

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

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



**Crowe**

Al Azem, Al Sudairy, Al Shaikh & Partners  
CPA's & Consultants - Member Crowe Global




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

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FOR THE YEAR ENDED December 31, 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Amro Mahmoud Abouelmaaty Siam  
FM

  
Hamad Mohammad Aldrees  
Chairman

  
Eng. Abdulelah Saad Aldrees  
CEO



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of **ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY (the "Company")**, which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

#### **Basis for Opinion**

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

#### **Emphasis of Matter**

We draw attention to note (26) in the financial statements, which describes the increase in the profit margin for gas stations retroactively from the date of 23 August 2018, and the company is still awaiting approval of the quantities and statements sent to the Saudi Arabian Oil Company (Aramco). Our opinion is not modified in respect of this matter.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Salman B. AlSudairy  
License No. 263



Audit, Tax & consultants

Musad A. Al Shaikh  
License No. 658



Abdullah M. AlAzem  
License No. 335

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY**  
**(A Saudi Joint Stock Company)**

**Key Audit Matters (continued)**

Implementation of IFRS 16 "Leases"	
Key audit matter	How the matter was addressed in our audit
<p>The Company adopted IFRS 16 "Leases" with effect from 1 January 2019 and this new standard supersedes the requirements of IAS 17 "Leases".</p> <p>Management performed a detailed analysis of each lease contract to identify differences between the requirements of the new standard, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with identification of whether an arrangement meets the definition of a lease.</p> <p>IFRS 16 principally modifies the accounting treatment of operating leases at inception with the recognition of a right of use on leased asset and a corresponding liability for the discounted amount of lease payments over the term of lease contract.</p> <p>The Company has chosen to apply IFRS 16 "leases" under the full retrospective approach. Therefore, the comparative financial statement have been restated, and the cumulative impact of the first time adoption of the standard presented as at 1 January 2018. Accordingly, this resulted in recognition of right of use assets of Saudi riyal 1,785 million as at 1 January 2018 and lease liabilities of Saudi riyals 1,671 million As of that date.</p> <p>Management also assessed the disclosure requirements of a new standard to be made in the consolidated financial statement.</p> <p>We considered this as a key audit matter because the calculations of amounts underlying the right of use assets and the corresponding lease liabilities involve new processes for collecting data, complex rules and the application of significant management judgement relating to the terms in the contracts.</p>	<p>We performed the following procedures relation to the implementation of IFRS 16:</p> <ul style="list-style-type: none"> <li>• Reviewed management's assessment of the impact of IFRS 16 terms of the classification and measurement of its right-of-use assets and lease liabilities and understood the approach taken towards implementation;</li> <li>• Assessed the accuracy of the lease data by testing on a sample basis, the lease data captured by management through the inspection of lease documents;</li> <li>• Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right-of-use assets and lease liabilities, based on the terms of the lease contracts. We also tested the arithmetical accuracy of those individual lease schedules and how these accumulated into the overall adjustment totals applied in the consolidated financial statements as 1 January 2018; and</li> <li>• We also reviewed the adequacy of the Company disclosures included in the accompanying financial statements in relation to the implementation of the new standard.</li> </ul>
<p>Refer to note (3-2) for the accounting policy and note (5) for related disclosures.</p>	







**INDEPENDENT AUDITOR'S REPORT (continued)**  
**ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY**  
**(A Saudi Joint Stock Company)**

**Key Audit Matters (continued)**

<b>Recognition of revenue</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Revenue was considered one of the main matters for review, given that revenue is the main component of the company's business, and there are potential risks of fraud and error related to the recognition of revenue in accordance with the international standards of auditing approved in the Kingdom of Saudi Arabia, and that the group provides different types of products, and a huge number of transactions are carried out. On a daily basis, revenue is recognized through automated systems.</p>	<p>We have designed auditing procedures to deal with this key matter through a preliminary risk assessment procedure that includes identifying risks and related assurances by understanding the nature of the company's activity and its environment and documenting and evaluating the revenue accounting system covering activities, operations and internal revenue control related to performance of monitoring and performance checks. A major control procedure was tested to ensure the design, implementation and enforcement of internal control procedures. Analytical procedures were also applied. Our IT specialist also participated in the understanding and evaluation of the revenue-related IT system and testing the accuracy of data and reports issued by IT systems. Then, our audit controls were designed according to the results of the risk assessment procedures. We have verified on a test basis, of the invoices issued by the company, and we have implemented detailed analytical procedures to understand that the reasons for the variance in revenue compared to the last year had a rationale for the business, that the revenue recognition criteria that the company adopts for all major revenue sources are appropriate and in line with accounting policies. The company disclosed in the financial statements.</p>
<p>Refer to note (3) for the accounting policy and note (30) for related disclosures.</p>	




**INDEPENDENT AUDITOR'S REPORT (continued)**  
**ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY**  
**(A Saudi Joint Stock Company)**

**Key Audit Matters (continued)**

<b>Impairment loss on trade receivables</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>As at 31 December 2019 the carrying value of trade receivables amounted to Saudi Riyals 396 Million (31 December 2018: Saudi Riyals 439 million) and the allowance for impairment of trade receivables amounted to Saudi Riyals 6 million (31 December 2018: Saudi Riyals 3 million). The ability to collect trade receivables is a key component of the Company's management of working capital, which is managed on an ongoing basis.</p> <p>The management determines and records expected credit losses based on what is required by IFRS 9. Significant judgments, estimates and assumptions have been made by management in calculating the impact of the expected credit losses.</p> <p>We considered this a key audit matter due to the judgments and estimates involved in the application of the expected credit loss model.</p>	<p>We have evaluated procedures and controls for trade receivables and customer credit risk checks.</p> <p>We have also evaluated the appropriateness of judgments, estimates and underlying assumptions made by management.</p> <p>We have verified the general IT controls around the accounting system and found them to be effective. We have performed one test to check the aging accuracy of trade receivables from the system.</p> <p>We also evaluated the methodological methods implemented by the company in the light of the requirements of criterion (9), and specifically evaluated the company's method in assessing the probability of default, and the extent to which information related to future expectations is included in the calculation of expected credit losses and changes in the standard of loss that may lead to failure.</p> <p>We also evaluated the disclosures in the financial statements required under Standard 9 and Standard 7 "Financial Instruments: Disclosures".</p>
<p>Refer to note (3) for the accounting policy and note (13) for related disclosures.</p>	






