

**ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
(A Saudi Joint Stock Company)**

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018
TOGETHER WITH AUDITORS' INTERIM REVIEW REPORT



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CPA's & Consultants
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ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
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Amro Mahmoud Abouelmaaty Siam
FM



Hamad Mohammad Aldrees
Chairman



Eng. Abdulelah Saad Aldrees
CEO



**REPORT ON REVIEW OF
INTERIM FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS' OF
ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY (A Saudi Joint Stock Company)** ("the Company") as at 31 March 2018, and the related interim condensed statement of comprehensive income, changes in shareholders' equity and cash flows for the three-months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements - 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.



**AlAzem & AlSudairy
Certified Public Accountants**



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

2 Sha'ban 1439H (April 18, 2018)
Riyadh, Kingdom of Saudi



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

CONDENSED INTERIM FINANCIAL POSITION (UNAUDITED)

AS Of MARCH 31, 2018

(All amounts in Saudi Riyals)

| | Note | 31 March 2018 (Unaudited) | 31 December 2017 (Audited) |
|---|------|------------------------------|-------------------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property and equipment, net | | 1,048,098,837 | 1,036,879,655 |
| Deferred costs, net | | 11,317,382 | 14,480,937 |
| Investment in joint ventures | 4 | 2,311,652 | 2,311,652 |
| TOTAL NON CURRENT ASSETS | | 1,061,727,871 | 1,053,672,244 |
| CURRENT ASSETS | | | |
| Due from a related party | 4 | 3,982,033 | 4,144,121 |
| Other assets | | 35,520,270 | 37,804,363 |
| Prepaid expenses | | 202,610,802 | 204,065,584 |
| Inventories, net | | 79,950,423 | 38,469,947 |
| Accrued income | | 46,995,235 | 42,647,183 |
| Trade accounts receivable, net | | 457,171,348 | 363,280,199 |
| Cash and cash equivalents | | 51,762,162 | 46,083,128 |
| TOTAL CURRENT ASSETS | | 877,992,273 | 736,494,525 |
| TOTAL ASSETS | | 1,939,720,144 | 1,790,166,769 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 6 | 500,000,000 | 500,000,000 |
| Statutory reserve | | 98,978,569 | 98,978,569 |
| Retained earnings | | 29,959,266 | 56,785,789 |
| TOTAL SHAREHOLDERS' EQUITY | | 628,937,835 | 655,764,358 |
| LIABILITIES | | | |
| NON CURRENT LIABILITES | | | |
| Long term loans | 5 | 160,188,357 | 171,785,110 |
| Employees' end of service indemnities | | 54,087,404 | 53,457,001 |
| TOTAL NON CURRENT LIABILITIES | | 214,275,761 | 225,242,111 |
| CURRENT LIABILITIES | | | |
| Provision for zakat payable | 8 | 4,809,642 | 4,586,069 |
| Accrued expenses and other liabilities | | 215,204,303 | 211,724,055 |
| Due to a related party | | 17,012,862 | 5,855,808 |
| Trade payables | | 449,183,169 | 268,997,507 |
| Current portion of long term loans | 5 | 74,296,574 | 79,996,861 |
| Short term loans | 5 | 335,999,998 | 338,000,000 |
| TOTAL CURRENT LIABILITIES | | 1,096,506,548 | 909,160,300 |
| TOTAL LIABILITIES | | 1,310,782,309 | 1,134,402,411 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 1,939,720,144 | 1,790,166,769 |

The accompany from (1) to (15) are integrated part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018
(All amounts in Saudi Riyals)

