

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



CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2019
TOGETHER WITH REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS





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

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Amro Mahmoud Abouelmaaty Siam
FM



Hamad Mohammad Aldrees
Chairman



Eng. Abdulelah Saad Aldrees
CEO

**REPORT ON REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

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

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of **ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY (the "Company")** as at 30 June 2019, and the related condensed interim statement of comprehensive income for the three and six month periods ended 30 June 2019, and the related condensed interim statements of changes in shareholders' equity and cash flows for the six-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 condensed interim 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 condensed interim 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 condensed interim 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 condensed interim 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**



13 Dhu al-Qidah 1440 H (July 16, 2019)
Riyadh, Kingdom of Saudi Arabia



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

CONDENSED INTERIM FINANCIAL POSITION

AS Of June 30, 2019

(All amounts in Saudi Riyals)

	Note	30 June 2019 (Unaudited)	"Restated" 31 December 2018 (Audited)	"Restated" 1 January 2018 (Audited)
ASSETS				
NON CURRENT ASSETS				
Property and equipment, net	4	1,085,382,568	1,068,191,912	1,036,879,655
Right-of-use assets	3-1	1,526,476,065	1,562,669,633	1,674,711,280
Deferred costs, net		13,129,318	7,723,002	14,480,937
Investment in joint ventures	5	4,861,563	4,861,563	2,311,652
TOTAL NON CURRENT ASSETS		2,629,849,514	2,643,446,110	2,728,383,524
CURRENT ASSETS				
Due from a related party	6	2,994,972	3,931,599	4,144,121
Other assets		43,422,818	42,204,759	37,804,363
Prepaid expenses		81,710,856	73,464,312	64,892,793
Inventories, net		71,809,517	65,390,031	38,469,947
Accrued income		28,235,088	24,128,164	42,647,183
Trade accounts receivable, net		395,111,098	426,854,351	363,280,199
Cash and cash equivalents		95,246,825	46,062,378	46,083,128
TOTAL CURRENT ASSETS		718,531,174	682,035,594	597,321,734
TOTAL ASSETS		3,348,380,688	3,325,481,704	3,325,705,258
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	8	600,000,000	500,000,000	500,000,000
Statutory reserve		36,387,045	107,335,284	98,978,569
Retained earnings		17,176,002	51,168,177	37,923,492
TOTAL SHAREHOLDERS' EQUITY		653,563,047	658,503,461	636,902,061
LIABILITIES				
NON CURRENT LIABILITIES				
Long term loans	7	55,565,642	102,807,916	171,785,110
Lease liabilities	3-1	1,240,377,573	1,246,497,171	1,341,427,531
Employees' end of service indemnities		62,617,291	56,771,528	53,457,001
TOTAL NON CURRENT LIABILITIES		1,358,560,506	1,406,076,615	1,566,669,642
CURRENT LIABILITIES				
Provision for zakat payable	10	1,114,904	4,933,188	4,586,069
Lease liabilities	3-1	192,121,152	206,983,255	212,973,255
Accrued expenses and other liabilities		251,698,562	219,959,076	211,724,055
Due to a related party	6	10,376,131	7,581,502	5,855,808
Trade payables		400,279,721	407,161,142	268,997,507
Current portion of long term loans	7	60,666,665	64,611,889	79,996,861
Short term loans	7	420,000,000	349,671,576	338,000,000
TOTAL CURRENT LIABILITIES		1,336,257,135	1,260,901,628	1,122,133,555
TOTAL LIABILITIES		2,694,817,641	2,666,978,243	2,688,803,197
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,348,380,688	3,325,481,704	3,325,705,258

The accompany from (1) to (17) 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
 FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2019
 (All amounts in Saudi Riyals)