**INDEPENDENT AUDITOR'S REPORT (continued)**  
**ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY**  
**(A Saudi Joint Stock Company)**

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY**  
**(A Saudi Joint Stock Company)**

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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



**AlAzem, AlSudairy, AlShaikh & Partners**  
**Certified Public Accountants**



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

06 Sha'ban 1441H (30 March 2020)  
Riyadh, Kingdom of Saudi Arabia





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

**FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

	Note	31 December 2019 SR	"Restated" 31 December 2018 SR	"Restated" 1 January 2018 SR
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property and equipment, net	4	1,090,358,233	1,068,191,912	1,036,879,655
Right-of-use assets, net	5-1	1,742,807,519	1,671,851,577	1,785,785,448
Deferred costs, net	6	11,728,025	7,723,002	14,480,937
Investment in joint ventures	7	5,778,342	4,861,563	2,311,652
<b>TOTAL NON CURRENT ASSETS</b>		<b>2,850,672,119</b>	<b>2,752,628,054</b>	<b>2,839,457,692</b>
<b>CURRENT ASSETS</b>				
Due from a related party	24	2,791,944	3,931,599	4,144,121
Investment at fair value through profit or loss	8	21,397,727	-	-
Other assets	9	43,138,898	42,204,759	37,804,363
Prepaid expenses	10	83,848,481	70,298,236	60,028,580
Inventories, net	11	72,265,712	65,390,031	38,469,947
Accrued revenue	12	22,639,676	24,128,164	42,647,183
Trade receivable, net	13	390,318,159	426,854,351	363,280,199
Banks balances		98,147,083	46,062,378	46,083,128
<b>TOTAL CURRENT ASSETS</b>		<b>734,547,680</b>	<b>678,869,518</b>	<b>592,457,521</b>
<b>TOTAL ASSETS</b>		<b>3,585,219,799</b>	<b>3,431,497,572</b>	<b>3,431,915,213</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	14	600,000,000	500,000,000	500,000,000
Statutory reserve		65,561,411	107,335,284	98,978,569
Retained earnings		209,205,213	35,920,326	28,215,543
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>874,766,624</b>	<b>643,255,610</b>	<b>627,194,112</b>
<b>LIABILITIES</b>				
<b>NON CURRENT LIABILITIES</b>				
Long term loans	15	60,316,175	102,807,916	171,785,110
Non-Current portion of Lease Liabilities	5-2	1,423,617,065	1,367,379,213	1,458,892,958
Employees' defined benefits liabilities	16	66,067,876	56,771,528	53,457,001
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>1,550,001,116</b>	<b>1,526,958,657</b>	<b>1,684,135,069</b>
<b>CURRENT LIABILITIES</b>				
Provision for zakat payable	17	13,184,206	4,933,188	4,586,069
Current portion of Lease Liabilities	5-2	219,158,800	206,983,255	212,973,255
Accrued expenses and other liabilities	18	293,967,208	220,340,753	210,176,532
Due to a related party	24	2,001,331	7,581,502	5,855,808
Trade payables	19	226,222,052	407,161,142	268,997,507
Current portion of long term loans	15	70,918,462	64,611,889	79,996,861
Short term loans	15	335,000,000	349,671,576	338,000,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,160,452,059</b>	<b>1,261,283,305</b>	<b>1,120,586,032</b>
<b>TOTAL LIABILITIES</b>		<b>2,710,453,175</b>	<b>2,788,241,962</b>	<b>2,804,721,101</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>3,585,219,799</b>	<b>3,431,497,572</b>	<b>3,431,915,213</b>

The accompany notes from (1) to (35) are integrated part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 SR	"Restated" 2018 SR
Revenue		5,681,129,210	5,176,584,887
Cost of revenue		(5,219,529,747)	(4,923,616,019)
<b>GROSS PROFIT</b>		<b>461,599,463</b>	<b>252,968,868</b>
<b>EXPENSES</b>			
Selling and marketing	20	(5,113,623)	(6,813,745)
General and administration	21	(142,649,978)	(98,789,189)
<b>INCOME FROM OPERATIONS</b>		<b>313,835,862</b>	<b>147,365,934</b>
Financial charges	22	(74,328,046)	(81,415,248)
Provision For Contingent Liabilities	27	(17,407,451)	-
Company share in gains of investment in joint venture	7	916,779	2,549,911
Profit from investment at fair value through profit or loss	8	1,397,727	-
Other income, net	23	83,578,678	831,841
<b>INCOME BEFORE ZAKAT ESTIMATED</b>		<b>307,993,549</b>	<b>69,332,438</b>
Zakat estimated	17	(16,249,891)	(2,426,475)
<b>NET INCOME FOR THE YEAR</b>		<b>291,743,658</b>	<b>66,905,963</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:</b>			
Re-measurement for employees' defined benefits	16	(8,132,644)	555,535
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>283,611,014</b>	<b>67,461,498</b>
<b>Earnings per share from:</b>			
Income from operations	25	5.23	2.46
Net income for the year	25	4.86	1.12

The accompany notes from (1) to (35) are integrated part of these financial statements.

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

**STATEMENT OF SHAREHOLDER'S EQUITY**  
**FOR THE YEAR ENDED December 31, 2019**

	<i>Share Capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 1 January 2018 ( Restated)	500,000,000	98,978,569	56,785,789	655,764,358
Adjustments (note 3-2)	-	-	(28,570,246)	(28,570,246)
Balance at 1 January 2018 "Restated"	500,000,000	98,978,569	28,215,543	627,194,112
Board of directors' remunerations	-	-	(1,400,000)	(1,400,000)
Dividends	-	-	(50,000,000)	(50,000,000)
Net income for the year	-	-	66,905,963	66,905,963
Other comprehensive income for the year	-	-	555,535	555,535
Total comprehensive income for the period	-	-	67,461,498	67,461,498
Transfer to statutory reserve	-	8,356,715	(8,356,715)	-
<b>Balance at 31 December 2018</b>	<b>500,000,000</b>	<b>107,335,284</b>	<b>35,920,326</b>	<b>643,255,610</b>
Capital increase (note 14)	100,000,000	(70,948,239)	(29,051,761)	-
Dividends (note28)	-	-	(50,000,000)	(50,000,000)
Board of directors' remunerations (note28)	-	-	(2,100,000)	(2,100,000)
Net income for the year	-	-	291,743,658	291,743,658
Other comprehensive income for the year	-	-	(8,132,644)	(8,132,644)
Total comprehensive income for the period	-	-	283,611,014	283,611,014
Transfer to statutory reserve	-	29,174,366	(29,174,366)	-
<b>Balance at 31 December 2019</b>	<b>600,000,000</b>	<b>65,561,411</b>	<b>209,205,213</b>	<b>874,766,624</b>

The accompany notes from (1) to (35) are integrated part of these financial statements.