| | <i>Note</i> | <i>For the three months period ended 31 March 2018</i> | <i>For the three months period ended 31 March 2017</i> |
|--|-------------|--|--|
| Revenue | | 1,285,175,575 | 840,391,137 |
| Cost of revenue | | (1,226,990,472) | (797,886,767) |
| GROSS PROFIT | | <u>58,185,103</u> | <u>42,504,370</u> |
| EXPENSES | | | |
| Selling and marketing | | (3,140,164) | (1,653,042) |
| General and administration | | (25,573,593) | (23,394,102) |
| INCOME FROM OPERATIONS | | <u>29,471,346</u> | <u>17,457,226</u> |
| Financial charges | | (5,052,430) | (2,993,407) |
| Other income, net | | 604,561 | 567,926 |
| INCOME BEFORE ZAKAT ESTIMATED | | <u>25,023,477</u> | <u>15,031,745</u> |
| Zakat estimated | | (450,000) | (450,000) |
| NET INCOME FOR THE PERIOD | | <u>24,573,477</u> | <u>14,581,745</u> |
| OTHER COMPREHENSIVE INCOME: | | | |
| ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS: | | | |
| Re-measurement for employees' end of service indemnities | | - | - |
| TOTAL COMPREHENSIVE INCOME | | <u>24,573,477</u> | <u>14,581,745</u> |
| Earnings per share from: | | | |
| Income from operations | 9 | <u>0,59</u> | <u>0,35</u> |
| Net income | 9 | <u>0,49</u> | <u>0,29</u> |

The accompany from (1) to (15) are integrated part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
 FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018
 (All amounts in Saudi Riyals)

| | <i>Share Capital</i> | <i>Statutory reserve</i> | <i>Retained earnings</i> | <i>Total</i> |
|--|---------------------------|------------------------------|------------------------------|---------------------------|
| Balance at 1 January 2017 | 400,000,000 | 92,513,948 | 141,211,548 | 633,725,496 |
| Transfer to capital (note 6) | 100,000,000 | - | (100,000,000) | - |
| Dividends (note 7) | - | - | (40,000,000) | (40,000,000) |
| Board of directors' remunerations (note 7) | - | - | (1,400,000) | (1,400,000) |
| Total comprehensive income for the period | - | - | 14,581,745 | 14,581,745 |
| Balance at 31 March 2017 | <u>500,000,000</u> | <u>92,513,948</u> | <u>14,393,293</u> | <u>606,907,241</u> |
| Balance at 1 January 2018 | 500,000,000 | 98,978,569 | 56,785,789 | 655,764,358 |
| Dividends (note 7) | - | - | (50,000,000) | (50,000,000) |
| Board of directors' remunerations (note 7) | - | - | (1,400,000) | (1,400,000) |
| Total comprehensive income for the period | - | - | 24,573,477 | 24,573,477 |
| Balance at 31 March 2018 | <u>500,000,000</u> | <u>98,978,569</u> | <u>29,959,266</u> | <u>628,937,835</u> |






The accompany from (1) to (15) are integrated part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018
 (All amounts in Saudi Riyals)

| | <i>For the three months period ended 31 March 2018</i> | <i>For the three months period ended 31 March 2017</i> |
|--|--|--|
| OPERATING ACTIVITIES | | |
| Income before zakat estimated | 25,023,477 | 15,031,745 |
| Adjustment for: | | |
| Depreciation | 22,398,686 | 18,506,929 |
| Amortization of deferred costs | 3,163,555 | 1,472,307 |
| Loss (Gain) on sale of property and equipment | 585,029 | (52,884) |
| Provision for employees' end-of-service indemnities | 2,055,031 | 1,852,806 |
| | <u>53,225,778</u> | <u>36,810,903</u> |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable, net | (93,891,149) | (6,311,235) |
| Accrued income | (4,348,052) | (3,666,645) |
| Inventories, net | (41,480,476) | 6,428,554 |
| Prepaid expenses | 1,454,782 | (11,837,290) |
| Other assets | 2,284,093 | (22,187,717) |
| Trade payables | 191,342,716 | (95,127,202) |
| Accrued expenses and other liabilities | 3,642,336 | 13,440,929 |
| | <u>112,230,028</u> | <u>(82,449,703)</u> |
| Cash from (used in) operations | | |
| Employees' end-of-service indemnities paid | (1,424,628) | (4,788,347) |
| Zakat paid | (226,427) | (2,651,771) |
| | <u>110,578,973</u> | <u>(89,889,821)</u> |
| Net cash from (used in) operating activities | | |
| INVESTING ACTIVITIES | | |
| Deferred costs | - | (1,150,000) |
| Purchase of property and equipment | (34,245,446) | (80,353,658) |
| Proceeds from sale of property and equipment | 42,549 | 412,500 |
| | <u>(34,202,897)</u> | <u>(81,091,158)</u> |
| Net cash used in investing activities | | |
| FINANCING ACTIVITIES | | |
| Proceeds from short term loans | 1,007,999,998 | 1,133,805,000 |
| Repayment of short term loans | (1,010,000,000) | (892,976,017) |
| Repayment of long term loans | (17,297,040) | (16,044,475) |
| Dividends paid | (50,000,000) | (40,000,000) |
| Board of directors' remunerations | (1,400,000) | (1,400,000) |
| | <u>(70,697,042)</u> | <u>183,384,508</u> |
| Net cash (used in) from financing activities | | |
| CHANGE IN CASH AND CASH EQUIVALENTS BALANCES | 5,679,034 | 12,403,529 |
| CASH AND CASH EQUIVALENTS BALANCES, AT BEGINNING | 46,083,128 | 38,602,469 |
| CASH AND CASH EQUIVALENTS BALANCES, END OF PERIOD | <u><u>51,762,162</u></u> | <u><u>51,005,998</u></u> |