	<i>For the three months period ended</i>		<i>For the six months period ended</i>		
	<i>30 June 2019</i>	<i>"Restated" 30 June 2018</i>	<i>30 June 2019</i>	<i>"Restated" 30 June 2018</i>	
Revenue	1,326,455,162	1,290,306,376	2,626,253,110	2,575,481,951	
Cost of revenue	(1,262,589,568)	(1,227,426,541)	(2,494,745,172)	(2,443,454,483)	
GROSS PROFIT FOR THE PERIOD	63,865,594	62,879,835	131,507,938	132,027,468	
EXPENSES					
Selling and marketing	(1,479,967)	(1,346,122)	(2,729,378)	(4,486,286)	
General and administration	(29,427,605)	(25,366,689)	(59,167,247)	(50,940,282)	
INCOME FROM OPERATIONS	32,958,022	36,167,024	69,611,313	76,600,900	
Financial charges	(15,357,292)	(20,413,759)	(32,136,307)	(38,908,679)	
Other income, net	379,480	(179,855)	13,753,080	424,706	
INCOME BEFORE ZAKAT ESTIMATED FOR THE PERIOD	17,980,210	15,573,410	51,228,086	38,116,927	
Zakat estimate	(708,500)	(450,000)	(4,068,500)	(900,000)	
NET INCOME FOR THE PERIOD	17,271,710	15,123,410	47,159,586	37,216,927	
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 for the period	17,271,710	15,123,410	47,159,586	37,216,927	
Earnings per share from:					
Income from operations	11	0.55	0.60	1.16	1.28
Net income	11	0.29	0.25	0.79	0.62

The accompany from (1) to (17) 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
 FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019
 (All amounts in Saudi Riyals)

	<i>Share Capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2018 (Audited)	500,000,000	98,978,569	56,785,789	655,764,358
Adjustments (note 3-1)	-	-	(18,862,297)	(18,862,297)
Balance at 1 January 2018 "Restated"	500,000,000	98,978,569	37,923,492	636,902,061
Dividends	-	-	(50,000,000)	(50,000,000)
Board of directors' remunerations	-	-	(1,400,000)	(1,400,000)
Total comprehensive income for the period	-	-	37,216,927	37,216,927
Balance at 30 June 2018	500,000,000	98,978,569	23,740,419	622,718,988
Balance at 1 January 2019	500,000,000	107,335,284	81,151,761	688,487,045
Adjustments (note 3-1)	-	-	(29,983,584)	(29,983,584)
Balance at 1 January 2019 "Restated"	500,000,000	107,335,284	51,168,177	658,503,461
Transfer to capital	100,000,000	(70,948,239)	(29,051,761)	-
Dividends (note 9)	-	-	(50,000,000)	(50,000,000)
Board of directors' remunerations (note 9)	-	-	(2,100,000)	(2,100,000)
Total comprehensive income for the period	-	-	47,159,586	47,159,586
Balance at 30 June 2019	600,000,000	36,387,045	17,176,002	653,563,047



The accompany from (1) to (17) are integrated part of these condensed interim financial statements.

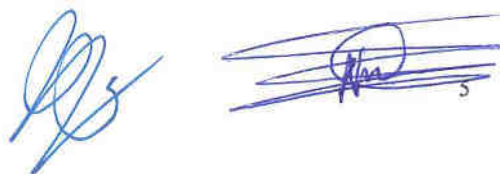


Aldrees Petroleum and Transport Services Company
(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019
 (All amounts in Saudi Riyals)

