

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
TOGETHER WITH INDEPENDENT AUDITORS' REPORT



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

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016


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RASMY GERGUIS AWAD
CHIEF FINANCIAL OFFICER



ENGR. ABDULELAH SAAD ALDREES
CHIEF EXECUTIVE OFFICER



HAMAD BIN MOHAMMED ALDREES
CHAIRMAN OF THE BOARD OF DIRECTORS

INDEPENDENT AUDITORS' REPORT

**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)** as of December 31, 2016 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. And the notes from (1) to (29) which are an integral part of these financial statements. These financial statements are the responsibility of the Company's management in accordance with Article (123) of the Companies Regulations. Our responsibility is to express our opinion on these financial statements based on our audit and the information and explanations we obtained which we considered necessary for the purposes of 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion: In our opinion, the financial statements referred to above:

1. Present fairly, in all material respects, the financial position of **ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY (A Saudi Joint Stock Company)** as of December 31, 2016 and the results of its operations and its cash flows for the year then ended based on the presentation and disclosure of the information included in the financial statements and in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia which are suitable to the Company's.
2. Comply with the financial statement preparation and presentation requirements of the Companies' regulation and the company's by-laws.



**AlAzem & AlSudairy
Certified Public Accountants**

**Salman B. AlSudairy
License No. 283**

19 Rabie'Al-Thani 1438H (January 17, 2017)
Riyadh, Saudi Arabia

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

BALANCE SHEET

As at 31 December 2016

	Notes	2016 SR	2015 SR
ASSETS			
CURRENT ASSETS			
Bank balances		38,602,469	18,300,184
Trade accounts receivable, net	3	303,532,002	208,444,401
Accrued revenue	4	38,414,690	19,367,313
Inventory, net	5	43,966,932	29,194,000
Prepaid expenses	6	199,054,724	174,166,802
Other assets	7	104,651,941	47,784,525
Due from a related party	19	3,335,901	3,370,329
TOTAL CURRENT ASSETS		<u>731,558,659</u>	<u>500,627,554</u>
NON CURRENT ASSETS			
Investments	8	1,822,737	500,000
Deferred costs	9	17,037,628	21,410,177
Property and equipment	10	806,054,499	736,382,618
TOTAL NON CURRENT ASSETS		<u>824,914,864</u>	<u>758,292,795</u>
TOTAL ASSETS		<u>1,556,473,523</u>	<u>1,258,920,349</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short term loans	11	208,171,017	125,000,000
Current portion of long term loans	11	60,959,296	66,827,909
Trade payables	12	351,261,204	152,022,886
Due to a related party	19	4,279,772	1,577,694
Accrued expenses and other liabilities	13	187,802,019	136,101,317
Zakat payable	14	5,504,370	4,217,815
TOTAL CURRENT LIABILITIES		<u>817,977,678</u>	<u>485,747,621</u>
NON CURRENT LIABILITIES			
Long term loans	11	34,241,049	81,380,560
Employees' end of service indemnities		51,637,516	48,797,682
TOTAL NON CURRENT LIABILITIES		<u>85,878,565</u>	<u>130,178,242</u>
TOTAL LIABILITIES		<u>903,856,243</u>	<u>615,925,863</u>
SHAREHOLDERS' EQUITY			
Share capital	15	400,000,000	400,000,000
Statutory reserve		92,513,948	83,411,669
Retained earnings		160,103,332	159,582,817
TOTAL SHAREHOLDERS' EQUITY		<u>652,617,280</u>	<u>642,994,486</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,556,473,523</u>	<u>1,258,920,349</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 2016

	Notes	2016 SR	2015 SR
Revenue		3,461,349,302	2,302,991,705
Cost of revenue		(3,253,962,439)	(2,051,147,619)
GROSS PROFIT		207,386,863	251,844,086
EXPENSES			
Selling and marketing	16	(8,968,159)	(7,577,927)
General and administrative	17	(93,953,158)	(97,459,361)
INCOME FROM OPERATIONS		104,465,546	146,806,798
Financial charges		(14,237,858)	(9,973,548)
Gains of joint venture	8	1,322,737	2,980,460
Other income, net	18	1,995,193	9,370,984
INCOME BEFORE ZAKAT		93,545,618	149,184,694
Zakat	14	(2,522,824)	(5,150,000)
NET INCOME FOR THE YEAR		91,022,794	144,034,694
Earnings per share from:			
Income from operations	20	2.61	3.67
Net income	20	2.28	3.60