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

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED December 31, 2019**

	2019	<i>"Restated"</i> 2018
	SR	SR
<b>OPERATING ACTIVITIES</b>		
Income before zakat estimated	307,993,549	69,332,438
Adjustment for:		
Depreciation	93,889,939	90,265,106
Depreciation of right of use asset	201,573,568	206,882,192
Amortization of deferred costs	9,836,732	6,757,935
Company share in gains of investment in joint venture	(916,779)	(2,549,911)
Profit from investment at fair value through profit and loss	(1,397,727)	-
Provision For Contingent Liabilities	17,407,451	-
Provision for expected credit losses	6,941,545	2,152,773
Reversal of Provision for expected credit losses	(3,735,427)	(1,302,927)
(Gain)/Loss on sale of property and equipment	(806,105)	904,711
Provision for employees' defined benefits	11,719,358	9,537,617
	<u>642,506,104</u>	<u>381,979,934</u>
<b>Changes in operating assets and liabilities:</b>		
Trade receivable	33,330,074	(64,423,998)
Accrued revenue	1,488,488	18,519,019
Inventories	(6,875,681)	(26,920,084)
Prepaid expenses	(13,550,245)	(10,269,656)
Other assets	(934,139)	(4,400,396)
Trade payables	(180,939,090)	138,163,635
Net related parties transaction	(4,440,516)	1,938,216
Accrued expenses and other liabilities	73,626,456	10,164,220
	<u>544,211,451</u>	<u>444,750,890</u>
<b>Net cash flows generated from operations</b>	<u>544,211,451</u>	<u>444,750,890</u>
Employees' defined benefits paid	(10,555,654)	(5,667,555)
Zakat paid	(7,998,873)	(2,079,356)
	<u>525,656,924</u>	<u>437,003,979</u>
<b>Net cash from operating activities</b>	<u>525,656,924</u>	<u>437,003,979</u>
<b>INVESTING ACTIVITIES</b>		
Purchase investments at fair value through profit and loss	(20,000,000)	-
Deferred costs	(13,841,755)	-
Purchase of property and equipment	(122,590,136)	(124,681,762)
Proceeds from sale of property and equipment	7,339,981	2,199,688
	<u>(149,091,910)</u>	<u>(122,482,074)</u>
<b>Net cash used in investing activities</b>	<u>(149,091,910)</u>	<u>(122,482,074)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from short term loans	4,065,000,000	4,466,766,712
Repayment of short term loans	(4,079,671,576)	(4,455,095,136)
Proceeds from Long term loans	50,000,000	-
Repayment of long term loans	(86,185,168)	(84,362,166)
Repayment of lease liabilities	(221,523,565)	(190,452,065)
Dividends paid	(50,000,000)	(50,000,000)
Board of directors' remunerations	(2,100,000)	(1,400,000)
	<u>(324,480,309)</u>	<u>(314,542,655)</u>
<b>Net cash used in financing activities</b>	<u>(324,480,309)</u>	<u>(314,542,655)</u>
<b>CHANGE IN BANKS BALANCES</b>	<u>52,084,705</u>	<u>(20,750)</u>
Banks balances, beginning of the year	46,062,378	46,083,128
	<u>98,147,083</u>	<u>46,062,378</u>
<b>BANKS BALANCES, END OF YEAR</b>	<u>98,147,083</u>	<u>46,062,378</u>
<b>Non cash item:</b>		
Re-measurement for employees' defined benefits	(8,132,644)	555,535
Capital increase	100,000,000	-

The accompanying notes from (1) to (35) are integrated part of these financial statements.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 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 010111012400, 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 financial statements have been prepared in accordance with International Financial Reporting Standard "IFRS" issued by the International Accounting Standards Board ("IASB"), that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA")

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 425,904,379 However, the management and board of directors assumed that the company have the ability to continue as a going concern. It is their assessment that the company will generate sufficient profits and cash flows to meet ongoing liabilities and scheduled repayments. These financial statements have been accordingly prepared on a going concern basis.

#### **(b) Basis of measurement:**

The financial statements have been prepared on the historical cost basis using the accrual basis of accounting except for the following.

- Investments at fair value through profit and loss measured at fair value.
- Employee benefits obligations that are recognized at the present value of future liabilities using the expected credit unit method.

#### **(c) Functional and presentation currency:**

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

#### **(d) Use of estimates and judgments:**

The preparation of 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 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.

# **Aldrees Petroleum and Transport Services Company**

## **(A Saudi Joint Stock Company)**

### **NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2019

#### **2) BASIS OF PREPARATION (Continued)**

##### **(d) Use of estimates and judgments (continued):**

- 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 management determines the cost of the end of service benefits plans and the present value of the end of service benefits obligations using actuarial valuations. Actuarial valuations include making various assumptions that may differ from actual future developments and include determining a discount rate, future salary increases, death rates and future increases in pension. Given the difficulty and evaluation of the underlying assumptions and their underlying assumptions, which are long-term, the defined benefit obligation is vulnerable to changes in these assumptions. These assumptions are reviewed at each reporting date.
- By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

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.

#### **3) SIGNIFICANT ACCOUNTING POLICIES**

##### **3-1 Accounting Policies**

The Company has adopted the International Financial Reporting Standards in the preparation of the financial statements as of December 31, 2019 in accordance with the instructions of the Saudi Organization for Certified Public Accountants. The mandatory implementation of International Financial Reporting Standards is effective from 1 January 2017.



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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

### 3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3-1 Accounting Policies (Continued)

##### (a) Financial instruments

###### Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

##### Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are measured at transaction price.

##### Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and

Whether assets that are sold are held for an extended period relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

# **Aldrees Petroleum and Transport Services Company**

## **(A Saudi Joint Stock Company)**

### NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

#### 3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 3-1 Accounting Policies (Continued)

###### (a) Financial instruments (Continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the consolidated comprehensive income statement.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

###### Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in the consolidated comprehensive income statement and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in the consolidated statement of comprehensive income and accumulated under the investment revaluation reserve.

When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the consolidated statement of comprehensive income.

###### Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Group designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through comprehensive income.

A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instrument as FVPL since the date of initial application of IFRS 9 (i.e. 1 January 2018).

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in the consolidated statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the consolidated statement of comprehensive income.

Dividend income on investments in equity instruments at FVPL is recognized in consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers.

# **Aldrees Petroleum and Transport Services Company**

## **(A Saudi Joint Stock Company)**

### NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

#### 3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 3-1 Accounting Policies (Continued)

###### (a) Financial instruments (Continued)

###### Investment in equity instruments designated as FVOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to consolidated statement of profit or loss and no impairment is recognized in consolidated statement of profit or loss. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to consolidated statement of comprehensive income on disposal of the investments.

Dividends on these investments are recognized in consolidated statement of profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

###### Classification of financial liabilities

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a company of financial liabilities is managed and its performance is evaluated on a fair value basis.

These amounts represent liabilities for goods and services provided to the company prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 12 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

###### Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

###### Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.



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

## NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2019

### 3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3-1 Accounting Policies (Continued)

##### (a) Financial instruments(continued)

#### Subsequent measurement

Subsequent measurement of financial assets is as follows:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

**FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

#### De-recognition

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

#### Impairment

##### Financial assets

The Company recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables.

No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Company historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

### 3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3-1 Accounting Policies (Continued)

##### (a) Financial instruments (continued)

#### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

Nature of financial instruments (i.e. the Company trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

#### Non-financial assets

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations.

Impairment losses are recognized in the statement of profit or loss. An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended December 31, 2019

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-1 Accounting Policies (Continued)

(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 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 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, whichever is shorter.

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 contract term or useful life
Machinery and equipment	10
Trucks	7,14 with 20% salvage value
Vehicles	15-25
Computers	12,5-25
Tools	12-20
Furniture & fixture	10

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

(c) 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.



# **Aldrees Petroleum and Transport Services Company**

## **(A Saudi Joint Stock Company)**

### NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

#### 3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 3-1 Accounting Policies (Continued)

###### (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 based on a five step model as set out in IFRS 15:

Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable net of discounts and taxes, taking into account contractually defined terms of payment.

Revenue is recognized in the statement of profit or loss to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

###### (e) Accounts receivable

Accounts receivable are stated at original invoice amount less appropriate allowance for any doubtful trade accounts receivable, an estimate for allowance for doubtful trade accounts receivable is made by applying the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

###### (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.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2019

### **3) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **3-1 Accounting Policies (Continued)**

##### **(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 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, 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.

##### **(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 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 financial position date and unearned rental income received in advance.

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

### 3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3-1 Accounting Policies (Continued)

##### (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 statement of comprehensive income. Any differences resulting from the final assessments are recorded in the year of their finalization.

##### (p) Employees' defined benefits liabilities

Provision for employee's end of service benefits is deducted from their periods of service at the 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 re-measurement of actuarial valuation was performed by the Al Khwarizmi for Actuarial Services and was carried out using the expected credit module.

The main assumptions used for actuarial valuation were as follows:

Employee turn over	Moderate
Long term salary increase rate	2.9%
Discount rate of cash flow	2.9%

##### (q) Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net 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 profit or loss 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 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 statement of comprehensive income.



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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

### 3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3-1 Accounting policies (Continued)

##### (t) 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.

##### (u) Right of use asset and lease liabilities

Assets held under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's Statement of Financial Position. Rentals in respect of operating leases are charged to the Statement of Profit or Loss over the term of the leases.

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.

##### (v) 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.

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

## **NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2019

### **3) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **3-2 Changes in significant accounting policies**

The Company has adopted IFRS (16) Leases from 1 January 2019, the effect of application of these standards have been fully explained in below:

It applies a number of new standards, amendments, and improvements to standards and interpretations for the first time in 2019, but it has no material impact on the company's financial statements. . The company has not implemented early any standards, interpretations, or amendments issued and it has not yet become effective.

- **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. 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.

#### **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.

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**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2019

**3) SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3-2 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 31 December 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>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Right-of-use assets, net	-	1,785,785,448	1,785,785,448
<b>TOTAL NON CURRENT ASSETS</b>	<b>1,053,672,244</b>	<b>1,785,785,448</b>	<b>2,839,457,692</b>
<b>CURRENT ASSETS</b>			
Prepaid expenses	204,065,584	(144,037,004)	60,028,580
<b>TOTAL CURRENT ASSETS</b>	<b>736,494,525</b>	<b>(144,037,004)</b>	<b>592,457,521</b>
<b>TOTAL ASSETS</b>	<b>1,790,166,769</b>	<b>1,641,748,444</b>	<b>3,431,915,213</b>
<b>SHAREHOLDERS' EQUITY</b>			
Retained earnings	56,785,789	(28,570,246)	28,215,543
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>655,764,358</b>	<b>(28,570,246)</b>	<b>627,194,112</b>
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITES</b>			
Non-current position of lease liabilities	-	1,458,892,958	1,458,892,958
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>225,242,111</b>	<b>1,458,892,958</b>	<b>1,684,135,069</b>
<b>CURRENT LIABILITES</b>			
Current position of lease liabilities	-	212,973,255	212,973,255
Accrued expenses and other liabilities	211,724,055	(1,547,523)	210,176,532
<b>TOTAL CURRENT LIABILITIES</b>	<b>909,160,300</b>	<b>211,425,732</b>	<b>1,120,586,032</b>
<b>TOTAL LIABILITIES</b>	<b>1,134,402,411</b>	<b>1,670,318,690</b>	<b>2,804,721,101</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,790,166,769</b>	<b>1,641,748,444</b>	<b>3,431,915,213</b>