	<u>30 June 2019</u>	<u>"Restated"</u> <u>30 June 2018</u>
OPERATING ACTIVITIES		
Income before zakat estimated	51,228,086	38,116,927
Adjustment for:		
Depreciation	46,048,622	44,815,407
Depreciation of right of use asset	95,939,475	101,077,907
Amortization of deferred costs	2,111,189	4,494,670
Written off deferred costs	5,720,000	-
Loss on sale of property and equipment	161,715	884,025
Provision for employees' end-of-service indemnities	12,044,652	4,174,828
	<u>213,253,739</u>	<u>193,563,764</u>
Changes in operating assets and liabilities:		
Trade accounts receivable	31,743,253	(124,945,099)
Accrued income	(4,106,924)	(8,722,023)
Inventories	(6,419,486)	(41,477,802)
Prepaid expenses	(8,246,544)	18,575,247
Other assets	(1,218,059)	(1,443,417)
Net change in related parties	3,731,256	9,486,508
Trade payables	(6,881,421)	141,578,598
Accrued expenses and other liabilities	31,739,486	2,491,566
	<u>253,595,300</u>	<u>189,107,342</u>
Cash from operations	<u>253,595,300</u>	<u>189,107,342</u>
Employees' end-of-service indemnities paid	(6,198,889)	(2,766,162)
Zakat paid	(7,886,784)	(1,933,487)
	<u>239,509,627</u>	<u>184,407,693</u>
Net cash from operating activities	<u>239,509,627</u>	<u>184,407,693</u>
INVESTING ACTIVITIES		
Deferred costs	(13,237,505)	-
Purchase of property and equipment	(65,958,681)	(60,431,750)
Proceeds from sale of property and equipment	2,881,118	209,650
	<u>(76,315,068)</u>	<u>(60,222,100)</u>
Net cash used in investing activities	<u>(76,315,068)</u>	<u>(60,222,100)</u>
FINANCING ACTIVITIES		
Proceeds from short term loans	2,025,000,000	2,159,766,712
Repayment of short term loans	(1,954,671,576)	(2,035,100,185)
Repayment of long term loans	(51,187,498)	(45,494,123)
Repayment of lease liabilities	(81,051,038)	(95,517,262)
Dividends paid	(50,000,000)	(50,000,000)
Board of directors' remunerations	(2,100,000)	(1,400,000)
	<u>(114,010,112)</u>	<u>(67,744,858)</u>
Net cash used in financing activities	<u>(114,010,112)</u>	<u>(67,744,858)</u>
CHANGE IN CASH AND CASH EQUIVALENTS BALANCES	<u>49,184,447</u>	<u>56,440,735</u>
CASH AND CASH EQUIVALENTS BALANCES, AT BEGINNING	<u>46,062,378</u>	<u>46,083,128</u>
CASH AND CASH EQUIVALENTS BALANCES, END OF PERIOD	<u><u>95,246,825</u></u>	<u><u>102,523,863</u></u>
Non cash item:		
Capital increase	100,000,000	-

The accompany from (1) to (17) 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 FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

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 2018. 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.

In these condensed interim financial statements have been applied International Standard for Financial Reporting (16). Changes to significant accounting policies are described in Note (3-1).

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 617,725,961 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

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

2) BASIS OF PREPARATION (continue)

(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.
- The management estimates the allowance for credit losses by reference to a combination of factors to ensure that the value of current assets is not increased because of the probability of non-collection, including their quality, age, credit rating and collateral, and economic data and indicators are taken into account.
- 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 causes 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 (16) Note (3-1).

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.

Aldrees Petroleum and Transport Services Company

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

2) BASIS OF PREPARATION (continue)

Fair value measurement (continue)

- 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.

3) SIGNIFICANT ACCOUNTING POLICIES

3-1 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 2018. 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 2019.

The Company has adopted IFRS (16) "Leases" from 1 January 2018, the effect of application of these standards have been fully explained in below. There are no other new standards issued, however, there are number of amendments to standards which are effective from 1 January 2020, but they do not have a material effect on the Company's Condensed Interim Financial Statements. Refer to note (3-1).

- **IFRS (16) Leases.**

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.