The accompany from (1) to (15) are integrated part of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) For The Three Months Period Ended MARCH 31, 2018

1) ORGANISATION AND ACTIVITIES

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

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

2) BASIS OF PREPARATION

(a) Statement of compliance:

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Company's last annual Financial Statements as at and for the year ended 31 December 2017. They do not include all of the information required for a complete set of IFRS Financial Statements however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual Financial Statements.

This is the first set of Condensed Interim Financial Statements where IFRS (15) and IFRS (9) have been applied. Changes to significant accounting policies are described in Note (3-X).

The Capital Market Authority issued the decision of the Board of Commissioners on (15) Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the assets of property and equipment, investment properties and intangible assets when adopting the IFRS for a period of 3 years begin from the date of adoption of the International Financial Reporting Standards And continue to comply with the requirements for disclosure of IFRS adopted in the Kingdom of Saudi Arabia, which require disclosure of fair value.

The company's current liabilities are in excess of current assets by SR 218,514,275. However, the management and board of directors assumed that the company have the ability to continue as a going concern. It is their assessment that the company will generate sufficient profits and cash flows to meet ongoing liabilities and scheduled repayments. These condensed interim financial statements have been accordingly prepared on a going concern basis.

(b) Basis of measurement:

The condensed interim financial statements have been prepared on the historical cost basis using the accrual basis of accounting except for the financial assets and liabilities.

(c) Functional and presentation currency:

The condensed interim financial statements are presented in Saudi Riyal, which is the Company's functional currency.

Aldrees Petroleum and Transport Services Company

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For The Three Months Period Ended MARCH 31, 2018

(d) Use of estimates and judgments

The preparation of condensed interim financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In particular, information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements is summarized as follows:

- Management periodically reassesses the economic useful lives of tangible assets and intangible assets based on the general condition of these assets and the expectation for their useful economic lives in the future.
- Estimated useful lives of intangible assets for the privilege of providing services is from the period when the company will be able to charge for use of the public infrastructure to the end of the concession period.
- Management frequently reviews the lawsuits raised against the company based on a legal study prepared by the company's legal advisors. This study highlights potential risks that the company may incur in the future.
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, and its selling price to fall below cost or any other factors that cause the recoverable amount to be lower than its carrying amount.
- Management estimates the recoverable amount of the other financial assets to determine whether there was any impairment in its value.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS (15) and IFRS (9), which are described in Note (3-X).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Fair value measurement

- Fair value represents the amount that may be collected from the asset sale or a boost to convert commitment between knowledgeable parties on the same terms and dealing with others and depends on the fair value measurement of the following conditions:
 - In the principal market for the asset or liability, or the most advantageous market for the asset or liability in the absence of a principal market the company should be able to handle through the most advantageous market.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorized in 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 level input that is significant to the entire measurement.
- The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Management believes that its estimates and judgments are reasonable and adequate.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) **For The Three Months Period Ended MARCH 31, 2018**

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of condensed interim financial statements for the period ended March 31, 2018 is the International Accounting Standard 34 "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Company's last annual Financial Statements as at and for the year ended 31 December 2017. and The following is a statement of significant accounting policies adopted:

(a) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Debt Tool

The subsequent measurement of debt instruments depends on the nature of the Company's use of the asset management and cash flows arising from the use of that asset. The Company classifies debt instruments at amortized cost based on the following:

- A. The asset is retained within the business activity in order to obtain contractual cash flows,
- B. The contractual terms specify specific cash flow dates for which principal and interest payments are based on the amount outstanding.