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NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-2 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 SR</i>	<i>Effect of IFRS 16 SR</i>	<i>Amounts of financial position after applied the standard SR</i>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Right-of-use assets, net	-	1,671,851,577	1,671,851,577
<b>TOTAL NON CURRENT ASSETS</b>	<u>1,080,776,477</u>	<u>1,671,851,577</u>	<u>2,752,628,054</u>
<b>CURRENT ASSETS</b>			
Prepaid expenses	212,637,103	(142,338,867)	70,298,236
<b>TOTAL CURRENT ASSETS</b>	<u>821,208,385</u>	<u>(142,338,867)</u>	<u>678,869,518</u>
<b>TOTAL ASSETS</b>	<u>1,901,984,862</u>	<u>1,529,512,710</u>	<u>3,431,497,572</u>
<b>SHAREHOLDERS' EQUITY</b>			
Retained earnings	81,151,761	(45,231,435)	35,920,326
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>688,487,045</u>	<u>(45,231,435)</u>	<u>643,255,610</u>
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITES</b>			
Non-current position of lease liabilities	-	1,367,379,213	1,367,379,213
<b>TOTAL NON CURRENT LIABILITIES</b>	<u>159,579,444</u>	<u>1,367,379,213</u>	<u>1,526,958,657</u>
<b>CURRENT LIABILITIES</b>			
current position of Lease liabilities	-	206,983,255	206,983,255
Accrued expenses and other liabilities	219,959,076	381,677	220,340,753
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,053,918,373</u>	<u>207,364,932</u>	<u>1,261,283,305</u>
<b>TOTAL LIABILITIES</b>	<u>1,213,497,817</u>	<u>1,574,744,145</u>	<u>2,788,241,962</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<u>1,901,984,862</u>	<u>1,529,512,710</u>	<u>3,431,497,572</u>

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

For The Year Ended December 31, 2019

3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-2 Changes in significant accounting policies (Continued)

Effects of IFRS (16) on the statement of profit or loss for the year ended 31 December 2018 (extract)

	<i>Amounts previously reported SR</i>	<i>Effect of IFRS 16 SR</i>	<i>Amounts of profit or loss after applied the standard SR</i>
Cost of revenue	(4,964,549,082)	40,933,063	(4,923,616,019)
Gross profit	212,035,805	40,933,063	252,968,868
<b>Expenses</b>			
General and administration	(100,135,080)	1,345,891	(98,789,189)
<b>income from operations</b>	<b>105,086,980</b>	<b>42,278,954</b>	<b>147,365,934</b>
Financial charges	(22,475,105)	(58,940,143)	(81,415,248)
Income before zakat estimated	85,993,627	(16,661,189)	69,332,438
Net income for the year	<u>83,567,152</u>	<u>(16,661,189)</u>	<u>66,905,963</u>
<b>Earnings per share from:</b>			
Income from operations	<u>1.75</u>	<u>0.71</u>	<u>2.46</u>
Net income for the year	<u>1.39</u>	<u>(0.27)</u>	<u>1.12</u>

Effects of IFRS (16) on the statement of cash flow for the year ended 31 December 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	246,551,914	190,452,065	437,003,979
Net cash used in financing activities	(124,090,590)	(190,452,065)	(314,542,655)

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

## NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

### 3) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3-2 Changes in significant accounting policies (Continued)

##### Annual Amendments to IFRSs (2015-2017) Cycle

These amendments are effective on or after January 1, 2019.

**IFRS 3 (Business Combination):** The Company re-measures its previous share in joint operations when the company takes control.

**IFRS 11 (Joint Arrangements):** The Company does not re-measure the previously held stake in joint operations when the company takes control.

**IAS 12 (Income Taxes):** The Company accounts for all results of income tax and dividend payments. In the same way.

**IAS 23 (Borrowing Costs):** The Company considers the loan intended to develop any assets within the loans in the event that it aims to finance eligible assets ready for specific use or sale.

##### 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, 2020, and have not been applied in preparing these financial statements. Management is still in the process of assessing the potential impacts of the application of the new standards.

##### Amendments

- **Definition of a Business (Amendments to IFRS 3).**

The IASB has issued 'Definition of a Business (Amendments to IFRS 3)' "Group Operations" to assist firms in determining whether a company of operations and assets acquired represent a business or not. These amendments clarify the minimum requirements of the enterprise, cancel the assessment of whether market participants are able to replace any missing elements, add directions to help enterprises assess whether the acquired operation is material, narrow the scope of the enterprise's definitions and outputs, and enter the optional fair value concentration test.

- **Amendments to IAS (1) IAS (8) on the fundamental definition**

These amendments to IAS 1, "Presentation of Financial Statements," and IAS 8, "Accounting Policies, Changes in Estimates and Accounting Errors" and subsequent amendments to other IFRSs:

- Use of a consistent definition of substance in all international financial reporting standards and the conceptual framework of financial reporting;
- Clarify the explanation of the fundamental definition; and
- Include some guidelines in IAS 1 on non-material information.

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



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**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2019**

**4) PROPERTY AND EQUIPMENT, NET**

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

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

<b>2019</b>	<b>Land</b>	<b>Buildings</b>	<b>Leasehold improvements</b>	<b>Machinery and equipment</b>	<b>Trucks and vehicles</b>	<b>Computers</b>	<b>Tools</b>	<b>Furniture and fixtures</b>	<b>Work in progress</b>	<b>Total</b>
	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>2019</b>
<b>Cost:</b>										
At the beginning of the year	164,763,495	172,375,794	412,208,622	65,502,086	773,719,931	10,609,251	12,369,791	20,157,906	41,499,158	1,673,206,034
Additions	-	2,562,658	60,270,548	8,035,632	9,182,114	1,210,750	289,778	1,423,035	39,615,621	122,590,136
Disposals	-	-	(3,245,738)	(468,143)	(21,374,731)	-	(5,495)	(35,454)	-	(25,129,561)
Transfers	-	-	49,672,774	-	4,058,487	-	-	-	(53,731,261)	-
At the end of the year	164,763,495	174,938,452	518,906,206	73,069,575	765,585,801	11,820,001	12,654,074	21,545,487	27,383,518	1,770,666,609
<b>Depreciation:</b>										
At the beginning of the year	-	36,481,474	117,857,638	38,063,760	379,108,420	8,626,041	10,638,313	14,238,476	-	605,014,122
Charge for the year	-	5,931,706	35,834,654	6,655,682	42,295,112	792,828	834,548	1,545,409	-	93,889,939
Disposals	-	-	(2,656,698)	(406,948)	(15,499,306)	-	(5,486)	(27,247)	-	(18,595,685)
At the end of the year	-	42,413,180	151,035,594	44,312,494	405,904,226	9,418,869	11,467,375	15,756,638	-	(680,308,376)
<b>Net book value:</b>										
At December 31, 2019	164,763,495	132,525,272	367,870,612	28,757,081	359,681,575	2,401,132	1,186,699	5,788,849	27,383,518	1,090,358,233