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

STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	2016 SR	2015 SR
OPERATING ACTIVITIES		
Income before zakat	93,545,618	149,184,694
Adjustments for:		
Depreciation	68,217,996	61,712,876
Amortisation of deferred costs	6,075,489	6,855,943
Gains of joint venture	(1,322,737)	(2,980,460)
Allowance for doubtful trade accounts receivable	(575,806)	1,032,328
Provision for slow moving and obsolete inventories	-	679,705
(Gains) Losses on disposal of property and equipment	1,456,857	(7,082,616)
Provision for employees' end of service indemnities	7,607,714	12,603,996
	<u>175,005,131</u>	<u>222,006,466</u>
Changes in operating assets and liabilities:		
Trade accounts receivable	(94,511,795)	(59,942,755)
Accrued income	(19,047,377)	9,719,354
Inventories	(14,772,932)	(4,761,174)
Prepaid expenses	(24,887,922)	(40,181,662)
Other assets	(56,867,416)	(14,146,685)
Trade payables	199,238,318	7,282,760
Related parties	2,736,506	12,001,970
Accrued expenses and other liabilities	51,700,702	15,483,129
	<u>218,593,215</u>	<u>147,461,403</u>
Cash from operations		
	(4,767,880)	(4,345,014)
Employees' end of service indemnities paid	(1,236,269)	(3,812,793)
Zakat paid		
	<u>212,589,066</u>	<u>139,303,596</u>
Net cash from operating activities		
INVESTING ACTIVITIES		
Investments	-	22,000,000
Deferred costs	(1,702,940)	(6,519,057)
Acquisition of property and equipment	(141,616,470)	(71,323,855)
Proceeds from disposal of property and equipment	2,269,736	23,127,251
	<u>(141,049,674)</u>	<u>(32,715,661)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Proceeds from short term loans	2,479,100,000	1,660,000,000
Repayment of short term loans	(2,395,928,983)	(1,670,141,887)
Proceeds from long term loans	19,000,000	141,943,065
Repayment of long term loans	(72,008,124)	(173,650,405)
Dividends paid	(80,000,000)	(80,000,000)
Board of directors' remunerations	(1,400,000)	(1,400,000)
	<u>(51,237,107)</u>	<u>(123,249,227)</u>
Net cash used in financing activities		
	<u>20,302,285</u>	<u>(16,661,292)</u>
INCREASE (DECREAS) IN CASH AT BANKS		
	<u>18,300,184</u>	<u>34,961,476</u>
Bank balances at the beginning of the year	<u>38,602,469</u>	<u>18,300,184</u>
BANK BALANCES AT THE END OF THE YEAR		

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 2016

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 31 December 2014	400,000,000	69,008,200	111,351,592	580,359,792
Dividends (note 21)	-	-	(80,000,000)	(80,000,000)
Board of directors' remunerations (note 21)	-	-	(1,400,000)	(1,400,000)
Net income for the year	-	-	144,034,694	144,034,694
Transfer to statutory reserve	-	14,403,469	(14,403,469)	-
Balance at 31 December 2015	400,000,000	83,411,669	159,582,817	642,994,486
Dividends (note 21)	-	-	(80,000,000)	(80,000,000)
Board of directors' remunerations (note 21)	-	-	(1,400,000)	(1,400,000)
Net income for the year	-	-	91,022,794	91,022,794
Transfer to statutory reserve	-	9,102,279	(9,102,279)	-
Balance at 31 December 2016	400,000,000	92,513,948	160,103,332	652,617,280

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

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:

BASIS OF PREPARATION

The company's current liabilities are in excess of current assets by SR 86,419,019 . However , the management and board of directors assumed that the company have the ability to continue as a going concern. It is their assessment that the company will generate sufficient profits and cash flows to meet ongoing liabilities and scheduled repayments. These financial statements have been accordingly prepared on a going concern basis.

Accounting convention

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

Use of estimates

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

Revenue recognition

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

Accounts receivable

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

Accrued income

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

Inventories


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

Prepaid expenses

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

Deferred costs

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



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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investment in jointly managed entity

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

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

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Leasehold improvements are amortized over the shorter of the estimated useful life or term of the lease.

Expenditures for repair and maintenance are charged to statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

Impairment of long term assets

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as expenses immediately in the statement of income.

