The financial statements of the jointly controlled entity are prepared for the same period as the Company using the consistent accounting policies.

Deferred costs

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

Property and equipment

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

Impairment of long term assets

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

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

Trade payable and accrued expenses

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

Provisions

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

Unearned revenue

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat

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

Employees' end of service indemnities

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

Loans and borrowings

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

Statutory reserve

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

Foreign currency transactions

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

Operating leases

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

Borrowing costs

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

Expenses

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

Cash and cash equivalents

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

Segmental reporting

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

Offsetting

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2012

3 TRADE ACCOUNTS RECEIVABLE, NET

	2012 SR	2011 SR
Trade accounts receivable	104,446,948	87,614,524
Allowance for doubtful trade accounts receivable	(1,839,917)	(1,049,670)
	<u>102,607,031</u>	<u>86,564,854</u>

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

4 ACCRUED INCOME

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

5 INVENTORIES, NET

	2012 SR	2011 SR
Fuel, lubricants and filters	16,448,412	14,971,982
Spare parts	8,173,007	4,738,887
Others	187,669	304,570
	<u>24,809,088</u>	<u>20,015,439</u>
Provision for slow moving and obsolete inventories	(1,465,585)	(761,929)
	<u>23,343,503</u>	<u>19,253,510</u>

6 PREPAID EXPENSES

	2012 SR	2011 SR
Prepaid rent	98,318,556	106,512,148
Others	23,439,149	19,161,290
	<u>121,757,705</u>	<u>125,673,438</u>

Prepaid rent includes an amount of SR 477,302 (2011: SR 477,302) which is paid to related parties (note 19).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2012

7 OTHER ASSETS

	2012 SR	2011 SR
Receivables from employees	15,589,955	14,171,609
Advance payments to suppliers	12,911,820	6,011,356
Marginal deposits on letters of guarantee (Note 22)	27,470	96,070
Advance payment for purchase of land	-	7,587,500
Miscellaneous	2,857,578	3,286,190
	<u>31,386,823</u>	<u>31,152,725</u>

8 INVESTMENT IN A JOINT VENTURE

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

During the quarter ended 31 December 2012, the jointly controlled entity namely United Fuel Company ("UFCO") was established and the Company and co-venturer has made a payment of SR 250,000 each representing the JV capital. The balance of the payment against committed funding of SR 22,250,000 is expected to be made during the year 2013. The JV has not yet started its operations.

9 DEFERRED COSTS

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

	2012 SR	2011 SR
Cost:		
At the beginning of the year	52,437,243	59,460,138
Additions	2,499,707	10,398,858
Written off	(548,879)	(17,421,753)
At the end of the year	<u>54,388,071</u>	<u>52,437,243</u>
Amortization:		
At the beginning of the year	24,882,164	29,741,666
Charge for the year	9,596,311	9,518,403
Written off	(371,956)	(14,377,905)
At the end of the year	<u>34,106,519</u>	<u>24,882,164</u>
Net book value	<u>20,281,552</u>	<u>27,555,079</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2012

10 PROPERTY AND EQUIPMENT

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

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

	Land SR	Buildings SR	Leasehold improvements SR	Machinery and equipment SR	Trucks and vehicles SR	Computers SR	Tools SR	Furniture and fixtures SR	Work in progress SR	Total 2012 SR	Total 2011 SR
Cost:											
At the beginning of the year	86,491,039	42,672,874	66,365,089	27,479,928	480,286,277	10,568,509	7,884,950	9,607,794	3,467,251	734,823,711	683,455,301
Additions	68,964,070	796,248	7,983,115	1,560,481	58,450,267	253,047	205,115	1,087,277	6,620,324	145,919,944	58,398,556
Disposals	-	-	(1,660,033)	(443,668)	(10,223,533)	(16,310)	(26,253)	(7,377)	-	(12,377,174)	(7,030,146)
Transfers	-	-	314,793	-	1,943,022	-	-	-	(2,257,815)	-	-
At the end of the year	155,455,109	43,469,122	73,002,964	28,596,741	530,456,033	10,805,246	8,063,812	10,687,694	7,829,760	868,366,481	734,823,711
Depreciation:											
At the beginning of the year	-	16,409,811	24,775,177	14,864,761	161,015,827	5,505,010	6,431,029	6,157,114	-	235,158,729	195,846,105
Charge for the year	-	1,300,464	8,991,526	2,519,554	33,672,461	1,301,008	658,393	886,975	-	49,330,381	44,165,416
Disposals	-	-	(897,336)	(174,097)	(5,136,710)	(16,309)	(19,262)	(4,229)	-	(6,247,943)	(4,852,792)
At the end of the year	-	17,710,275	32,869,367	17,210,218	189,551,578	6,789,709	7,070,160	7,039,860	-	278,241,167	235,158,729
Net book value:											
At 31 December 2012	155,455,109	25,758,847	40,133,597	11,386,523	340,904,455	4,015,537	993,652	3,647,834	7,829,760	590,125,314	
At 31 December 2011	86,491,039	26,263,063	41,589,912	12,615,167	319,270,450	5,063,499	1,453,921	3,450,680	3,467,251		499,664,982