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**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended December 31, 2019**

**4) PROPERTY AND EQUIPMENT, NET (Continued)**

<b>2018</b>	<b>Land</b>	<b>Buildings</b>	<b>Leasehold improvements</b>	<b>Machinery and equipment</b>	<b>Trucks and vehicles</b>	<b>Computers</b>	<b>Tools</b>	<b>Furniture and fixtures</b>	<b>Work in progress</b>	<b>Total</b>
<b>Cost:</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>2018</b>
										<b>SR</b>
At the beginning of the year	164,763,495	157,100,286	323,898,924	46,796,333	775,579,471	9,830,592	12,100,969	18,943,878	52,243,848	1,561,257,996
Additions	-	1,297,992	49,963,315	10,538,085	3,179,506	785,406	265,346	1,229,282	57,422,830	124,681,762
Disposals	-	-	(4,008,623)	(564,230)	(8,111,305)	(6,748)	(25,924)	(16,894)	-	(12,733,724)
Transfers	-	13,977,516	42,355,007	8,731,698	3,072,259	-	29,400	1,640	(68,167,520)	-
At the end of the year	164,763,495	172,375,794	412,208,623	65,502,086	773,719,931	10,609,250	12,369,791	20,157,906	41,499,158	1,673,206,034
<b>Depreciation:</b>										
At the beginning of the year	-	31,465,834	88,265,941	32,577,260	341,668,409	7,911,508	9,747,963	12,741,426	-	524,378,341
Charge for the year	-	5,015,640	32,314,989	5,889,846	43,902,799	714,742	913,166	1,513,924	-	90,265,106
Disposals	-	-	(2,723,293)	(403,346)	(6,462,788)	(211)	(22,816)	(16,871)	-	(9,629,325)
At the end of the year	-	36,481,474	117,857,637	38,063,760	379,108,420	8,626,039	10,638,313	14,238,479	-	605,014,122
<b>Net book value:</b>										
At December 31, 2018	164,763,495	135,894,320	294,350,986	27,438,326	394,611,511	1,983,211	1,731,478	5,919,427	41,499,158	1,068,191,912
At January 1, 2018	164,763,495	125,634,452	235,632,983	14,219,273	433,911,062	1,919,084	2,353,006	6,202,452	52,243,848	1,036,879,655

Work in progress as at December 31, 2019 and 2018 represents cost incurred in connection with buildings and leasehold improvements of fuel stations and workshops, which is not finished yet.

Depreciation expenses allocated to cost of revenue is SR 87,319,729 (2018: SR 84,196,878) and to general and administrative expenses SR 6,570,210 (2018: SR 6,068,228).

**Aldrees Petroleum and Transport Services Company  
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**NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended December 31, 2019**

**5) RIGHT OF USE ASSETS, NET**

5/1 The movement in the right to use assets for the year is as follows:

	December 31, 2019 SR		"Restated" December 31, 2018 SR		"Restated" January 1, 2018 SR
	Depreciation	Balance	Depreciation	Balance	Balance
Land	1,609,342	1,318,017	1,563,260	2,883,638	4,807,353
Building	199,964,226	1,741,489,502	205,318,932	1,668,967,939	1,780,978,095
<b>Total right of use</b>	<b>201,573,568</b>	<b>1,742,807,519</b>	<b>206,882,192</b>	<b>1,671,851,577</b>	<b>1,785,785,448</b>

Additions to the right to use assets during the year ended December 31, 2019: SAR 362 million (December 31, 2018: SAR 96 million)

**5/2 Lease Liabilities**

The movement in Lease Liabilities for the year is as follows:

-The table below shows the lease obligations based on the contractual maturity date:

	December 31, 2019 SR	"Restated" December 31, 2018 SR	"Restated" January 1, 2018 SR
Non-Current portion of Lease Liabilities	1,423,617,065	1,367,379,213	1,458,892,958
Current portion of Lease Liabilities	219,158,800	206,983,255	212,973,255
<b>Total lease liabilities</b>	<b>1,642,775,865</b>	<b>1,574,362,468</b>	<b>1,671,866,213</b>

The total interest expense on lease liabilities recognized during the year ended December 31, 2019 : SAR 54.6 million (31 December 2018: SAR 58.9 million).

Expenses related to short-term and low-value lease contracts amounted to SAR 13.8 million, SAR 4 million respectively.



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NOTES TO THE FINANCIAL STATEMENTS  
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6) DEFERRED COSTS, NET

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
<b><u>Cost:</u></b>			
At the beginning of the year	30,563,963	40,060,561	38,625,645
Additions	13,841,755	-	3,814,330
Written off (*)	(6,350,333)	(9,496,598)	(2,379,414)
At the end of the year	<u>38,055,385</u>	<u>30,563,963</u>	<u>40,060,561</u>
<b><u>Accumulated amortization:</u></b>			
At the beginning of the year	22,840,961	25,579,624	21,588,017
Charge for the year	9,836,732	6,757,935	6,231,741
Written off (*)	(6,350,333)	(9,496,598)	(2,240,134)
At the end of the year	<u>26,327,360</u>	<u>22,840,961</u>	<u>25,579,624</u>
<b>Net book value</b>	<u><u>11,728,025</u></u>	<u><u>7,723,002</u></u>	<u><u>14,480,937</u></u>

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

7) INVESTMENTS IN JOINT VENTURES

On 21 Shaaban 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 namely Aldrees Bertschi for logistic services. On 22 March 2015, the Company and co-venture have made a contribution of SR 500,000 each towards the establishment of the jointly controlled entity.

The following is the movement in the investments account.

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
At the beginning of the year	4,861,563	2,311,652	1,822,737
Investment gain	916,779	2,549,911	488,915
At the end of the year	<u>5,778,342</u>	<u>4,861,563</u>	<u>2,311,652</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

For The Year Ended December 31, 2019

**8) INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS**

During the year, the company purchased 2 million units in Al-Khair Capital Fund (Aramco) with a value of 20 million Saudi riyals, and the investment was classified as an investment at fair value through profit or loss. Because the company's management keeps it for short-term sale, with unrealized profits or losses included in the revaluation of the net asset value of the fund in the statement of profit or loss.

