

**UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY) AND IT'S SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

**UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018**

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of United International Transportation Company (A Saudi Joint Stock Company) - ("the Parent Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment loss on trade receivables</p> <p>The gross balance of trade receivables as at 31 December 2018 amounted to SR 220 million, against which an allowance for impairment of SR 35 million was made. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis.</p> <p>During the year ended 31 December 2018, the Group has implemented International Financial Reporting Standard 9 ('IFRS 9') which requires management to determine and recognize expected credit losses ('ECL'). Significant judgements, estimates and assumptions have been made by the management in the application of IFRS 9.</p> <p>Given the significance of the impact of IFRS 9 on the Group's trade receivables, the complexity and judgements related particularly to the calculation of expected credit losses we considered this area as a key audit matter.</p> <p><i>Refer to note 3.13 to the consolidated financial statements for the significant accounting policy, note 2.3 for the critical accounting estimates and judgements and note 16 which details the disclosure of impairment against trade receivables.</i></p>	<p>We evaluated the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks of customers.</p> <p>We assessed the appropriateness of significant judgements, estimates and assumptions made by the management.</p> <p>We assessed methodologies implemented by the Group with reference to the requirements of the IFRS 9. Particularly we assessed the Group's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of expected credit losses, as well as the changes in loss given default parameter.</p> <p>We also assessed the disclosures in the consolidated financial statements as required by IFRS 9 and IFRS 7 Financial instruments: Disclosure.</p>
<p>Carrying value of rental vehicles</p> <p>Rental vehicles included under property and equipment amounting SR 1,112 million as at 31 December 2018 representing 77% of total assets.</p> <p>Rental vehicles are carried at cost less depreciation and impairment after considering their residual values.</p>	<p>In addition to the verification of additions and disposals of rental vehicles and analytical review procedures of the depreciation charge for the year, we mainly performed the following audit procedures:</p>

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>The Group's management determines the residual values and estimated useful lives of vehicles for calculating depreciation. These estimates and judgements are made after considering the expected usage of the vehicles, expected physical wear and tear and expected future value at the time of disposal.</p> <p>The determination of residual values and useful lives of vehicles requires a significant degree of management estimation and judgement, and as such, this has been identified as a key audit matter.</p> <p><i>Refer to note 3.7 to the consolidated financial statements for the significant accounting policy, note 2.3 for the critical accounting estimates and judgements and note 12 which details the disclosure of property and equipment.</i></p>	<ul style="list-style-type: none"> • Evaluation of design, implementation and effectiveness of controls embedded in the procurement process and of controls capitalization of vehicles on a sample basis; • Assessment of the reasonableness of judgement of residual value assigned to long-term and short-term rental purpose; • Assessment of the adequacy of useful lives assigned to long-term and short-term rental purpose; • Evaluation of the periodic re-assessment of residual value and useful lives by the Group's management.

Other information included in The Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2018 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2018 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the SOCPA and the provisions of Companies' Law and the Parent Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

25 Jumada I 1440H
31 January 2019

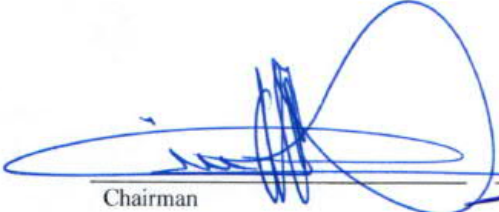
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UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
For the year ended 31 December 2018

		2018 SR'000	2017 SR'000
	Note		
Revenue	6	1,040,970	1,173,158
Cost of revenue	7	(765,888)	(910,556)
GROSS PROFIT		275,082	262,602
Other operating income, net		3,812	8,631
Selling and marketing expenses	8	(40,658)	(31,451)
General and administrative expenses	9	(55,640)	(53,149)
OPERATING PROFIT		182,596	186,633
Finance costs, net		(7,543)	(11,409)
Share of results of associates	14	7	(1,676)
Impairment of investments in associates	14	-	(14,949)
PROFIT BEFORE ZAKAT		175,060	158,599
Zakat	10	(5,074)	(9,088)
PROFIT FOR THE YEAR		169,986	149,511
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement (losses)/gains on defined benefit obligation	21	(7,228)	1,748
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		162,758	151,259
EARNINGS PER SHARE (EPS)			
Basic and diluted, profit for the year attributable to ordinary equity holders of the Parent Company (in Saudi Riyals)	11	2.39	2.10

		
Chairman	President and Group CEO	Group Chief Financial Officer


The attached notes from 1 to 32 form an integral part of these consolidated financial statements.

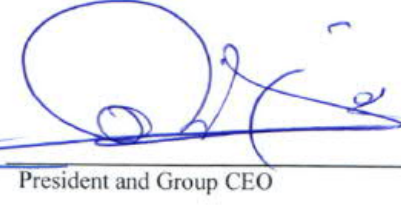
UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		2018 SR'000	2017 SR'000
ASSETS	<i>Note</i>		
NON-CURRENT ASSETS			
Property and equipment	12	1,207,898	1,289,087
Intangible assets	13	692	359
Investments in associates	14	1,333	1,326
		<u>1,209,923</u>	<u>1,290,772</u>
CURRENT ASSETS			
Inventories	15	2,059	7,383
Trade receivables	16	184,997	170,272
Prepayments and other receivables	17	25,103	22,748
Cash and cash equivalents	18	14,302	9,744
		<u>226,461</u>	<u>210,147</u>
TOTAL ASSETS		<u><u>1,436,384</u></u>	<u><u>1,500,919</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19(a)	711,667	711,667
Statutory reserve	19(b)	164,331	147,332
Retained earnings		250,357	211,348
		<u>1,126,355</u>	<u>1,070,347</u>
NON-CURRENT LIABILITIES			
Bank borrowings	20	15,851	60,490
Employee benefits	21	43,537	35,774
		<u>59,388</u>	<u>96,264</u>
CURRENT LIABILITIES			
Current portion of bank borrowings	20	89,610	188,063
Trade payables	22	117,985	106,346
Accrued expenses and other liabilities	23	36,583	29,462
Zakat payable	10	6,463	10,437
		<u>250,641</u>	<u>334,308</u>
TOTAL LIABILITIES		<u>310,029</u>	<u>430,572</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,436,384</u></u>	<u><u>1,500,919</u></u>