Work in progress at 31 December 2012 and 2011 represents cost incurred in connection with buildings and leasehold improvements of fuel stations and workshops.

Depreciation expenses allocated to cost of sales is SR 46,603,091 (2011: SR 41,539,771) and to general and administrative expenses SR 2,727,290 (2011: SR 2,625,645)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2012

11 LOANS

In the normal course of business, the Company has obtained Islamic long term and short term facilities from various local commercial banks amounting to SR 1,300 million (2011: SR 1,155 million). These facilities include advances in the current account, short term and long term tawarruq loans, notes payable, letters of guarantee against the advance payments and contracts performance. The Company has unutilized facilities amounting to SR 709.7 million (2011: SR 638.9 million). The following is the details of loans as of 31 December:

- a) Short term loans outstanding were amounting to SR 76,666,667 (2011: SR 90,666,669).
b) Long term loans consist of the following:

Bank	Type of facilities	Facility amount in SR		Utilized amount in SR		Outstanding Balance in SR		Purpose	Repayment frequency	Repayment	
		2012	2011	2012	2011	2012	2011			Starting date	Ending date
Al Rajhi	Long term murabaha loan	60,000,000	40,000,000	60,604,840	7,600,000	51,119,887	7,600,000	Acquisition of trucks and fuel stations	Quarterly	27 March 2012	19 September 2015
Riyadh	Revolving long term tawarruq loan	90,000,000	90,000,000	90,000,000	90,000,000	45,580,319	57,164,208	Finance the operations	Monthly	31 March 2009	25 September 2016
Samba Financial Group	Revolving Long term tawarruq loan	100,000,000	100,000,000	100,000,000	100,000,000	462,500	18,165,397	Finance the working capital and acquisition of property and equipment	Monthly	16 March 2007	3 September 2013
Gulf International Bank	Long term tawarruq loan	75,000,000	-	22,157,850	-	20,311,363	-	Finance the working capital and acquisition of property and equipment	Quarterly/ Monthly	17 September 2012	12 September 2015
Al Bilad Bank	Revolving long term tawarruq loan	10,000,000	-	6,156,000	-	5,330,586	-	Acquisition of trucks and fuel stations	Monthly	4 July 2012	4 July 2015
		<u>335,000,000</u>	<u>230,000,000</u>	<u>278,918,690</u>	<u>197,600,000</u>	<u>122,804,655</u>	<u>82,929,605</u>				

The above facilities bear finance charges at SIBOR plus an agreed margin and are secured by promissory notes issued by the Company. Certain of the above facilities are also secured by assignment of contracts proceeds. The loan agreements referred to above includes financial covenants relating to current ratio, liabilities to total equity ratio, net gearing ratio, debt service coverage ratio and total shareholders' equity, with which the Company was in compliance with most of them as of 31 December 2012 and 2011.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2012

12 TRADE PAYABLES

	2012 SR	2011 SR
Saudi Arabian Oil Company ("Aramco")	111,528,914	98,343,196
Other trade payable	20,475,580	14,188,350
	<u>132,004,494</u>	<u>112,531,546</u>

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	2012 SR	2011 SR
Unearned revenue	64,281,116	58,475,479
Accrued expenses	17,993,027	20,737,135
Advances from customers	3,601,342	1,318,492
	<u>85,875,485</u>	<u>80,531,106</u>

14 ZAKAT

Charge for the year

The zakat charge consists of:

	2012 SR	2011 SR
Provision for the year	1,997,348	1,749,442
Adjustment for previous years	25,652	200,558
Charge for the year	<u>2,023,000</u>	<u>1,950,000</u>

The calculation of zakat base is as follows:

	2012 SR	2011 SR
Shareholders' equity — beginning of the year	433,995,502	393,430,937
Employees' end of service indemnities and allowances	25,374,054	20,704,129
Long term loans	122,804,655	82,929,605
Zakatable income for the year	74,889,997	69,977,696
Deductions:		
Book value of long term assets, net	(525,570,300)	(478,634,232)
Dividends and Board of Directors' remunerations	(51,600,000)	(51,600,000)
Zakat base	<u>79,893,908</u>	<u>36,808,135</u>

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

Zakat charge has been computed for the year ended 31 December 2012 on Zakat base and for the year ended 31 December 2011 on Zakatable income.