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

Trade payable and accrued expenses

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

Provisions

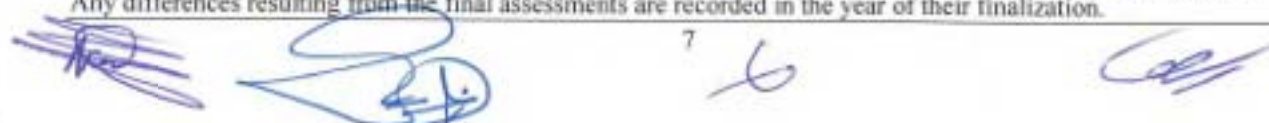
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Unearned revenue

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

Zakat

Zakat is provided on accrual basis in accordance with the Regulations of the General Organization of Zakat and Income Tax ("GOZT") 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service indemnities

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

Loans

Loans 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 30% 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. Because the Group carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only

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 2016

3 TRADE ACCOUNTS RECEIVABLE, NET

	2016 SR	2015 SR
Trade accounts receivable	305,432,766	210,920,971
Allowance for doubtful trade accounts receivable	(1,900,764)	(2,476,570)
	<u>303,532,002</u>	<u>208,444,401</u>

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

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

	2016 SR	2015 SR
At 1 January	2,476,570	1,444,242
Provision for the year	302,931	1,540,607
Recovery during the year	(878,737)	(508,279)
At 31 December	<u>1,900,764</u>	<u>2,476,570</u>

4 ACCRUED REVENUE

Accrued revenue 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 INVENTORY, NET

	2016 SR	2015 SR
Fuel, lubricants and filters	29,497,803	23,762,344
Spare parts	15,010,990	6,921,811
	<u>44,508,793</u>	<u>30,684,155</u>
Provision for slow moving and obsolete inventory	(541,861)	(1,490,155)
	<u>43,966,932</u>	<u>29,194,000</u>

6 PREPAID EXPENSES

	2016 SR	2015 SR
Prepaid rent	165,575,592	143,720,650
Others	33,479,132	30,446,152
	<u>199,054,724</u>	<u>174,166,802</u>

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

At 31 December 2016

7 OTHER ASSETS

	2016 SR	2015 SR
Receivables from employees	26,117,615	23,060,235
Advance payments to suppliers	75,703,763	18,455,123
Rent receivables	-	4,905,212
Miscellaneous	2,830,563	1,363,955
	<u>104,651,941</u>	<u>47,784,525</u>

8 INVESTMENTS

- A. 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 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.

- B. On 21 Safar 1434 (corresponding to 3 January 2013), the Company has signed a joint venture (JV) agreement with Bertschi AG, an entity incorporated in Switzerland, to establish a jointly controlled entity namely Aldrees Bertschi for logistic services. On 22 March 2015, the Company and co-venture have made a contribution of SR 500,000 each towards the establishment of the jointly controlled entity.

The apparent balance in the balance sheet for the period ended 31 December 2016 with an amount of SR 3,335,901 (2015: 3,370,329) for Bertschi AG, the Swiss company.

The following is the movement in the investments account.

	UNIFCO	Bertschi AG	Total	Total
	2016 SR	2016 SR	2016 SR	2015 SR
At the beginning of the year	-	500,000	500,000	19,519,540
Additions	-	-	-	500,000
Disposals	-	-	-	(22,500,000)
Investment gain	-	1,322,737	1,322,737	2,980,460
At the end of the year	<u>-</u>	<u>1,822,737</u>	<u>1,822,737</u>	<u>500,000</u>

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

At 31 December 2016

9 DEFERRED COSTS

	2016 SR	2015 SR
Cost:		
At the beginning of the year	39,574,580	40,249,772
Additions	1,702,940	6,519,057
Written off (*)	(2,651,875)	(7,194,249)
At the end of the year	<u>38,625,645</u>	<u>39,574,580</u>
Amortization:		
At the beginning of the year	18,164,403	18,502,709
Charge for the year	6,075,489	6,855,943
Written off (*)	(2,651,875)	(7,194,249)
At the end of the year	<u>21,588,017</u>	<u>18,164,403</u>
Net book value	<u>17,037,628</u>	<u>21,410,177</u>

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

Aldrees Petroleum and Transport Services Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2016