Chairman


President and Group CEO


Group Chief Financial Officer

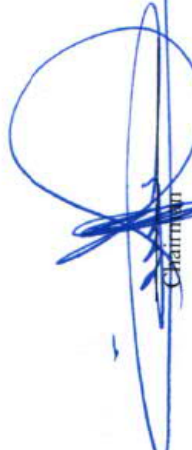
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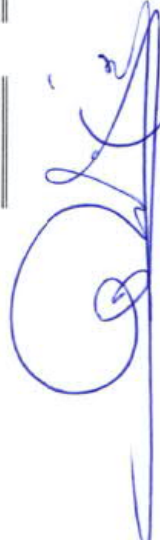
UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital SR'000	Proposed increase in capital- bonus shares SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total equity SR'000
Balance as at 1 January 2017	610,000	-	132,381	252,957	995,338
Profit for the year	-	-	-	149,511	149,511
Other comprehensive income for the year	-	-	-	1,748	1,748
Total comprehensive income for the year	-	-	-	151,259	151,259
Transfer to statutory reserve (note19 (b))	-	-	14,951	(14,951)	-
Proposed increase in capital – bonus shares (note19 (a))	-	101,667	-	(101,667)	-
Bonus shares issued (note19 (a))	101,667	(101,667)	-	-	-
Dividends (note19 (a))	-	-	-	(76,250)	(76,250)
Balance as at 31 December 2017	711,667	-	147,332	211,348	1,070,347
Profit for the year	-	-	-	169,986	169,986
Other comprehensive income for the year	-	-	-	(7,228)	(7,228)
Total comprehensive income for the year	-	-	-	162,758	162,758
Transfer to statutory reserve (note19 (b))	-	-	16,999	(16,999)	-
Dividends (note19 (a))	-	-	-	(106,750)	(106,750)
Balance as at 31 December 2018	711,667	-	164,331	250,357	1,126,355


Chairman


President and Group CEO


Group Chief Financial Officer

The attached notes from 1 to 32 form an integral part of these consolidated financial statements.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 SR'000	2017 SR'000
OPERATING ACTIVITIES			
Profit before zakat		175,060	158,599
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation of property and equipment	12	453,600	482,530
Amortisation of intangible assets	13	279	300
Share of results of associates, net	14	(7)	1,676
Impairment of investments in associates	14	-	14,949
Provision for employee benefits	21	5,072	5,620
Movement in allowance for doubtful debts	16	5,397	(273)
Finance costs		7,543	11,409
		646,944	674,810
Working capital adjustments:			
Inventories		140,109	248,859
Trade receivables		(20,122)	(5,594)
Prepayments and other receivables		(2,355)	(2,068)
Trade payables		11,639	10,878
Accrued expenses and other liabilities		7,121	(8,465)
Cash from operations		783,336	918,420
Purchase of vehicles	12	(502,774)	(609,205)
Zakat paid	10	(9,048)	(6,338)
Finance costs paid		(7,543)	(11,409)
Employee benefits paid	21	(4,537)	(5,968)
Net cash flows from operating activities		259,434	285,500
INVESTING ACTIVITIES			
Purchase of other property and equipment	12	(4,422)	(3,199)
Additions to intangible assets	13	(612)	(98)
Net cash flows used in investing activities		(5,034)	(3,297)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		120,000	220,005
Repayment of bank borrowings		(263,092)	(436,959)
Dividends paid	19	(106,750)	(76,250)
Net cash flows used in financing activities		(249,842)	(293,204)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,558	(11,001)
Cash and cash equivalents at the beginning of the year		9,744	20,745
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		14,302	9,744
Supplemental non-cash information			
Transfer of vehicles from property and equipment to inventories	12	134,785	237,652

Chairman

President and Group CEO

Group Chief Financial Officer

The attached notes from 1 to 32 form an integral part of these consolidated financial statements.

UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2018

1 CORPORATE INFORMATION

United International Transportation Company ("the Parent Company"), is a Saudi Joint Stock Company registered in Jeddah, Kingdom of Saudi Arabia (KSA) under Commercial Registration No. 4030017038 dated 7 Shabaan 1428H (corresponding to 20 August 2007), with branches as detailed in note 31.

The principal activities of the Parent Company are leasing and rental of vehicles under the commercial name of "Budget Rent a Car" as per the license No. 0202000400 issued by the Ministry of Transportation in the Kingdom of Saudi Arabia. The Parent Company was listed on Saudi Stock Exchange on 1 September 2007.

The Parent Company's registered office is located at the following address:

2421 Quraysh St. Al-Salamah Dist.
Jeddah, Saudi Arabia 23437-8115
Unit 1

As at the reporting date, the Parent Company owns 100% of the issued share capital of Aljozoor Alrasekha Trucking Company Limited - A Single Owner Company (the "subsidiary" or "Rahaal" and collectively with the Parent Company referred to as the "Group"). Rahaal is a limited liability company incorporated in Saudi Arabia and engaged in the business of leasing and rental of heavy vehicles and equipment and trading in heavy vehicles and equipment and spare parts as per commercial registration.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.1 Basis of measurement

The consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept.