(a) Adjustment recognised on adoption of IFRS 16

The Company has adopted IFRS 16 on 1 January 2018, using full retrospective approach, therefore, the cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings at 1 January 2018, with a restatement of comparative information. The Company has applied the practical expedient to grandfather the definition of a lease on transition i.e. all contracts entered into before 1 January 2018 are identified as leases in accordance with IAS 17 and IFRIC 4.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-1 Changes in significant accounting policies (Continued)

The impact of adopting IFRS 16 on the Statement of Financial Position as at 1 January 2018 and 31 December 2018 and Statement of Profit or Loss for the period ended 30 June 2018 are as follows;

Effects of IFRS (16) on the opening statement of financial position as at 1 January 2018 (extract)

	<i>Amounts previously reported SR</i>	<i>Effect of IFRS 16 SR</i>	<i>Amounts of financial position after applied the standard SR</i>
ASSETS			
NON CURRENT ASSETS			
Right-of-use assets	-	1,674,711,280	1,674,711,280
TOTAL NON CURRENT ASSETS	1,053,672,244	1,674,711,280	2,728,383,524
CURRENT ASSETS			
Prepaid expenses	204,065,584	(139,172,791)	64,892,793
TOTAL CURRENT ASSETS	736,494,525	(139,172,791)	597,321,734
TOTAL ASSETS	1,790,166,769	1,535,538,489	3,325,705,258
SHAREHOLDERS' EQUITY			
Retained earnings	56,785,789	(18,862,297)	37,923,492
TOTAL SHAREHOLDERS' EQUITY	655,764,358	(18,862,297)	636,902,061
LIABILITIES			
NON CURRENT LIABILITES			
Lease liabilities	-	1,341,427,531	1,341,427,531
TOTAL NON CURRENT LIABILITIES	225,242,111	1,341,427,531	1,566,669,642
CURRENT LIABILITIES			
Lease liabilities	-	212,973,255	212,973,255
TOTAL CURRENT LIABILITIES	909,160,300	212,973,255	1,122,133,555
TOTAL LIABILITIES	1,134,402,411	1,554,400,786	2,688,803,197
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,790,166,769	1,535,538,489	3,325,705,258

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-1 Changes in significant accounting policies (Continued)

Effects of IFRS (16) on the statement of financial position as at 31 December 2018 (extract)

	<i>Amounts previously reported</i> SR	<i>Effect of IFRS 16</i> SR	<i>Amounts of financial position after applied the standard</i> SR
ASSETS			
NON CURRENT ASSETS			
Right-of-use assets	-	1,562,669,633	1,562,669,633
TOTAL NON CURRENT ASSETS	1,080,776,477	1,562,669,633	2,643,446,110
CURRENT ASSETS			
Prepaid expenses	212,637,103	(139,172,791)	73,464,312
TOTAL CURRENT ASSETS	821,208,385	(139,172,791)	682,035,594
TOTAL ASSETS	1,901,984,862	1,423,496,842	3,325,481,704
SHAREHOLDERS' EQUITY			
Retained earnings	81,151,761	(29,983,584)	51,168,177
TOTAL SHAREHOLDERS' EQUITY	688,487,045	(29,983,584)	658,503,461
LIABILITIES			
NON CURRENT LIABILITES			
Lease liabilities	-	1,246,497,171	1,246,497,171
TOTAL NON CURRENT LIABILITIES	159,579,444	1,246,497,171	1,406,076,615
CURRENT LIABILITIES			
Lease liabilities	-	206,983,255	206,983,255
TOTAL CURRENT LIABILITIES	1,053,918,373	206,983,255	1,260,901,628
TOTAL LIABILITIES	1,213,497,817	1,453,480,426	2,666,978,243
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,901,984,862	1,423,496,842	3,325,481,704

Effects of IFRS (16) on the statement of profit or loss for the six months period ended 30 June 2018 (extract)

	<i>Amounts previously reported</i> SR	<i>Effect of IFRS 16</i> SR	<i>Amounts of profit or loss after applied the standard</i> SR
Cost of sales	(2,466,284,204)	22,829,721	(2,443,454,483)
Gross profit	109,197,747	22,829,721	132,027,468
income from operations	53,771,179	22,829,721	76,600,900
Financial charges	(10,518,313)	(28,390,366)	(38,908,679)
Income before zakat estimated	43,677,572	(5,560,645)	38,116,927
Net income for the period	42,777,572	(5,560,645)	37,216,927
Earnings per share from:			
Income from operations	0,90	0,38	1,28
Net income	0,71	(0,09)	0,62