10 PROPERTY AND EQUIPMENT

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

Buildings	3%	Vehicles	15% - 25
Leasehold improvements	Shorter of lease period/useful life	Computers	12.5% - 25%
Machinery and equipment	10%	Tools	12% - 20%
Trucks	7.14% with 20% salvage value	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 2016 SR	Total 2015 SR
Cost:											
At the beginning of the year	152,290,995	122,275,118	106,357,265	37,257,949	657,902,734	12,502,614	10,340,367	15,320,221	12,516,978	1,126,764,241	1,095,723,677
Additions	5,220,000	1,866,766	35,742,256	2,532,759	14,390,641	255,039	714,616	1,494,679	79,399,714	141,616,470	71,323,855
Disposals	-	(250,000)	(6,968,283)	(2,564,309)	(2,367,368)	(288,728)	(189,722)	(160,502)	-	(12,788,912)	(40,283,291)
Transfers	-	131,159	26,976,064	2,040	6,298,338	-	-	1,140	(33,408,741)	-	-
At the end of the year	157,510,995	124,023,043	162,107,302	37,228,439	676,224,345	12,468,925	10,865,261	16,655,538	58,507,951	1,255,591,799	1,126,764,241
Depreciation:											
At the beginning of the year	-	22,830,898	57,196,422	24,760,883	257,153,417	10,118,187	8,444,523	9,877,293	-	390,381,623	352,907,403
Charge for the year	-	3,983,275	15,700,979	3,123,266	42,497,665	867,336	681,751	1,363,726	-	68,217,995	61,712,876
Disposals	-	-	(5,093,795)	(1,517,641)	(2,019,090)	(166,076)	(167,194)	(98,522)	-	(9,062,319)	(24,238,656)
At the end of the year	-	26,814,173	67,803,602	26,366,508	297,631,992	10,819,447	8,959,080	11,142,497	-	449,537,300	390,381,623
Net book value:											
At 31 December 2016	157,510,995	97,208,870	94,303,699	10,861,931	378,592,353	1,649,478	1,906,181	5,513,041	58,507,951	806,054,499	736,382,618
At 31 December 2015	152,290,995	99,444,220	49,160,843	12,497,066	400,749,317	2,381,427	1,895,844	5,442,928	12,516,978	-	-

Work in progress at 31 December 2016 and 2015 represents cost incurred in connection with buildings and leasehold improvements of fuel stations and workshops, which is not finished yet.

Depreciation expenses allocated to cost of revenue is SR 62,611,559 (2015: SR 57,531,711) and to general and administrative expenses SR 5,606,437 (2015: SR 4,181,165)

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

At 31 December 2016

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 1,725 million (2015: SR 1,590 million). These facilities include advances in the current account, short term and long term tawarruq loans, notes payable, letters of guarantee against the advance payments and contract performance. The Company has unutilized facilities amounting to SR 705 million (2015: SR 856.6 million). The following is the details of loans as of 31 December:

- a) Short term loans outstanding were amounting to SR 208,171,017 (2015: SR 125,000,000).
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	
		2016	2015	2016	2015	2016	2015			Starting date	Ending date
Riyad	Revolving long term tawarruq loan	120,000,000	90,000,000	73,532,000	73,532,000	803,107	8,743,119	Finance the operations	Monthly	31 March 2009	29 March 2017
Samba Financial Group	Revolving Long term tawarruq loan	100,000,000	100,000,000	45,352,500	45,352,500	12,420,625	25,500,156	Finance the working capital and acquisition of property and equipment	Quarterly	29 December 2013	17 June 2018
Gulf International Bank	Long term tawarruq loan	-	75,000,000	-	26,657,850	-	750,000	Finance the working capital and acquisition of property and equipment	Quarterly/ Monthly	17 September 2013	7 April 2016
Al Bilad Bank	Revolving long term tawarruq loan	97,000,000	115,000,000	97,000,000	115,000,000	81,976,613	110,215,194	Acquisition of trucks and fuel stations	Monthly	4 July 2012	26 March 2019
National Commercial Bank	long term tawarruq loan	-	30,000,000	-	18,000,000	-	3,000,000	Acquisition of trucks	Quarterly	28 May 2013	27 May 2016
		317,000,000	410,000,000	215,884,500	278,542,350	95,200,345	148,208,469				

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.