2.2 Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Group. All financial information presented in SR has been rounded off to the nearest thousand (SR'000), unless otherwise indicated.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial instruments risk management (note 27)
- Capital management (note 28)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- a) Decision related to control over investee (note 3.1)
- b) Lease classification (note 3.9)

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

2 BASIS OF PREPARATION (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives and residual value of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Allowance for inventory losses

The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the specific manufacturer and both existing and emerging market conditions.

Provision for expected credit losses (ECLs) of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 27.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Defined benefit plan

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

2 BASIS OF PREPARATION (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Defined benefit plan (continued)

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 21.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for new standards adopted during the year as disclosed in note 4, in the preparation of these consolidated financial statements.

3.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after income tax. The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of results of an associate' in the consolidated statement of profit or loss. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

When the Group's share of losses exceeds its interest in associates, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

3.2 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Saudi Riyals at exchange rates at the reporting date. Dividends received from foreign associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of other comprehensive income.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currencies (continued)

When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign exchange translation reserve via other comprehensive income.

3.3 Current versus non-current classification

Assets

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

3.4 Expenses

Cost of revenue

Cost of revenue represents all expenses directly attributable or incidental to the core operating activities of the Group including but not limited to: depreciation of vehicles under rental arrangements, cost of vehicle inventories disposed of, directly attributable employee related costs etc.

Selling, marketing and administrative expenses

Selling and marketing expenses are costs arising from the Group's efforts underlying marketing activities and function. All other expenses are classified as administrative expenses. Allocation of common expenses between cost of revenue, selling and marketing and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

Franchise fee

Franchise and similar fee that the Group is obligated to pay under contractual arrangements are recognized on accrual basis.

3.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance cost and other costs that an entity incurs in connection with the borrowing of funds.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Zakat

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiary is charged to the consolidated statement of profit or loss.

The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.7 Property and equipment

Recognition and measurement

Items of property and equipment are initially recorded at cost and measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment (other than vehicles transferred to inventories as 'Vehicles for sale') are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other operating income in the consolidated statement of profit or loss.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of profit or loss as incurred.

Capital work in progress

Capital work-in-progress represents all costs relating directly and indirectly to the construction in progress and is capitalized as property and equipment when ready for the intended use.

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For discussion on impairment assessment of property and equipment, please refer note 3.13.

The estimated useful lives are as follows:

• Buildings and other installations	10 to 20 years
• Vehicles	2 to 5 years
• Furniture, fixtures and office equipment	4 to 5 years
• Machinery and equipment	4 to 7 years

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

The amortization period for the Group's intangible assets with finite life is as follows:

Software	4 years
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Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

3.9 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Inventories

Inventories represent vehicles for sale, spare parts and other supplies. These are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The carrying amount of inventories is recognized as cost of revenue when the inventories are sold. The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc.

Vehicles for sale

Vehicles for sale that were previously held as part of property and equipment for lease and rental arrangements are transferred to inventories at their carrying amount when they cease to be held for lease and rental purposes and become held for sale in the ordinary course of business. Other costs are included in the cost of vehicle inventories only to the extent that they are incurred in bringing the vehicles to their present location and condition necessary to make the sale.

Spare parts and supplies

The cost of spare parts and supplies is based on weighted average principle. Other costs are included in the cost of spare parts and supplies only to the extent they are incurred in bringing them to their present location and condition.

3.11 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and cash on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash.

3.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that Group commits to purchase or sell the asset.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans to employees and due from related parties included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Group's does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Group's does not have any equity investments designated at fair value through OCI.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial instruments (continued)

ii) Financial liabilities (continued)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss. This category generally applies to interest-bearing borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.13 Impairment of financial and non-financial assets

Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 730 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of financial and non-financial assets (continued)

Non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.15 Revenue from contracts with customers

Sale of inventories (vehicles)

Revenue from sale of vehicles is recognised at the point in time when control of the vehicles is transferred to the customers, generally on delivery of the vehicles. The normal credit term is up to 30 days upon delivery. The Group's revenue from sale of vehicles include only one performance obligation and there is no variable consideration and financing component involved.

Income from other services

Revenue from other services that are incidental to vehicle rental arrangements are recognized when these related services are provided and classified as part of revenue from these core operating activities. The Group's revenue from other services that are incidental to vehicle rental arrangements is recognised over the time when services are rendered.

3.16 Cash dividend and non-cash distribution to equity holders of the parent

The Parent Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Parent Company. As per the bye laws of the Parent Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts, if any, as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

The Group is in business of leasing and rental of vehicles. Revenue from the lease and rental contracts is recorded under IAS 17 *Leases* and is not in the scope of IFRS 15. However, IFRS 15 is applicable for revenue from the sale of inventories (vehicles) and income from other services that are incidental to vehicle rental arrangements. However, adoption of IFRS 15 does not have any significant impact on the Group's consolidated financial statements.

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4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9, if any, have been recognised directly in retained earnings and other components of equity.