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3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-1 Changes in significant accounting policies (Continued)

Effects of IFRS (16) on the statement of cash flow for the six months period ended 30 June 2018 (extract)

	<i>Amounts previously reported SR</i>	<i>Effect of IFRS 16 SR</i>	<i>Amounts of cash flow after applied the standard SR</i>
Net cash from operating activities	88,890,431	95,517,262	184,407,693
Net cash used in financing activities	27,772,404	(95,517,262)	(67,744,858)

(b) Accounting Policies

The Company has recognized new assets and liabilities for its operating leases of various types of contracts including warehouse and depot facilities, accommodation / office rental premises, etc. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

ii. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in Condensed Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Additions to Right-of-Use assets during the six-months period ended 30 June 2019 is 121,9 (31 December 2018: SAR 90,3 million)

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3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-1 Changes in significant accounting policies (Continued)

Lease liabilities as at period / year end are as follows

	<i>30 June 2019</i> <u>SR</u>	<i>31 December 2018</i> <u>SR</u>	<i>01 January 2018</i> <u>SR</u>
Non-Current portion of Lease Liabilities	1,240,377,573	1,246,497,171	1,341,427,531
Current portion of Lease Liabilities	192,121,152	206,983,255	212,973,255
Total Lease Liabilities	<u>1,432,498,725</u>	<u>1,453,480,426</u>	<u>1,554,400,786</u>

The total interest expense on lease liabilities recognized during the period ended 30 June 2019 is SAR 22,3 million. (30 June 2018: SAR 28,4 million).

3-2 Annual Improvements to IFRSs (2015-2017) Cycle

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

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4) PROPERTY AND EQUIPMENT, NET

During the six months period ended June 30, 2019, the Company addition to property and equipment were SAR 65,958,681 as at June 30, 2019 (SAR 60,431,750 as at June 30, 2018).

During the six months period ended June 30, 2019, the Company disposed of property and equipment with a net book value of SAR 3,042,833 (June 30, 2018: SAR 1,093,675), which resulted in losses on sale of property and equipment for the six month period on 30 June 2019 amounting to SAR 161,715 (June 30, 2018: SAR 884,025).

During the six months period ended June 30, 2019, depreciation expense of property and equipment amounted to SAR 46,048,622 (SAR 44,815,407 for the six months ended June 30, 2018)

5) 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 following is the movement in the investments account.

	<i>As of 30 June 2019 SR</i>	<i>As of 31 December 2018 SR</i>	<i>As of 1 January 2018 SR</i>
At the beginning of the period	4,861,563	2,311,652	1,822,737
Investment gain	-	2,549,911	488,915
At the end of period	4,861,563	4,861,563	2,311,652

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6) RELATED PARTIES

During the period, the Company dealt with the related parties mentioned below. These transactions were made during the ordinary business cycle and the terms of these transactions were approved by the Board of Directors.

<i>Name</i>	<i>Relationship</i>
Mr. Hamad Mohammed Aldrees	Shareholder
Mr. Abdulmohsen Mohammed Aldrees	Shareholder
AI - Drees for Industry and Trading	Affiliate
Seven Lights Trading Company	Affiliate
Aldrees Bertschi Joint	Affiliate

The following are the most important transactions with related parties:

Nature of the transaction	<i>As of 30 June 2019</i> SR	<i>As of 31 December 2018</i> SR	<i>As of 1 January 2018</i> SR
Purchase of machinery, equipment and spare parts	<u>6,017,729</u>	<u>17,673,098</u>	<u>16,433,196</u>
Rental lands	<u>1,920,000</u>	<u>2,190,878</u>	<u>2,197,025</u>
Interest-free financing	<u>2,994,972</u>	<u>3,931,599</u>	<u>4,144,121</u>