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

At 31 December 2016

12 TRADE PAYABLES

	2016 SR	2015 SR
Saudi Arabian Oil Company ("Aramco")	330,005,808	134,458,063
Other trade payables	21,255,396	17,564,823
	<u>351,261,204</u>	<u>152,022,886</u>

13 ACCRUED EXPENSES AND OTHER LIABILITIES

	2016 SR	2015 SR
Unearned revenue	101,598,130	90,956,417
Accrued expenses	37,474,098	37,946,643
Advances from customers	48,729,791	7,198,257
	<u>187,802,019</u>	<u>136,101,317</u>

14 ZAKAT

Charge for the year

The zakat charge consists of:

	2016 SR	2015 SR
Provision for the year	2,522,824	3,867,853
Adjustment for previous years	-	1,282,147
Charge for the year	<u>2,522,824</u>	<u>5,150,000</u>

The calculation of zakat base is as follows:

Shareholders' equity — beginning of the year	642,994,486	580,359,792
Employees' end of service indemnities and allowances	49,151,043	37,250,707
Long term loans / Credit balances	107,144,815	148,208,469
Zakatable income for the year	103,118,781	154,714,133
Deductions:		
Book value of long term assets, net	(834,220,372)	(748,308,533)
Dividends and Board of Directors' remunerations	(81,400,000)	(81,400,000)
Zakat base	<u>(13,211,247)</u>	<u>90,824,568</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 2016 and 2015 based on Zakat able income.

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

At 31 December 2016

14 ZAKAT (continued)

Movements in provision during the year

The movement in zakat provision for the years ended 31 December 2016 and 2015 is as follows:

	2016 SR	2015 SR
At the beginning of the year	4,217,815	2,880,608
Provided during the year	2,522,824	5,150,000
Payments during the year	(1,236,269)	(3,812,793)
At end of the year	<u>5,504,370</u>	<u>4,217,815</u>

Status of assessments

The Company has received the final zakat assessments for the years up to 2007. The Company has filed its financial statements and zakat returns for the years from 2008 to 2015 with the GOZT 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

The Company's share capital at 31 December 2016 amounted to SR 400 million (2015: SR 400 million) consisting of 40 million (2015: 40 million) fully paid and issued share of SR 10 each.

16 SELLING AND MARKETING EXPENSES

	2016 SR	2015 SR
Commissions, bonus and sales incentives	6,128,648	5,344,338
Advertising and publicity	2,839,511	2,233,589
	<u>8,968,159</u>	<u>7,577,927</u>



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

At 31 December 2016

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2016 SR	2015 SR
Employees' salaries and benefits	71,162,489	76,631,133
Depreciation (note 10)	5,606,437	4,181,165
Rent	3,003,589	2,384,653
Maintenance	2,489,282	2,019,328
Printing and stationery	2,108,498	1,380,241
Utilities	2,045,087	1,687,549
Travel expense	1,555,390	1,690,198
Professional fees	1,147,370	941,739
Insurance	691,241	681,251
Donations for social services	667,296	516,320
Governmental expenses	535,144	484,560
Saudi Stock Market expenses ("Tadawul")	317,500	344,527
Other	2,623,835	4,516,697
	<u>93,953,158</u>	<u>97,459,361</u>

Employees' salaries and benefits referred to above include an amount of SR 14,7 million for the year ended 31 December 2016 (2015: SR 16,4 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

	2016 SR	2015 SR
(Losses) Gains from disposal of property and equipment	(1,456,857)	7,082,616
Sales of scrap	3,452,050	2,288,368
	<u>1,995,193</u>	<u>9,370,984</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
United Fuel Company ("UNIFCO")	Joint venture



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

At 31 December 2016

19 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

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

<i>Nature of transaction</i>	2016 SR	2015 SR
Purchase of machinery, equipment and spare parts	<u>6,447,932</u>	<u>6,266,954</u>
Rent expenses	<u>2,200,000</u>	<u>2,900,000</u>
Non-interest bearing funding	<u>3,335,901</u>	<u>3,370,329</u>

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

	2016 SR	2015 SR
Prepaid rent:		
Mr. Hamad Mohammad Aldrees	789,452	789,448
Mr. Abdul Mohsin Mohammad Aldrees	166,667	166,668
Seven Orbits Company for Trading	371,782	50,103
	<u>1,327,901</u>	<u>1,006,219</u>
Due from a related party Aldrees Bertschi	<u>3,335,901</u>	<u>3,370,329</u>
Due to a related party: Aldrees Industrial and Trading Company	<u>4,279,772</u>	<u>1,577,694</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 period by the weighted average number of outstanding shares of 40 million as of 31 December 2016.