The nature of these adjustments is described below:

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied prospectively. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following is the change in the classification of the Group's financial assets:

- Trade receivables and other non-current financial assets (i.e., loans to employees and due from related parties) previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities. Therefore, adoption of IFRS 9 has no impact on the financial liabilities.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

However, the adoption of the ECL requirements of IFRS 9 did not result in any material change in impairment allowance of the Group's trade receivables because the Group has used provision matrix for ECL and there is no change from historical credit loss experience of the Group and insignificant impact of forward-looking information.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

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4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the reporting date of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

5.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.1 IFRS 16 Leases (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group plans to adopt IFRS 16 with modified retrospective approach therefore shall not restate comparative information. At the date of initially applying this Standard, the Group shall recognise the right-of-use asset with an equal amount of lease liability.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

During 2018, the Group has performed a detailed impact assessment of IFRS 16 and impact of IFRS 16 adoption is not expected to be material.

5.2 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

5.3 IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. This interpretation not expected to have an impact on the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.4 Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. This amendment not expected to have an impact on the consolidated financial statements of the Group.

5.5 Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The amendment to IFRS 10 and IAS 28 currently not applicable to the Group.

5.6 Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

5.7 Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments currently not applicable to the Group's consolidated financial statements.

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5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.8 Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. This interpretation no applicable to the Group.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. This interpretation has no impact on the Group.

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6 REVENUE

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Vehicle rental and lease arrangements	777,671	805,054
Revenue from contracts with customers (see note (a) below)	263,299	368,104
	<u>1,040,970</u>	<u>1,173,158</u>

a) Revenue from contracts with customers represents sale of vehicles.

7 COST OF REVENUE

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Depreciation (note 12(d))	452,800	481,717
Cost of sale of vehicles	138,819	249,344
Operational costs	35,944	36,597
Repairs and maintenance	43,392	48,419
Insurance	25,226	29,917
Employees' related expenses	29,939	25,549
Rent of counters and workshop	21,401	19,825
Incentives, commission and franchise fee	10,873	11,015
Communication expense	2,283	2,502
Other	5,211	5,671
	<u>765,888</u>	<u>910,556</u>

8 SELLING AND MARKETING EXPENSES

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Employees' related expenses	33,432	27,052
Advertisement costs	5,995	3,501
Other	1,231	898
	<u>40,658</u>	<u>31,451</u>

9 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Employees' related expenses	27,040	27,132
Rent	4,529	4,528
Subscriptions	5,980	4,798
Allowance for doubtful debts (note 16)	5,757	5,503
Board of directors' remuneration (note 24)	4,093	3,775
Depreciation and amortization (note 12(d) and 13)	1,079	1,113
Repairs and maintenance	1,208	1,150
Communication	572	1,190
Legal and professional charges	1,981	1,123
Other	3,401	2,837
	<u>55,640</u>	<u>53,149</u>

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At 31 December 2018

10 ZAKAT

a) Charge for the year

Up to last year, Group's zakat charge was based on the separate financial statements of the Parent Company and its subsidiary. Effective 1 January 2018, the Group after complying with the requirements of zakat regulations, planned to file consolidated zakat return for the Group.

The consolidated zakat charge for the year consists of:

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Charge for the year	5,074	9,088

Zakat charge is based on the following:

	<i>2018</i> <i>SR'000</i>
Equity	963,597
Provisions and other adjustments	260,172
Book value of long term assets (net of related financing)	(1,207,159)
	16,610
Adjusted income for the year	186,364
Zakat base	202,974

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

Movement in provision during the year

The movement in the zakat provision for the year is as follows:

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
At the beginning of the year	10,437	7,687
Provided during the year	5,074	9,088
Paid during the year	(9,048)	(6,338)
At the end of the year	6,463	10,437

b) Status of assessments

The Parent Company

The Parent Company has filed the zakat return for all years up to the financial year ended 31 December 2017. All assessment proceedings of the General Authority of Zakat and Tax ("GAZT") up to the end of the financial year ended 31 December 2012 have been agreed with GAZT. The assessments for the financial years 2013 through 2017 are under process.

Subsidiary- Aljozoor Alrasekha Trucking Company Limited

The subsidiary has filed the zakat returns up to the financial year ended 31 December 2017. The assessments since inception for the financial years 2012 to 2017 are under process.

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11 EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. The calculation of diluted earnings per share is not applicable to the Group. Also, no separate earning per share calculation from continuing operations has been presented since there were no discontinued operations during the year.

The EPS calculation is given below:

	<i>2018</i>	<i>2017</i>
Profit attributable to ordinary equity holders of the parent (<i>SR'000</i>)	169,986	149,511
Weighted average number of ordinary shares for basic and diluted EPS	71,167	71,167
Earnings per share (in Saudi Riyals)	2.39	2.10

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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12 PROPERTY AND EQUIPMENT

	<i>Land</i> <i>SR'000</i>	<i>Buildings</i> <i>and other</i> <i>installation</i> <i>SR'000</i>	<i>Machinery and</i> <i>equipment</i> <i>SR'000</i>	<i>Furniture</i> <i>and office</i> <i>equipment</i> <i>SR'000</i>	<i>Vehicles</i> <i>SR'000</i>	<i>Capital work in</i> <i>progress</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Cost:							
At 1 January 2018	47,380	78,633	7,347	28,224	2,119,758	135	2,281,477
Additions	-	507	256	638	502,774	3,021	507,196
Transfer to inventories (see note (a) below)	-	-	-	-	(548,711)	-	(548,711)
At 31 December 2018	47,380	79,140	7,603	28,862	2,073,821	3,156	2,239,962
Accumulated depreciation:							
At 1 January 2018	-	31,839	6,849	25,534	928,168	-	992,390
Depreciation for the year	-	4,674	245	1,423	447,258	-	453,600
Transfer to inventories (see note (a) below)	-	-	-	-	(413,926)	-	(413,926)
At 31 December 2018	-	36,513	7,094	26,957	961,500	-	1,032,064
Net book value at 31 December 2018	47,380	42,627	509	1,905	1,112,321	3,156	1,207,898