Amortized cost is calculated after taking into account any discount or premium on the purchase and fees or costs that are an integral part of the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date.

Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the condensed interim statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) **For The Three Months Period Ended MARCH 31, 2018**

The Company has the following non-derivative financial liabilities: Trade and other payables, dividends payables, accruals, due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(ii) Share capital – ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

(b) Property and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other expense" in the condensed interim statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in condensed interim statement of comprehensive income as incurred.

(iii) Depreciation

Items of property and equipment are depreciated on a straight-line basis in statement of income over the estimated useful lives of each component. Land is not depreciated.

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

The depreciations rate of property and equipment for the current and previous year are as follows:

| | <u>Depreciation rate</u> |
|-------------------------|---|
| Buildings | 3 |
| Leasehold improvements | Shorter of lease term or useful life |
| Machinery and equipment | 10 |
| Furniture & fixture | 10 |
| Trucks | 7,14 with 20% Scrap value |
| Vehicles | 15-25 |
| Computers | 12,5-25 |
| Tools | 12-20 |

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Aldrees Petroleum and Transport Services Company

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For The Three Months Period Ended MARCH 31, 2018

(e) Projects under construction

Projects under construction are carried at cost, and when the project is ready for use, it is transferred to its own item of property and equipment.

(d) Revenue recognition

Revenue from sales is recognized when the goods are delivered and the services rendered to the customers. Revenue from the sale of the goods is recognized when all of the following conditions are met:

- The significant risks and rewards of ownership have been transferred to the customer.
- the Company no longer retains the ownership of the goods as an ongoing administrative intervention There is no continuing management involvement with the goods.
- The economic benefits associated with the sale are likely to flow.
- The associated costs and possible return of goods can be estimated reliably.

Rental income is recognized on a straight line basis over the term of the lease, And other income is recognized when earned.

The Company has adopted IFRS (15). Refer to note (3-X).

(e) Accounts receivable

Receivables are initially recognized at market value and are subsequently measured at amortized cost using the effective interest method less provision for impairment of financial assets for impairment of financial instruments. Refer to note (3-X).

(f) Accrued income

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

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined based on the weighted average principle, and includes expenditure incurred in acquiring the inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Offsetting

Financial liabilities are set off against financial assets, and the net amount is shown in the condensed interim financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

(i) Provisions

A provision is recognized if, as a result of a past event, the Company 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.

(j) Prepaid expenses

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

(k) Deferred costs

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

Aldrees Petroleum and Transport Services Company

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For The Three Months Period Ended MARCH 31, 2018

(l) Investment in jointly controlled entity

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

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

(m) Trade payable and accrued expenses

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

(n) Unearned revenue

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

(o) Zakat

Zakat is provided on accrual basis in accordance with the Regulations of the General Authority for Zakat and Income ("GAZI") in the Kingdom of Saudi Arabia, The zakat provision is charged to the condensed interim statement of comprehensive income, Any differences resulting from the final assessments are recorded in the year of their finalization.

(p) Employees' end of service indemnities

Provision for employees 'end of service benefits is deducted from their periods of service at the condensed interim financial position date. Provision for employees' end of service benefits is made according to the expected unit method in accordance with IAS 19 Employee Benefits, taking into account Saudi Labor Law. The provision is recognized based on the present value of the defined benefit obligation.

The present value of the defined benefit obligation is calculated using assumptions for the average annual salary increase ratio, the average work period of employees and an appropriate discount rate. The probabilities used are calculated on a constant basis for each period and reflect the best management estimates. The discount rate is determined based on the best available market returns estimates available at the reporting date.