The balances of related parties are as follows:

	<i>As of 30 June 2019</i> SR	<i>“Restated”</i> <i>As of 31 December 2018</i> SR	<i>“Restated”</i> <i>As of 1 January 2018</i> SR
<u>Due from a related party:</u>			
Aldrees Bertschi	<u>2,994,972</u>	<u>3,931,599</u>	<u>4,144,121</u>
<u>Due to related party:</u>			
AI - Drees for Industry and Trading	<u>10,376,131</u>	<u>7,581,502</u>	<u>5,855,808</u>

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7) 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 June 30, 2019 amounting to SR 2,300 million (31 December 2018: SR 2,355 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 957,7 million (31 December 2018: SR 1,035 million). The following is the details of outstanding balance as of 30 June:

- Short-term loans outstanding amounted to SR 420,000,000 (31 December 2018: SR 349,671,576) (01 January 2018: SR 338,000,000).
- Long term loans consist of the following:

Bank	Type of facilities	Facility amount in SR			Utilized amount in SR			Outstanding Balance in SR			Purpose	Repayment frequency	Repayment	
		<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>January 01, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>January 01, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>January 01, 2018</u>			<u>Starting date</u>	<u>Ending date</u>
Riyadh Bank	Revolving long term tawarruq financing	150,000,000	150,000,000	150,000,000	88,000,000	88,000,000	88,000,000	51,333,332	70,888,889	88,000,000	Finance the operations	Monthly	30 March 2013	7 March 2020
Samba Financial Group	Revolving Long term tawarruq financing	-	35,000,000	100,000,000	-	-	-	-	-	2,368,437	Finance the working capital and acquisition of property and equipment	Quarterly	29 September 2013	17 June 2018
Al Bilad Bank	Revolving long term tawarruq financing	100,000,000	100,000,000	150,000,000	22,000,000	22,000,000	22,000,000	8,898,975	16,530,916	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	125,000,000	120,000,000	120,000,000	000,000	56,000,000	80,000,000	120,000,000	Acquisition of trucks	Quarterly	15 April 2017	15 February 2020
		<u>375,000,000</u>	<u>410,000,000</u>	<u>525,000,000</u>	<u>230,000,000</u>	<u>230,000,000</u>	<u>230,000,000</u>	<u>116,232,307</u>	<u>167,419,805</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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8) SHARE CAPITAL

The Company's share capital at 30 June 2019 amounted to SR 600 million (31 December 2018: SR 500 million) of 60 million shares (2018: 50 million shares) fully paid with a nominal value of SAR 10 per share.

9) DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

The general assembly in its meeting on 14 Rajb 1440H (corresponding to 18 March 2019) 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 2,1 million.

10) PROVISION FOR ZAKAT

Status of assessment

The Company has filed its zakat declaration for all years up to 31 December 2018. The assessments have been finalized with the General Authority of Zakat and Income Tax (the "GAZT") for all years up to 31 December 2016. The General Authority made a settlement with the Company and the settlement amount was paid.

The assessments for the year ended December 31, 2017 and 2018 have not been raised by the GAZT, yet.

11) 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 60 million as of 30 June 2019(30 June 2018: 0 million shares).

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

12) COMMITMENTS AND CONTINGENCIES

At 30 June 2019, the Company has outstanding contingent liabilities in the form of letters of guarantee amounting to SR 806,1 million (31 December 2018: SR 802.8 million).