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At 31 December 2018

12 PROPERTY AND EQUIPMENT

Cost:	Land SR'000	Buildings and other installation SR'000	Machinery and equipment SR'000	Furniture and office equipment SR'000	Vehicles SR'000	Capital work in progress SR'000	Total SR'000
At 1 January 2017	47,380	76,789	7,155	27,186	2,162,167	10	2,320,687
Additions	-	1,844	192	1,038	609,205	125	612,404
Transfer to inventories (see note (a) below)	-	-	-	-	(651,614)	-	(651,614)
At 31 December 2017	47,380	78,633	7,347	28,224	2,119,758	135	2,281,477
Accumulated depreciation:							
At 1 January 2017	-	27,225	6,548	23,711	866,338	-	923,822
Depreciation for the year	-	4,614	301	1,823	475,792	-	482,530
Transfer to inventories (see note (a) below)	-	-	-	-	(413,962)	-	(413,962)
At 31 December 2017	-	31,839	6,849	25,534	928,168	-	992,390
Net book value at 31 December 2017	47,380	46,794	498	2,690	1,191,590	135	1,289,087

UNITED INTERNATIONAL TRANSPORTATION COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

12 PROPERTY AND EQUIPMENT (continued)

- a) These represent cost and accumulated depreciation of vehicles retired from fleets and transferred to vehicle inventories (note 15).
- b) Capital work in progress represents ongoing construction works of workshop and head office building.
- c) Property and equipment of the gross carrying amount of SR 178 million (2017: SR 129 million) are fully depreciated but are still in use.
- d) Depreciation charge for the year ended has been allocated as follows:

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Cost of revenue (note 7)	452,800	481,717
General and administrative expenses (note 9)	800	813
	453,600	482,530

13 INTANGIBLE ASSETS

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Software		
Cost		
At 1 January	7,779	7,681
Additions	612	98
	8,391	7,779
Amortisation		
At 1 January	7,420	7,120
Amortisation during the year	279	300
	7,699	7,420
Net book value at 31 December	692	359

14 INVESTMENTS IN ASSOCIATES

These represent Group's investments in the following associates:

	<u><i>Effective ownership interest (%)</i></u>		<u><i>Balance as at</i></u>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Tranzlease Holdings India Private Limited ("THL") - (Operating Lease of Motor Vehicles)	32.96%	32.96%	-	-
Unitrans Infotech Services India Private Limited ("Unitrans") - (Providing Information Technology Services)	49%	49%	1,333	1,326
			1,333	1,326

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

14 INVESTMENTS IN ASSOCIATES (continued)

Movement in the investments in associates for the year ended is as follows:

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Balance at 1 January	1,326	17,951
Share of results for the year, net (see below)	7	(1,676)
Impairment for the year (see below)	-	(14,949)
	<u>1,333</u>	<u>1,326</u>
Balance at 31 December	<u><u>1,333</u></u>	<u><u>1,326</u></u>

Quantitative information about each of the associate is as follows:

	<u>Tranzlease Holdings India Private Limited</u>	
	<i>2018</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>
Non-current assets	75,295	102,641
Current assets	10,042	12,096
Non-current liabilities	(59,968)	(80,508)
Current liabilities	(14,643)	(12,197)
Equity	<u>10,726</u>	<u>22,032</u>
Group's share in equity – 32.96% (2017: 32.96%)	-	7,262
Goodwill	-	7,687
Impairment in investment	-	(14,949)
Group's carrying amount of the investment	<u>-</u>	<u>-</u>
	<i>2018</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>
Revenue	31,344	36,997
Cost of revenue and administrative expenses	(33,412)	(34,576)
Finance costs	(5,641)	(7,705)
Loss before tax	(7,709)	(5,284)
Income tax expense	-	(1,068)
Loss for the year	<u>(7,709)</u>	<u>(6,352)</u>
Group's share of loss for the year (see note below)	<u>-</u>	<u>(2,093)</u>

Tranzlease Holdings India Private Limited has incurred losses in previous years, the management has impaired the investment and it is appearing at nil value as mentioned above.

The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent, if required, at the reporting date. The associate had no contingent liabilities or capital commitments as at 31 December 2017 or 2018.

The financial year-end of the associate is 31 March and management accounts have been prepared as at 31 December 2018.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

14 INVESTMENTS IN ASSOCIATES (continued)

	Unitrans Infotech Services India Private Limited	
	2018	2017
	SR'000	SR'000
Non-current assets	90	125
Current assets	2,769	2,607
Non-current liabilities	-	-
Current liabilities	(137)	(25)
Equity	2,722	2,707
Group's share in equity – 49% (2017: 49%)	1,333	1,326
Group's carrying amount of the investment	1,333	1,326
	2018	2017
	SR'000	SR'000
Revenue	2,090	2,192
Cost of revenue and administrative expenses	(2,054)	(2,306)
Finance costs	(1)	(1)
Profit before tax	35	(115)
Income tax expense	(20)	17
Profit for the year	15	(98)
Group's share of profit/(loss) for the year	7	(48)

The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date.