The main assumptions used for actuarial valuation were as follows:

| | |
|----------------------------|------|
| Employee turn over | Slow |
| Increase salary | 4% |
| Discount rate of cash flow | 3.5% |

(q) Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the income for the year should be transferred to the statutory reserve, The Company may resolve to discontinue such transfers when the total reserve equals 30% of the capital, The reserve is not available for dividend distribution.

(r) Finance income and finance costs

Finance income comprises interest income from deposits at banks. Interest income is recognized as it accrues, using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the condensed interim statement of comprehensive income using the effective interest method.

(s) Foreign currency transactions

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

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(t) Impairment

(i) Financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the condensed interim statement of comprehensive income and reflected in an allowance account against loans and receivable. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognized in the condensed interim statement of comprehensive income, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(u) Expenses

Expenses incurred by the Company consist of administrative and general expenses, operating expenses and selling and marketing expenses. Sales costs are charged at full cost of materials, direct labor and indirect costs. Other direct and indirect expenses relating to management that are not related to the production function are classified as administrative and general expenses. Joint expenses are distributed, if necessary, between administrative and general expenses and operating expenses on a consistent basis. The accrual principle is applied in charging the financial period with administrative and general expenses. Sales and marketing expenses consist mainly of costs incurred in marketing the Company's products and services.

(v) Operating lease payments / received

Lease incentives received are recognized in the statement of profit or loss and other comprehensive income as an integral part of the total lease expenses. Payments made under operating leases are recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Increase in rent, which is considered to be due to inflation, is regarded as contingent rent and is recognized in the year in which they occur. Difference between rentals on the straight-line basis and contracted rentals are recognized as "accrued lease rentals" as an asset or a liability, as the case may be.

(w) Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments, Because the Company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

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(x) Changes in significant accounting policies

Except as described below, the accounting policies applied in these Condensed Interim Financial Statements are the same as those applied in the last annual Financial Statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the last annual Financial Statements as at and for the year ending 31 December 2018.

The Company has adopted IFRS (15) Revenue from Contracts with Customers and IFRS (9) Financial Instruments from 1 January 2018, the effect of application of these standards have been fully explained in below:

• **IFRS (9) Financial Instruments:**

In July 2014, the IASB issued the final version of IFRS (9) Financial Instruments that replace IAS (39) Financial Instruments: Recognition and Measurement and all previous versions of IFRS (9). IFRS (9) brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

IFRS (9) largely retains the existing requirements in IAS (39) for the classification and measurement of financial liabilities. However, it eliminates the previous IAS (39) categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS (9) has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS (9) on the classification and measurement of financial assets is set out below.

- **Classification and measurement**

Under IFRS (9), on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS (9) is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financing as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS (9).

The following accounting policies apply to the subsequent measurement of financial assets.

| | |
|------------------------------------|--|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

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The table below presents the new measurement categories in accordance with IFRS 9 "Financial Instruments" for the Company's financial assets category as of 1 January 2018:

| | <u>New classification under IFRS 9</u> | <u>Original carrying amount under IAS 39</u> | <u>New carrying amount under IFRS 9</u> |
|--------------------------------|--|--|---|
| Financial Assets | | | |
| Trade accounts receivable, net | Amortised Cost | 363,280,199 | 363,280,199 |
| Cash and cash equivalents | Amortised Cost | 46,083,128 | 46,083,128 |
| | | <u>409,363,327</u> | <u>409,363,327</u> |

- Impairment

IFRS (9) replaces the 'incurred loss' model in IAS (39) with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS (9), credit losses are recognised earlier than under IAS (39).

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired.

• IFRS (15) Revenue from Contracts with Customers.

IFRS (15) was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under this standard, revenue is recognized when the customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, which is in line with the requirements of IFRS (15). Accordingly, there is no material effect of adopting 'IFRS (15) Revenue from Contracts with Customers' on the recognition of Revenue of the Company.