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At 31 December 2012

14 ZAKAT (continued)

Movements in provision during the year

The movement in zakat provision for the year ended 31 December 2012 and 2011 is as follows:

	2012 SR	2011 SR
At the beginning of the year	1,967,549	1,317,291
Provided during the year	2,023,000	1,950,000
Payments during the year	(1,621,247)	(1,299,742)
At end of the year	<u>2,369,302</u>	<u>1,967,549</u>

Status of assessments

The Company has received the final zakat assessments for the years up to 2005. The Company has filed its financial statements and zakat returns for the years from 2006 to 2011 with the DZIT but has not yet received the related final zakat assessments. Management believes that adequate provision has been made for zakat and any additional zakat liability that may arise, would not have a material effect on the Company's financial statements.

15 SHARE CAPITAL

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

The Company's share capital at 31 December 2012 amounted to SR 300 million (2011: SR 250 million) consisting of 30 million (2011: 25 million) fully paid and issued share of SR 10 each.

16 SELLING AND MARKETING EXPENSES

	2012 SR	2011 SR
Commissions, bonus and sales incentives	4,289,815	4,424,263
Advertising and publicity	1,139,174	1,819,512
	<u>5,428,989</u>	<u>6,243,775</u>

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 SR	2011 SR
Employees' salaries and benefits	45,326,304	43,882,433
Depreciation (note 10)	2,727,290	2,625,645
Rent	2,195,013	1,774,773
Utilities	1,878,762	1,738,523
Maintenance	1,863,566	1,367,463
Printing and stationery	1,236,017	1,378,078
Travel expense	963,605	976,424
Donations for social services	541,639	511,587
Saudi Stock Market expenses ("Tadawul")	488,096	300,000
Professional fees	399,019	398,344
Insurance	245,997	244,413
Governmental expenses	149,926	163,344
Other	3,127,191	2,765,924
	<u>61,142,425</u>	<u>58,126,951</u>

Employees' salaries and benefits referred to above include an amount of SR 12.3 million for the year ended 31 December 2012 (2011: SR 11.9 million), which represents the salaries and benefits of the Company's key executives and Board of Directors' attendance fees which were approved by the Company's Board of Directors.

18 OTHER INCOME, NET

	2012 SR	2011 SR
(Loss) gains from disposal of property and equipment	(28,583)	1,253,329
Sales of scrap	971,262	1,348,487
	<u>942,679</u>	<u>2,601,816</u>

19 RELATED PARTIES TRANSACTIONS AND BALANCES

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2012

19 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

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

<u>Nature of transaction</u>	2012 SR	2011 SR
Purchase of machinery, equipment and spare parts	<u>1,993,271</u>	<u>3,338,607</u>
Rent expenses	<u>2,400,001</u>	<u>2,364,829</u>

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

	2012 SR	2011 SR
Prepaid rent:		
Mr. Hamad Mohamrnad Aldrees	260,548	260,548
Mr. Abdul Mohsin Mohamrnad Aldrees	166,667	166,667
Seven Orbits Company for Trading	50,087	50,087
	<u>477,302</u>	<u>477,302</u>
Due to a related party:		
Aldrees Industrial and Trading Company	<u>217,238</u>	<u>975,876</u>

20 EARNINGS PER SHARE

Earnings per share attributable to income from operations and net income was calculated by dividing income from operations and net income for the year by the number of outstanding shares of 30 million as of 31 December 2012 (2011: 25 million shares).

The number of shares has been retrospectively adjusted for the prior year to reflect the effect of the bonus share issue in the current year.