The associate had no contingent liabilities or capital commitments as at 31 December 2017 or 2018. The financial year end of the Unitrans Infotech Services India Private Limited is 31 March and management accounts have been prepared as at 31 December 2018.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

15 INVENTORIES

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Vehicles held for sale	715	4,746
Spare parts and supplies	1,344	2,637
	<u>2,059</u>	<u>7,383</u>

16 TRADE RECEIVABLES

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Trade receivables	219,997	199,875
Allowance for doubtful debts (see below)	(35,000)	(29,603)
	<u>184,997</u>	<u>170,272</u>

Movement in the allowance for doubtful trade receivables is as follows:

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Balance at 1 January	29,603	29,876
Charge for the year (note 9)	5,757	5,503
Written-off during the year	(360)	(5,776)
Balance as at 31 December	<u>35,000</u>	<u>29,603</u>

See credit note 27 on credit risk of trade receivables, which explain how the Group manages and measure credit quality of trade receivables that are neither past due nor impaired.

17 PREPAYMENTS AND OTHER RECEIVABLES

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Prepaid rent and other assets	21,146	14,928
Employee loans and others	3,957	7,820
	<u>25,103</u>	<u>22,748</u>

18 CASH AND CASH EQUIVALENTS

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Cash on hand	1,992	1,994
Bank balances	12,310	7,750
	<u>14,302</u>	<u>9,744</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

19 EQUITY

(a) Share capital

At 31 December 2018, the Parent Company's share capital of SR 711.67 million (2017: SR 711.67 million) consists of 71.167 million (2017: SR 71.167 million) fully paid shares of SR 10 each.

The Board of Directors in its meeting held on 19 January 2017, proposed final dividend of SR 76.25 million (representing SR 1.25 per share) for the year ended 31 December 2016. Additionally, the Board of Directors also proposed to increase the Parent Company's share capital to SR 711.67 million by issuing one bonus share for every six ordinary shares outstanding. The shareholders in the Extraordinary General Assembly Meeting on 19 April 2017, approved the Board's proposal and authorized issuance of 10.17 million bonus shares at a nominal value of SR 10 each and resultantly the share capital of the Parent Company was increased from SR 610 million to SR 711.67 million. The legal formalities for the increase in capital were completed on 7 June 2017.

The Board of Directors in its meeting held on 31 January 2018, proposed final cash dividend of SR 106.75 million (representing SR 1.5 per share) for the year ended 31 December 2017. The shareholders in the General Assembly Meeting on 30 April 2018 approved the Board's proposal and authorised issuance of final dividend.

The Board of Directors in its meeting held on 31 January 2019, proposed final cash dividend of SR 106.75 million (representing SR 1.5 per share) for the year ended 31 December 2018.

(b) Statutory reserve

In accordance with bye-laws of the Parent Company and Companies Law, the Parent Company has transferred 10% of its net income for the year to the statutory reserve. The Parent Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital.

20 BANK BORROWINGS

	2018 SR'000	2017 SR'000
Murabaha sale agreements	105,461	190,775
Al Tawarroq agreements	-	57,778
	<hr/>	<hr/>
Gross debts	105,461	248,553
	<hr/>	<hr/>
Less current portion:		
Murabaha sale agreements	(89,610)	(131,396)
Al Tawarroq agreements	-	(56,667)
	<hr/>	<hr/>
	(89,610)	(188,063)
	<hr/>	<hr/>
Non-current portion	15,851	60,490
	<hr/> <hr/>	<hr/> <hr/>

Group's bank borrowings consist of long-term bank debts under various Islamic Finance Products including Murabaha and Al Tawarroq arrangements with commercial banks in Kingdom of Saudi Arabia. Such debts bear financing charges at the prevailing market rates at the time of entering into the debt contracts. These loans are secured by demand promissory notes. The loan agreements include covenants which, among other things, require certain financial ratios to be maintained. The instalments due within twelve months from the date of financial position are shown as a current liability in the consolidated statement of financial position. The bank borrowings are repayable in monthly variable instalments with the last instalment payable on 20 December 2020.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

21 EMPLOYEE BENEFITS

General description of the plan

The Group operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The movement in EOSB for the year ended is as follows:

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Balance at 1 January	35,774	37,870
<i>Included in statement of profit or loss</i>		
Current service cost	3,334	3,762
Interest cost	1,738	1,858
	5,072	5,620
<i>Included in statement of other comprehensive income</i>		
Actuarial losses/(gains):		
Effect of change in financial assumptions	4,380	-
Experience loss/(gain)	2,848	(1,748)
	7,228	(1,748)
	48,074	41,742
Benefits paid	(4,537)	(5,968)
Balance at 31 December	43,537	35,774

Allocation of EOSB charge between cost of revenue, selling and marketing expenses and general and administrative expenses is as follows:

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Cost of revenue	1,707	1,903
Selling and marketing expenses	1,862	1,896
General and administrative expenses	1,503	1,821
	5,072	5,620

Actuarial assumptions

The following were the principal actuarial assumptions applied at the reporting date:

	<i>2018</i>	<i>2017</i>
Discount rate	4%	5%
Future salary growth / Expected rate of salary increase		
- First four years	3%	3%
- Thereafter	5%	5%
Mortality rate	0.790 – 10.540 per thousand	0.790 – 10.540 per thousand
Employee turnover / withdrawal rates	0 – 132 per thousand	0 – 132 per thousand
Retirement age	60 years	60 years

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

21 EMPLOYEE BENEFITS (continued)

The quantitative sensitivity analysis for principal assumptions is as follows:

31 December 2018

	Impact on EOSB Increase / (decrease)		
	Change in assumption by	Increase in assumption by SR'000	Decrease in assumption by SR'000
Discount rate	1%	(4,381)	4,831
Future salary growth / Expected rate of salary increase	1%	4,583	(4,048)
Mortality rate	1 year	(57)	74
Employee turnover / withdrawal rates	1 year	(103)	120
Retirement age	1 year	314	(336)

31 December 2017

	Impact on EOSB Increase / (decrease)		
	Change in assumption by	Increase in assumption by SR'000	Decrease in assumption by SR'000
Discount rate	1%	(3,585)	4,258
Future salary growth / Expected rate of salary increase	1%	4,008	(3,266)
Mortality rate	1 year	(43)	57
Employee turnover / withdrawal rates	1 year	(78)	91
Retirement age	1 year	253	(271)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefit obligation is 9 years.