The new revenue standard replaces all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

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(y) New Standards And Interpretations Not Yet Adopted

A number of new standards, amendments and improvements to standards and interpretations are effective for annual periods beginning on or after January 1, 2018, and have not been applied in preparing these condensed interim financial statements. Management is still in the process of assessing the potential impacts of the application of the new standards.

New standards

- **IFRS (16) Leases (effective from 1 January 2019).**

IFRS (16) was issued in January 2016 and IFRS (16) replaces existing leases guidance including 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-statement of financial position 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 recognize 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 recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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) also requires lessees and lessors to make more extensive disclosures than under IAS (17). IFRS (16) is effective for annual periods beginning on or after 01 January 2019. Early application is permitted, but not before an entity applies IFRS (15). A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Amendments

Annual Improvements to IFRSs (2015-2017) Cycle

- IFRS (3) Business Combinations and IFRS (11) Joint Arrangements.
- IAS (12) Income Taxes.
- IAS (23) Borrowing Costs.

The Company expects to apply the above standards and interpretations (improvements) in the condensed interim financial statements by the date stated in the Standard with no significant impact on the Company's condensed interim financial statements.

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4) INVESTMENT IN JOINT VENTURES

On 21 Sha'aban 1434 (corresponding to 30 June 2013), the Company has signed a joint venture (JV) agreement with Bertschi AG, an entity incorporated in Switzerland, to establish a jointly controlled entity to provide logistic services. During the period ended 22 March 2015, the Company and co-venture have made a contribution of SR 500,000 each towards the establishment of the jointly controlled entity.

The apparent balance in the condensed interim financial position for the period ended March 31, 2018 with an amount of SR 3,982,033 (31 December 2017: 4,144,121) for Bertschi AG, the Swiss company.

The following is the movement in the investments account.

| | Bertschi AG <i>As of 31 March 2018</i> SR | Bertschi AG <i>As of 31 Decmber 2017</i> SR |
|--------------------------------|---|---|
| At the beginning of the period | 2,311,652 | 1,822,737 |
| Investment gain | - | 488,915 |
| At the end of period | <u>2,311,652</u> | <u>2,311,652</u> |

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5) LOANS

In the normal course of business, the Company has obtained Islamic long term and short term facilities from various local commercial banks as of March 31, 2018 amounting to SR 2,305 million (31 December 2017: SR 2,380 million). These facilities include advances in the current account, short term and long term Tawarruq loans, notes payable, letters of guarantee against the advance payments and contracts performance. The Company has unutilized facilities amounting to SR 997 million (31 December 2017: SR 1,061 million). The following is the details of outstanding balance as of 31 March:

- a) Short-term loans outstanding amounted to SR 335,999,998 (31 December 2017: SR 338,000,000).
 b) Long term loans consist of the following:

| Bank | Type of facilities | Facility amount | | Utilized amount | | Outstanding Balance | | Purpose | Repayment Frequency | Starting date | Ending date |
|--------------------------|-----------------------------------|---------------------|------------------------|---------------------|------------------------|---------------------|------------------------|---|---------------------|------------------|------------------|
| | | As of 31 March 2018 | As of 31 December 2017 | As of 31 March 2018 | As of 31 December 2017 | As of 31 March 2018 | As of 31 December 2017 | | | | |
| Riyad | Revolving long term tawarruq loan | 150,000,000 | 150,000,000 | 88,000,000 | 88,000,000 | 80,666,667 | 88,000,000 | Finance the operations | Monthly | 30 March 2013 | 7 March 2020 |
| Samba Financial Group | Revolving Long term tawarruq loan | 35,000,000 | 100,000,000 | - | - | 1,275,313 | 2,368,437 | Finance the working capital and acquisition of property and equipment | Quarterly | 29 December 2013 | 17 June 2018 |
| Al Bilad Bank | Revolving long term tawarruq loan | 50,000,000 | 150,000,000 | 22,000,000 | 22,000,000 | 32,542,951 | 41,413,534 | Acquisition of trucks and fuel stations | Monthly | 4 July 2012 | 17 August 2020 |
| National Commercial Bank | Long term tawarruq financing | 125,000,000 | 125,000,000 | 120,000,000 | 120,000,000 | 120,000,000 | 120,000,000 | Acquisition of trucks | Quarterly | 15 April 2017 | 15 February 2020 |
| | | <u>360,000,000</u> | <u>525,000,000</u> | <u>230,000,000</u> | <u>230,000,000</u> | <u>234,484,931</u> | <u>251,781,971</u> | | | | |

The above facilities bear finance charges at SIBOR plus agreed margins and are secured by promissory notes issued by the Company. Certain of the above facilities are also secured by assignment of contracts proceeds.