21 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

The general assembly in its meeting on 4 Rabi Al Akhar 1433H (corresponding to 10 March 2012) approved to distribute cash dividends of SR 2 per share amounting to SR 50.0 million representing 20% of the Company's share capital before the increase and to disburse remunerations for the Company's Board of Directors amounting to SR 1.6 million for the year ended 31 December 2011.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2012

22 COMMITMENTS AND CONTINGENCIES

- a) At 31 December 2012, the Company had outstanding contingent liabilities in the form of letters of guarantee amounting to SR 390,820,442 (2011: SR 342,503,678). Letters of guarantee were issued against cash deposits amounting to SR 27,470 as of 31 December 2012 (2011: SR 96,070) (note 7).
- b) The rent expense against operating leases for the year ended 31 December 2012 amounted to SR 182,253,530 (2011: SR 167,766,571) and is included in the cost of revenue.

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

	2012 SR	2011 SR
Within one year	147,110,730	139,512,800
More than one year	925,566,866	854,895,366
	<u>1,072,677,596</u>	<u>994,408,166</u>

23 SEGMENTAL INFORMATION

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

Transactions between the segments are based on an arm length basis. For executive management purposes, the Company is organized in the following segments:

- Petroleum Services Segment
- Transport Services Segment
- Super 2 Segment

The selected segment information is provided as follows:

	<i>Petroleum services</i> SR	<i>Transport services</i> SR	<i>Super 2</i> SR	<i>Intercompany elimination</i> SR	<i>Total</i> SR
<i>As of 31 December 2012</i>					
Total assets	530,036,424	472,505,123	2,374,018	(77,207,952)	927,707,613
Total liabilities	299,764,554	224,081,684	3,125,942	(77,207,952)	449,764,228
Revenue	1,714,951,550	205,509,555	2,821,809	(49,708,882)	1,873,574,032
Gross profit	98,881,269	71,796,846	821,760	-	171,499,875
Depreciation and amortization	26,672,010	32,001,883	252,799	-	58,926,692
Income from operations	60,132,568	45,040,054	(244,161)	-	104,928,461
Net income	55,564,325	40,231,620	(248,062)	-	95,547,883
Deferred cost additions	2,499,707	-	-	-	2,499,707
Capital expenditure additions	48,875,842	96,902,916	141,186	-	145,919,944

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2012

23 SEGMENTAL INFORMATION (continued)

	<i>Petroleum services SR</i>	<i>Transport services SR</i>	<i>Super 2 SR</i>	<i>Intercompany elimination SR</i>	<i>Total SR</i>
As of 31 December 2011					
Total assets	505,209,108	401,428,822	2,396,847	(78,937,642)	830,097,135
Total liabilities	300,851,608	171,287,003	2,900,664	(78,937,642)	396,101,633
Revenue	1,545,042,703	188,216,821	3,916,266	(42,997,285)	1,694,178,505
Gross profit	95,280,468	67,610,166	1,373,382	-	164,264,016
Depreciation and amortization	24,505,383	28,928,371	250,065	-	53,683,819
Income from operations	57,204,272	42,442,452	246,566	-	99,893,290
Net income	52,931,205	38,992,209	241,151	-	92,164,565
Deferred cost additions	10,398,858	-	-	-	10,398,858
Capital expenditure additions	20,230,203	37,900,541	267,812	-	58,398,556

24 SUBSEQUENT EVENTS

The Company's Board of Directors in their meeting held on 3 Rabi Awal 1434H (corresponding to 15 January 2013) recommended the following:

- 1) distribution of cash dividends of SR 2 per share totalling SR 60 million representing 20% of the Company's share capital.
- 2) payment of remunerations to the Company's Board of Directors amounting to SR 1.6 million for the year ended 31 December 2012.

The above recommendations are subject to general assembly approvals.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

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

Commission rate risk

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

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

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

<i>Increase/(decrease) in basis points</i>	<i>Effect on income for the year</i>	
	<i>2011 SR</i>	<i>2010 SR</i>
+5	(99,736)	(86,800)
+10	(199,471)	(173,600)
-5	99,736	86,800
-10	199,471	173,600

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Currency risk

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

Credit risk

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

Liquidity risk

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

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

27 KEY SOURCES OF ESTIMATION UNCERTAINTY

Doubtful trade accounts receivable

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

At the balance sheet date, gross trade accounts receivable were SR 104,446,948 (2011: SR 87,614,524), and the allowance for doubtful trade accounts receivable was SR 1,839,917 (2011: SR 1,049,670). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

Impairment of inventories

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

27 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives of property and equipment

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

28 COMPARATIVE FIGURES

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

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 3 Rabi Awal 1434H (15 January 2013).