The following payments are expected for the defined benefit plan in future years:

	2018 SR'000	2017 SR'000
Within the next 12 months (next annual reporting period)	3,728	4,128
Between 2 and 5 years	7,202	4,920
Between 5 and 10 years	9,541	5,390
Beyond 10 years	51,005	27,478
Total expected payments	<u>71,476</u>	<u>41,916</u>

22 TRADE PAYABLES

	2018 SR'000	2017 SR'000
Suppliers for vehicles	86,798	90,500
Suppliers for stores, spares and others	31,187	15,846
	<u>117,985</u>	<u>106,346</u>

Trade payables are non-interest bearing and are normally settled on 60-day terms.

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At 31 December 2018

23 ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Accrued expenses	21,152	15,734
Employees' related accruals	5,462	5,076
Advances from customers	384	431
Other provisions	9,585	8,221
	36,583	29,462

24 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions.

a) The significant transactions and the related balances are as follows:

<i>Related party</i>	<i>Nature of relationship</i>	<i>Nature of transactions</i>	<i>Amounts of transactions</i>		<i>Balance at</i>	
			<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Zahid Group	Shareholder	Car rentals	44	222	-	-
		Location rent	-	82	85	83
Abdulillah Abdullah Al Zahid Trading Establishment	Other related party	Services received	283	831		
		Used car sale	6,430	20,402	-	-
Key management personnel	Employees	Salaries	4,360	3,965	-	-
		End of service benefits	1,461	363	-	-
		Board of Directors remuneration	4,093	3,775	2,112	-

The balances due are included in accrued expenses and other liabilities in the statement of the financial position.

25 CONTINGENCIES AND COMMITMENTS

Contingencies

At 31 December 2018, the Group has outstanding letters of guarantee amounting to SR 6.2 million (2017: SR 6.1 million) issued by the local banks on behalf of Group in the ordinary course of business.

UNITED INTERNATIONAL TRANSPORTATION COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

25 CONTINGENCIES AND COMMITMENTS (continued)

Operating lease commitments

Group as a lessee

Operating leases relates to the offices being used by the Group with lease term of up to 5 years having renewal option of the contract each year unless otherwise agreed with the lessee. On premature termination, lessee has to pay the minimum lease payments mentioned in the contract. Future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Within one year	3,486	3,864
After one year but not later than five years	-	2,721
	<hr/> 3,486 <hr/>	<hr/> 6,585 <hr/>

26 SEGMENTAL INFORMATION

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's top management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Lease segment – represents cars leased out to customers under medium to longer term rental arrangements
- Rental segment – represents cars leased out to customers under short term rental arrangements
- Others – represents inventories, other assets and liabilities and related income & expense for items not classified under lease and rental segments.

No operating segments have been aggregated to form the above reportable operating segments.

Segment results that are reported to the top management (Chairman, President & Group Chief Executive Officer (CEO), Director Corporate Affairs and Group Chief Financial Officer (CFO)) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues, as included in the internal management reports that are reviewed by the top management. There are no inter segment revenue reported during the year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

26 SEGMENTAL INFORMATION (continued)

The following table presents segment information for the year ended 31 December:

<i>Particulars</i>	<i>Lease</i>		<i>Rental</i>		<i>Others</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Revenue - external customers	546,557	555,900	231,114	249,154	263,299	368,104	1,040,970	1,173,158
Depreciation	(347,660)	(347,901)	(106,219)	(133,816)	-	-	(453,879)	(481,717)
Segment profit	198,897	207,999	124,895	115,338	263,299	368,104	587,091	691,441

Unallocated income/(expenses):

Cost of revenue	(312,009)	(428,839)
Other operating income, net	3,812	8,631
Selling and marketing expenses	(40,658)	(31,451)
General and administrative expenses	(55,640)	(53,149)
Impairment of investments in associates	-	(14,949)
Finance costs, net	(7,543)	(11,409)
Share of results of associates	7	(1,676)
Profit before zakat	175,060	158,599

Detail of segment assets and liabilities is given below:

<i>Particulars</i>	<i>Allocated</i>		<i>Unallocated</i>	
	<i>Lease</i>	<i>Rental</i>	<i>Other</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
2018				
Segment assets	791,909	320,416	324,059	1,436,384
Segment liabilities	-	-	310,029	310,029
2017				
Segment assets	852,407	339,128	309,384	1,500,919
Segment liabilities	-	-	430,572	430,572

Other disclosures

<i>Particulars</i>	<i>Allocated</i>		<i>Unallocated</i>	
	<i>Lease</i>	<i>Rental</i>	<i>Other</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
2018				
Capital expenditures	287,702	215,072	5,034	507,808
2017				
Capital expenditures	354,600	254,605	3,297	612,502

Capital expenditure consists of additions of property and equipment and intangible assets.

Finance income and costs, and gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Zakat and financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

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At 31 December 2018

27 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables and cash and cash equivalents.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risks, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings.

Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments.

At the reporting date all borrowings are at fixed rate and there is no profit rate sensitivity for the year.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals. However, the Group has investments in foreign associates, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Indian Rupees. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Other price risk

The Group is not affected by price risk as there is no investment of the Group in equity shares or commodities.

Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history.

The Groups gross maximum exposure to credit risk at the reporting date is as follows:

	2018 SR'000	2017 SR'000
Financial assets		
Trade receivable	219,997	199,875
Cash and cash equivalents	14,302	9,744
	<u>234,299</u>	<u>209,619</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

27 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. The 5 largest customers account for 16% of outstanding accounts receivable at 31 December 2018 (2017: 21%).

At 31 December 2017, trade receivables at nominal value of SR 35 million (2017: SR 29.6 million) were impaired. The unimpaired trade receivables include SR 96.4 million (2017: SR 60.9 million) which are past due, more than normal collection cycle, but not impaired.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than two years and are not subject to enforcement activity if the cost of such activity is expected to be higher than the benefit of doing so. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of cash security deposit or advance, which are considered integral part of trade receivables and considered in the calculation of impairment. The credit risk exposure of the Group on trade receivables, excluding secured receivables and using a provision matrix, ranges from 1.36% to 43.98% on trade receivables ageing less than 90 days to above 365 days, respectively.

There were no past due or impaired receivables from related parties.

Liquidity risk

Liquidity risk is the risk that an enterprise 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. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The Group has no significant concentration of credit risk.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2018	<i>Within 1 year</i> <i>SR'000</i>	<i>1 to 5 years</i> <i>SR'000</i>	<i>More than 5 years</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Bank borrowings	89,610	15,851	-	105,461
Trade payables	117,985	-	-	117,985
	207,595	15,851	-	223,446
2017	<i>Within 1 year</i> <i>SR'000</i>	<i>1 to 5 years</i> <i>SR'000</i>	<i>More than 5 years</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
Bank borrowings	188,063	60,490	-	248,553
Trade payables	106,346	-	-	106,346
	294,409	60,490	-	354,899

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

28 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, statutory reserve and retained earnings attributable to the equity holders of the Parent Company. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The Group includes within debt, current and non-current portion of borrowings.

	<i>2018</i> <i>SR'000</i>	<i>2017</i> <i>SR'000</i>
Debt – Bank borrowings	105,461	248,553
Equity	1,126,355	1,070,347
Capital and debt	1,231,816	1,318,900
Gearing ratio	0.09	0.19

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches of the financial covenants of any borrowings in the current year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

29 FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable IFRS

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2018

29 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at 31 December 2018 and 31 December 2017, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 2 of the fair value hierarchy. No significant inputs were applied in the valuation of trade receivables as at 31 December 2018 and 31 December 2017.

Fair values of the Group's borrowings are determined by using DCF method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 December 2018 and 31 December 2017, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the year ended 31 December 2018 and 2017, there were no movements between the levels.

30 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities:

	<i>1 January 2018 SR'000</i>	<i>Cash flows SR'000</i>	<i>Other SR'000</i>	<i>31 December 2018 SR'000</i>
Current portion of borrowings	188,063	(263,092)	164,639	89,610
Non-current portion of borrowings	60,490	120,000	(164,639)	15,851
	=====	=====	=====	=====
Total	248,553	(143,092)	-	105,461
	=====	=====	=====	=====
	<i>1 January 2017 SR'000</i>	<i>Cash flows SR'000</i>	<i>Other SR'000</i>	<i>31 December 2017 SR'000</i>
Current portion of borrowings	372,571	(436,959)	252,451	188,063
Non-current portion of borrowings	92,936	220,005	(252,451)	60,490
	=====	=====	=====	=====
Total	465,507	(216,954)	-	248,553
	=====	=====	=====	=====

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing borrowing to current due to the passage of time.

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At 31 December 2018

31 BRANCHES

The Parent Company has the following branches:

Commercial Registration Numbers	Location of Branch	Commercial Registration Number	Location of Branch
001394	Yanbu	057088	Madinah
001874	Al-Dhahran	068567	Mahayel
002374	Rabeg	069857	Abha
003067	Yanbu	071445	Khamis Mushit
008845	Besha	071446	Khamis Mushit
009574	Taif	092741	Dammam
014036	Jizan	096161	Jeddah
015153	Dammam	098979	Makkah
020216	Yanbu	106710	Jeddah
020217	Yanbu	106712	Jeddah
021493	Khamis Mushit	114976	Jeddah
022946	Tubuk	143758	Jeddah
025750	Khobar	145422	Jeddah
025900	Najran	168973	Jeddah
029416	Madinah	169630	Jeddah
029417	Madinah	169631	Jeddah
029418	Madinah	221293	Jeddah
032219	Jizan	247720	Riyadh
033796	Besh	288386	Riyadh
037762	Makkah	292619	Jeddah
037763	Makkah	292620	Jeddah
037822	Makkah	292621	Jeddah
038423	Tubuk	218884	Makkah
038809	Buridah	227594	Taif
040229	Al-Mubarak	227595	Taif
048863	Madinah	103205	Al Baha
048865	Madinah	549745	Madinah
292623	Jeddah	949626	Riyadh
017038	Jeddah	949628	Riyadh
135842	Jeddah	949627	Riyadh
143757	Jeddah	138171	Al Kharj
304007	Jeddah	291649	Al Qassim
130782	Jeddah	139420	Hail
610924	Jeddah	549746	Madinah
298923	Jeddah	052751	Riyadh
008840	Al Qunfodah	025901	Najran
102769	Makkah		
005127	Jubail		

32 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These audited consolidated financial statements have been approved by the Board of Directors on 31 January 2019, corresponding to 25 Jumada I 1440H.