The loan agreements referred to above includes financial covenants relating to current ratio, liabilities to total equity ratio, net gearing ratio, debt service coverage ratio and total condensed interim shareholders' equity.

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6) SHARE CAPITAL

The Company's share capital at 31 March 2018 amounted to SR 500 million (31 December 2017: SR 500 million) consisting of 31 March 2018, 50 million (31 December 2017: 50 million) fully paid and issued share of SR 10 each.

7) DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

The general assembly in its meeting on 17 Jumada al-Thani 1439H (corresponding to 05 March 2018) has approved to distribute cash dividends amounting to SR 50 million representing SR 1 per share representing 10% of the Company's and to disburse remunerations for the Company's Board of Directors amounting to SR 1.4 million.

8) PROVISION FOR ZAKAT

Status of assessment

The Company has filed its zakat declaration for all years up to 31 December 2017. The assessments have been finalized with the General Authority of Zakat and Income Tax (the "GAZT") for all years up to 31 December 2007. The GAZT has raised an assessment amounting to SR 7 million for the years ended 31 December 2008, 2009 and 2010. The Company has contested against the assessment with the GAZT. The management believes that the final outcome of the assessment will be in the company favour, which comply with the zakat advisory opinion, and accordingly, the Company has not provided for any potential additional liability, which might arise from the assessment and also from potential assessment of open years in these financial statements. The assessments for the years ended 31 December 2011 to 2016 have not been raised by the GAZT, as yet.

9) EARNINGS PER SHARE

Earnings per share attributable to income from operations and net income was calculated by dividing income from operations and net income for the period by the weighted average number of outstanding shares of 50 million as of 31 March 2018.

The number of shares have been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

10) COMMITMENTS AND CONTINGENCIES

- a) At 31 March 2018, the Company has outstanding contingent liabilities in the form of letters of guarantee amounting to SR 727,2 million (31 December 2017: SR 729,2 million).

In addition, the company has capital commitments as of 31 March 2018 amounting to SR 62.7 million (31 December 2017: SR 100,4 million).

- b) The expenses under operating leases for the period ended 31 March 2018 amounting to SR 70,1 million (2017: SR 61,5million) and included in the cost of revenues.

The Company has commitment under the related operating lease as follows:

| | 31 March 2018 | 31 December |
|--------------------|----------------------|--------------------|
| | SR | 2017 |
| | SR | SR |
| Within one year | 145,510,420 | 145,465,420 |
| More than one year | 1,398,486,318 | 1,394,371,318 |
| | 1,543,996,738 | 1,539,836,738 |