21 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

The general assembly in its meeting on 22 Jumada Awal 1437H (corresponding to 2 March 2016) has approved to distribute cash dividends amounting to SR 80 million representing SR 2 per share representing 20% of the Company's share capital before increase and to disburse remunerations for the Company's Board of Directors amounting to SR 1.4 million.

Aldrees Petroleum and Transport Services Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2016

22 COMMITMENTS AND CONTINGENCIES

- a) At 31 December 2016, the Company had outstanding contingent liabilities in the form of letters of guarantee amounting to 712.2 million (2015: SR 460,2 million).
- b) In addition, the company has capital commitments as of 31 December 2016 amounting to SR 134,4million (2015: SR 35,6 million).
- c) The rent expense against operating leases for the year ended 31 December 2016 amounted to SR 231,7 million (2015: SR 213,8 million) and is included in the cost of revenue.

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

	2016 SR	2015 SR
Within one year	149,570,420	152,676,420
More than one year	1,288,076,318	1,062,590,738
	<u>1,437,646,738</u>	<u>1,215,267,158</u>

23 SEGMENTAL INFORMATION

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

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

- Petroleum Services Segment
- Transport Services Segment

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

	<i>Petroleum services</i> SR	<i>Transport services</i> SR	<i>Intercompany elimination</i> SR	<i>Total</i> SR
<i>As of 31 December 2016</i>				
Total assets	1,012,031,482	664,979,284	(120,537,243)	1,556,473,523
Total liabilities	659,557,122	364,836,364	(120,537,243)	903,856,243
Revenue	3,292,182,366	250,547,848	(81,380,912)	3,461,349,302
Gross profit	140,407,708	66,979,155	-	207,386,863
Depreciation and amortization	29,047,897	45,245,588	-	74,293,485
Income from operations	78,301,275	26,164,271	-	104,465,546
Net income	72,189,198	18,833,596	-	91,022,794
Deferred cost additions	1,702,940	-	-	1,702,940
Capital expenditure additions	112,744,875	28,871,595	-	141,616,470

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

At 31 December 2016

23 SEGMENTAL INFORMATION (continued)

	<i>Petroleum services</i>	<i>Transport services</i>	<i>Intercompany elimination</i>	<i>Total</i>
	SR	SR	SR	SR
<i>As of 31 December 2015</i>				
Total assets	753,341,577	619,635,156	(114,056,384)	1,258,920,349
Total liabilities	422,756,415	307,225,832	(114,056,384)	615,925,863
Revenue	2,078,820,206	291,132,031	(66,960,532)	2,302,991,705
Gross profit	148,192,690	103,651,396	-	251,844,086
Depreciation and amortization	26,110,700	42,458,119	-	68,568,819
Income from operations	85,439,180	61,367,618	-	146,806,798
Net income	89,507,750	54,526,944	-	144,034,694
Deferred cost additions	6,519,057	-	-	6,519,057
Capital expenditure additions	35,370,717	35,953,138	-	71,323,855

24 SUBSEQUENT EVENTS

The Company's Board of Directors in their meeting held on 19 Rabi Thani 1438H (corresponding to 17 January 2017) recommended the following:

- 1) distribution of cash dividends of SR 1 per share totalling SR 40 million representing 10% of the Company's share capital.
- 2) payment of remunerations to the Company's Board of Directors amounting to SR 1.4 million for the year ended 31 December 2016.
- 3) capital increase from 400 million Saudi riyals to 500 million Saudi riyals through issuing additional free shares to shareholders of the company. There will be an additional 1 free share for every 4 shares and this will be done by the capitalization of SR 100 million from the retain earnings account.

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

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

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

Commission rate risk

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

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

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

<i>Increase/(decrease) in basis points</i>	<i>Effect on income for the year</i>	
	<i>2016</i>	<i>2015</i>
	SR	SR
+5	(151,686)	(136,604)
+10	(303,372)	(273,208)
-5	151,686	136,604
-10	303,372	273,208

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

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

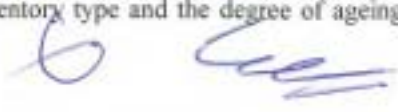
Doubtful trade accounts receivable

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 305,432,766 (2015: SR 210,920,971), and the allowance for doubtful trade accounts receivable was SR 1,900,764 (2015: SR 2,476,570). 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.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

27 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives of property and equipment

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

28 COMPARATIVE FIGURES

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

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 19 Rabi Thani 1438H (17 January 2017).