In addition, the company has capital commitments as of 30 June 2019 amounting to SR 30,6 million (31 December 2018: SR 51,4 million).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

13) 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 30 June 2019 – unaudited</u>				
Total assets	2,792,142,988	670,555,576	(114,317,876)	3,348,380,688
Total liabilities	2,466,582,450	342,553,067	(114,317,876)	2,694,817,641
Revenue	2,485,286,576	179,174,751	(38,208,217)	2,626,253,110
Cost of Revenue	2,412,330,435	120,622,954	(38,208,217)	2,494,745,172
Gross profit	72,956,141	58,551,797	-	131,507,938
Depreciation and amortization	24,816,037	23,343,774	-	48,159,811
Income from operations	39,364,806	30,246,507	-	69,611,313
Net income	19,157,077	28,002,509	-	47,159,586
Deferred cost additions	13,237,505	-	-	13,237,505
Capital expenditure additions	56,797,553	9,161,128	-	65,958,681
<u>Total assets and Liabilities</u>				
<u>As of 31 December 2018 "Restated"</u>				
Total assets	2,756,284,278	685,824,255	(116,626,829)	3,325,481,704
Total liabilities	2,418,895,181	364,709,891	(116,626,829)	2,666,978,243
<u>As of 30 June 2018 - "Restated"</u>				
Revenue	2,476,411,904	140,188,202	(41,118,155)	2,575,481,951
Cost of Revenue	2,383,547,341	101,025,297	(41,118,155)	2,443,454,483
Gross profit	92,864,563	39,162,905	-	132,027,468
Depreciation and amortization	25,292,082	24,017,995	-	49,310,077
Income from operations	58,878,961	17,721,939	-	76,600,900
Net income	24,112,893	13,104,034	-	37,216,927
Capital expenditure additions	55,377,199	5,054,551	-	60,431,750
<u>Total assets and Liabilities</u>				
<u>As of 01 January 2018 "Restated"</u>				
Total assets	2,707,773,481	671,807,107	(53,875,330)	3,325,705,258
Total liabilities	2,362,858,771	379,819,756	(53,875,330)	2,688,803,197

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

14) 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 June 30, 2019	As of December 31, 2018	As of January 01, 2018
Trade accounts receivable, net	395,111,098	426,854,351	363,280,199
Cash and cash equivalents	95,246,825	46,062,378	46,083,128
Accrued income	28,235,088	24,128,164	42,647,183
Other assets	43,422,818	42,204,759	37,804,363
Due from related parties	2,994,972	3,931,599	4,144,121
	565,010,801	543,181,251	493,958,994

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

14) FINANCIAL RISK MANAGEMENT (continued)

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 ٧. 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:

June 30, 2019

In Saudi Riyal	Carrying Amount	Contractual Cash Flows	Less than a year	More than a year
Loans	536,232,307	(536,232,307)	(480,666,665)	(55,565,642)
Trade payables	400,279,721	(400,279,721)	(400,279,721)	-
Due to related party	10,376,131	(10,376,131)	(10,376,131)	-
Accrued expenses and other liabilities	251,698,562	(251,698,562)	(251,698,562)	-
Zakat payable	1,114,904	(1,114,904)	(1,114,904)	-
Employees' end of service indemnities	62,617,291	(62,617,291)	-	(62,617,291)
	1,262,318,916	(1,262,318,916)	(1,144,135,983)	(118,182,933)

December 31, 2018

In Saudi Riyal	Carrying Amount	Contractual Cash Flows	Less than a year	More than a year
Loans	517,091,381	(517,091,381)	(414,283,465)	(102,807,916)
Trade payables	407,161,142	(407,161,142)	(407,161,142)	-
Due to related party	7,581,502	(7,581,502)	(7,581,502)	-
Accrued expenses and other liabilities	219,959,076	(219,959,076)	(219,959,076)	-
Zakat payable	4,933,188	(4,933,188)	(4,933,188)	-
Employees' end of service indemnities	56,771,528	(56,771,528)	-	(56,771,528)
	1,213,497,817	(1,213,497,817)	(1,053,918,373)	(159,579,444)

January 01, 2018

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 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)

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14) FINANCIAL RISK MANAGEMENT (continued)

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.

15) 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.

16) COMPARATIVE FIGURES

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

17) APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by the Board of Directors on 13 Dhū al-Qa‘dah 1440H (16 July 2019).