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11) SEGMENTAL INFORMATION

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

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

- Petroleum Service Segment
- Transport Services Segment

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

| | <i>Petroleum service</i> | <i>Transport Services</i> | <i>Intercompany eliminations</i> | <i>Total</i> |
|-----------------------------------|------------------------------|-------------------------------|--------------------------------------|---------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| <u>As of 31 March 2018</u> | | | | |
| Total assets | 1,289,798,759 | 672,337,343 | (22,415,958) | 1,939,720,144 |
| Total liabilities | 953,374,691 | 379,823,576 | (22,415,958) | 1,310,782,309 |
| Revenue | 1,236,024,056 | 69,529,399 | (20,377,880) | 1,285,175,575 |
| Gross profit | 39,046,353 | 19,138,750 | - | 58,185,103 |
| Depreciation and amortization | 13,414,822 | 12,147,419 | - | 25,562,241 |
| Income from operations | 20,883,314 | 8,588,032 | - | 29,471,346 |
| Net income | 17,812,916 | 6,760,561 | - | 24,573,477 |
| Deferred cost additions | - | - | - | - |
| Capital expenditure additions | 30,332,921 | 3,912,525 | - | 34,245,446 |
| <u>As of 31 March 2017</u> | | | | |
| Total assets | 1,035,011,891 | 687,830,408 | (70,453,161) | 1,652,389,138 |
| Total liabilities | 712,133,913 | 403,801,145 | (70,453,161) | 1,045,481,897 |
| Revenue | 806,995,201 | 51,905,473 | (18,509,537) | 840,391,137 |
| Gross profit | 32,739,407 | 9,764,963 | - | 42,504,370 |
| Depreciation and amortization | 8,514,567 | 11,464,669 | - | 19,979,236 |
| Income from operations | 17,443,292 | 13,934 | - | 17,457,226 |
| Net income | 15,527,764 | (946,019) | - | 14,581,745 |
| Deferred cost additions | 1,150,000 | - | - | 1,150,000 |
| Capital expenditure additions | 62,014,817 | 18,338,841 | - | 80,353,658 |

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12) FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Commission rate risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

Risk management framework

The management has overall responsibility for the establishment and oversight of company's risk management framework.

The company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

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

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the financial position date was as follows:

| <i>In Saudi Riyal</i> | Requested value | |
|--------------------------------|---------------------------------|------------------------------------|
| | As of March 31, 2018 | As of December 31, 2017 |
| Trade accounts receivable, net | 457,171,348 | 363,280,199 |
| Cash at banks | 51,762,162 | 46,083,128 |
| Accrued income | 46,995,235 | 42,647,183 |
| Other assets | 35,520,270 | 37,804,363 |
| Due from related parties | 3,982,033 | 4,144,121 |
| | 595,431,048 | 493,958,994 |

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Liquidity risk

It is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value, The Company manages its liquidity risk by ensuring that Islamic bank facilities are available, The terms and conditions of the facilities are disclosed in note 5, The Company's terms of sales require amounts to be paid either on cash on delivery or on terms basis, Trade payables are normally settled within 60 days of the date of purchase.

The following are the contracted maturities of financial liabilities, including estimated interest payments:

March 31, 2018

| In Saudi Riyal | Carrying Amount | Contractual Cash Flows | Less than a year | More than a year |
|--|------------------------|-------------------------------|-------------------------|-------------------------|
| Loans | 570,484,929 | (570,484,929) | (410,296,572) | (160,188,357) |
| Trade payables | 449,183,169 | (449,183,169) | (449,183,169) | - |
| Due to a related party | 17,012,862 | (17,012,862) | (17,012,862) | - |
| Accrued expenses and other liabilities | 215,204,303 | (215,204,303) | (215,204,303) | - |
| Zakat payable | 4,809,642 | (4,809,642) | (4,809,642) | - |
| Employees' end of service indemnities | 54,087,404 | (54,087,404) | - | (54,087,404) |
| | 1,310,782,309 | (1,310,782,309) | (1,096,506,548) | (214,275,761) |

December 31, 2017

| In Saudi Riyal | Carrying Amount | Contractual Cash Flows | Less than a year | More than a year |
|--|------------------------|-------------------------------|-------------------------|-------------------------|
| Loans | 589,781,971 | (589,781,971) | (417,996,861) | (171,785,110) |
| Trade payables | 268,997,507 | (268,997,507) | (268,997,507) | - |
| Due to a related party | 5,855,808 | (5,855,808) | (5,855,808) | - |
| Accrued expenses and other liabilities | 211,724,055 | (211,724,055) | (211,724,055) | - |
| Zakat payable | 4,586,069 | (4,586,069) | (4,586,069) | - |
| Employees' end of service indemnities | 53,457,001 | (53,457,001) | - | (53,457,001) |
| | 1,134,402,411 | (1,134,402,411) | (909,160,300) | (225,242,111) |

Commission rate risk

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

Currency risk

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

13) INTERIM RESULTS

The results of operations for the condensed interim periods may not be an accurate indication of the results of the full year operations.

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14) COMPARATIVE FIGURES

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

15) APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by the Board of Directors on 02 Sha'aban 1439H (18 April 2018).