Name	Number of units	Units Cost	Unrealized gains on revaluation of investments	Units Faire value
Al-Khair Capital Fund (Aramco)	2,000,000	20,000,000	1,397,727	21,397,727

The investment movement at fair value through profit and loss during the year was as follows:

	December 31, 2019 SR	"Restated" December 31, 2018 SR	"Restated" January 1, 2018 SR
Purchase of investments during the year	20,000,000	-	-
Unrealized gains on revaluation of investments at fair value through profit or loss	1,397,727	-	-
At the end of the year	21,397,727	-	-

**9) OTHER ASSETS**

	December 31, 2019 SR	"Restated" December 31, 2018 SR	"Restated" January 1, 2018 SR
Advance payments to suppliers	25,503,164	28,568,614	21,441,665
Receivables from employees	17,294,164	13,459,097	12,613,487
Miscellaneous	341,570	177,048	3,749,211
	43,138,898	42,204,759	37,804,363

**10) PREPAID EXPENSES**

	December 31, 2019 SR	"Restated" December 31, 2018 SR	"Restated" January 1, 2018 SR
Prepaid rent	13,081,305	18,968,256	21,064,492
Others	70,767,176	51,329,980	38,964,088
	83,848,481	70,298,236	60,028,580

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For The Year Ended December 31, 2019

**11) INVENTORIES, NET**

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
Fuel	49,406,465	43,445,798	29,266,753
Spare parts, lubricants and filters	23,401,108	22,486,094	9,745,055
	<u>72,807,573</u>	<u>65,931,892</u>	<u>39,011,808</u>
Provision for slow moving and obsolete inventory	(541,861)	(541,861)	(541,861)
	<u>72,265,712</u>	<u>65,390,031</u>	<u>38,469,947</u>

**12) ACCRUED REVENUE**

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

**13) TRADE RECEIVABLE, NET**

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
Trade accounts receivable	396,269,202	429,599,276	365,175,278
Provision for expected credit losses	(5,951,043)	(2,744,925)	(1,895,079)
	<u>390,318,159</u>	<u>426,854,351</u>	<u>363,280,199</u>

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

The movement on the expected credit losses provision was as follows:

	Special Provision (Single)	General Provision (Collective)	Total
Balance at 1 January 2018	1,895,079	-	1,895,079
Charge during the year	2,152,773	-	2,152,773
(Reversal) during the year	(1,302,927)	-	(1,302,927)
Balance at 31 December 2018	<u>2,744,925</u>	-	<u>2,744,925</u>
Charge during the year	6,941,545	-	6,941,545
(Reversal) during the year	(3,735,427)	-	(3,735,427)
Balance at 31 December 2019	<u>5,951,043</u>	-	<u>5,951,043</u>

**14) SHARE CAPITAL**

The Company's share capital at December 31, 2019 amounted to SR 600 million (2018: SR 500 million) consisting of 60 million (2018: 50 million) fully paid and issued share of SR 10 each.

On Rajab 11, 1440 H (corresponding to March 18, 2019), the shareholders approved the increase of the company's capital from 500 million Saudi riyals to 600 million Saudi riyals by issuing one free share for every 5 shares held.

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 15) FINANCING

In the normal course of business, the Company has obtained Islamic long term and short term facilities from various local commercial banks as of December 31, 2019 amounting to SR 2,299 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 605.9 million (31 December 2018: SR 1,035 million). The following is the details of outstanding balance as of:

- a) Short term financing outstanding were amounting to SR 335,000,000 (31 December 2018: SR 349,671,576) (01 January 2018: SR 338,000,000).  
 b) Long term financing consists of the following:

Bank	Type of facilities	Facility amount in SR		Utilized amount in SR		Outstanding Balance in SR		Purpose	Repayment frequency	Starting date	Ending date
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2018	January 01, 2018				
Riyadh Bank	Revolving long term tawarruq financing	150,000,000	150,000,000	88,000,000	88,000,000	44,149,507	88,000,000	Finance the operations	Monthly	30 March 2013	7 March 2020
Samba Financial Group	Revolving Long term tawarruq financing	-	35,000,000	-	-	-	2,368,457	Finance the working capital and acquisition of property and equipment	Quarterly	29 September 2013	17 June 2018
AlBilad Bank	Revolving long term tawarruq financing	80,000,000	100,000,000	22,000,000	22,000,000	55,085,130	16,530,916	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	32,000,000	80,000,000	Acquisition of trucks	Quarterly	15 April 2017	15 February 2020
		<u>355,000,000</u>	<u>410,000,000</u>	<u>230,000,000</u>	<u>230,000,000</u>	<u>131,234,637</u>	<u>167,419,805</u>				

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

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



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**16) Employees' defined benefits liabilities**

The movement for end of service indemnity is as follows:

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
At 1 January	56,771,528	53,457,001	55,302,247
Charge during the year	11,719,358	9,537,617	9,315,962
Re-measurement for employees' defined benefits	8,132,644	(555,535)	1,207,352
Payments during the year	(10,555,654)	(5,667,555)	(12,368,560)
At 31 December	<u>66,067,876</u>	<u>56,771,528</u>	<u>53,457,001</u>

The actuarial valuation was performed by Al Khwarizmi for Actuarial Services and was carried out using the expected credit module.

The main assumptions used for actuarial valuation were as follows:

	2019	2018
Employee turn over	Moderate	Moderate
Long term salary increase rate	2.9%	4.4%
Discount rate of cash flow	2.9%	4.4%

**17) ZAKAT PAYABLE**

a) The zakat charge consists of:

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
Provision for the year	13,749,302	2,426,475	1,940,193
Adjustment for previous years	2,500,589	-	-
Charge for the year	<u>16,249,891</u>	<u>2,426,475</u>	<u>1,940,193</u>

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

Zakat charged for the year ended December 31, 2019 was calculated on the basis of the adjusted income in addition to the Zakat base, 2018 on the basis of adjusted income.

b) The calculation of zakat base is as follows:

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
Shareholders' equity — beginning of the year	688,487,045	655,764,358	633,725,496
Employees' defined benefits	42,830,535	48,923,459	45,370,627
Long term financing / Credit balances	2,367,034,715	203,493,142	251,781,971
Zakatable income for the year	358,068,346	97,058,990	77,607,727
Deductions:			
Book value of long term assets, net	(2,860,131,978)	(1,098,970,612)	(1,062,928,384)
Dividends and Board of Directors' remunerations	(52,100,000)	(51,400,000)	(41,400,000)
Zakat base	<u>544,188,663</u>	<u>(145,130,663)</u>	<u>(95,842,563)</u>

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**17) ZAKAT PAYABLE (Continued)**

c) Movements in provision during the year

The movement in zakat provision is as follows:

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
At the beginning of the year	4,933,188	4,586,069	5,504,370
Provided during the year	16,249,891	2,426,475	1,940,193
Payments during the year	(7,998,873)	(2,079,356)	(2,858,494)
At end of the year	<u>13,184,206</u>	<u>4,933,188</u>	<u>4,586,069</u>

\* Zakat is due for the year 2018 at 2.5% of higher of the approximate zakat base and adjusted net income attributable to the Saudi partners, Zakat is due for the year 2019 at 2.5% of the adjusted net profit and 2,57768% of the Zakat base after deducting the adjusted profit.

d) 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.

**18) ACCRUED EXPENSES AND OTHER LIABILITIES**

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
Unearned revenue	158,881,133	138,575,051	118,020,421
Accrued expenses	88,283,851	52,602,958	43,299,301
Provision For Contingent Liabilities	17,407,451	-	-
Advances from customers	29,394,773	29,162,744	48,856,810
	<u>293,967,208</u>	<u>220,340,753</u>	<u>210,176,532</u>

**19) TRADE PAYABLES**

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
Saudi Arabian Oil Company ("Aramco")	194,054,088	378,965,853	229,038,044
Other trade payables	32,167,964	28,195,289	39,959,463
	<u>226,222,052</u>	<u>407,161,142</u>	<u>268,997,507</u>

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20) SELLING AND MARKETING EXPENSES

	2019 SR	<i>"Restated" 2018</i> SR
Commissions, bonus and sales incentives	4,095,269	6,234,044
Advertising and publicity	1,018,354	579,701
	<u>5,113,623</u>	<u>6,813,745</u>

21) GENERAL AND ADMINISTRATIVE EXPENSES

	2019 SR	<i>"Restated" 2018</i> SR
Employees' salaries and benefits	115,943,765	76,407,343
Depreciation (note 4)	6,570,210	6,068,228
Maintenance	3,598,947	2,729,753
Rent	1,278,476	1,277,800
Utilities	1,543,368	1,751,664
Printing and stationery	1,459,797	1,364,224
Travel expense	1,868,145	1,316,494
Professional fees	2,649,183	871,738
Governmental expenses	608,615	762,309
Insurance	621,488	632,886
Saudi Stock Market expenses ("Tadawul")	747,171	447,687
Donations for social services	1,338,026	272,275
Other	4,422,787	4,886,788
	<u>142,649,978</u>	<u>98,789,189</u>

22) FINANCIAL CHARGES

	2019 SR	<i>"Restated" 2018</i> SR
Bank charges	19,749,281	22,475,103
Interest on lease liabilities	54,578,765	58,940,145
	<u>74,328,046</u>	<u>81,415,248</u>

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For The Year Ended December 31, 2019

23) OTHER INCOME, NET

	2019 SR	<i>"Restated"</i> 2018 SR
The effect of increasing the profit margin - Note (26)	68,119,725	-
(Losses) from disposal of property and equipment	806,105	(904,711)
Labor Office Refunds	12,923,258	-
Others	1,729,590	1,736,552
	<u>83,578,678</u>	<u>831,841</u>

24) RELATED PARTIES TRANSACTIONS AND BALANCES

The share in the joint venture and the investment accounted for at fair value through profit and loss is explained in Note (7, 8)

**Senior management compensation (senior executives)**

	2019 SR	<i>"Restated"</i> 2018 SR
Short-term employee benefits	8,211,012	6,687,492
Defined employee benefit liabilities	961,620	818,112

**Rewards for members and other committees and related expenses**

	2019 SR	<i>"Restated"</i> 2018 SR
Compensation for members and senior executives	19,836,236	5,694,742
Board remuneration	2,100,000	1,400,000
Expenses and fees to attend the meetings of the Board of Directors and the relevant committees	888,000	731,000

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

<u>Name</u>	<u>Relationship</u>
Mr. Hamad Mohammad Aldrees	Shareholder
Mr. Abdul Mohsin Mohammad Aldrees	Shareholder
Aldrees Industrial and Trading Company	Affiliate
Seven Orbits Company for Trading	Affiliate
Aldrees Bertschi Logistic Services	Joint venture



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For The Year Ended December 31, 2019

**24) RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)**

The significant transactions are as follows:

<i>Nature of transaction</i>	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
Purchase of machinery, equipment and spare parts	<u>8,198,232</u>	<u>17,673,098</u>	<u>16,433,196</u>
Rental expenses (depreciation of the right to use the assets)	<u>2,665,417</u>	<u>2,171,611</u>	<u>2,665,417</u>
Non-interest bearing funding	<u>2,791,944</u>	<u>3,931,599</u>	<u>4,144,121</u>

The related party balances are as follows:

	<i>December 31, 2019</i> SR	<i>"Restated"</i> <i>December 31, 2018</i> SR	<i>"Restated"</i> <i>January 1, 2018</i> SR
Due from a related party Aldrees Bertschi	<u>2,791,944</u>	<u>3,931,599</u>	<u>4,144,121</u>
Due to a related party: Aldrees Industrial and Trading Company	<u>2,001,331</u>	<u>7,581,502</u>	<u>5,855,808</u>

**25) 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 31 December 2019( 31 December 2018: 50 million shares).

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

**26) PROFIT MARGIN**

On October 01, 2019, the company received a notification from the National Committee for Gas Stations Companies (one of the committees of the Council of Saudi Chambers) that the Ministry of Energy agreed to increase the profit margin for gas stations and service centers of companies that have a qualification certificate from the Ministry of Municipal and Rural Affairs to become the new profit margin (15 halala For gasoline instead of 9 halalas per liter and 5 halalas for diesel instead of 3.5 halalas per liter), without affecting retail prices at the stations to the end consumer.

Accordingly, the profit margin has been changed retroactively, and the company's management has complied with the requirements of the Saudi Arabian Oil Company (Saudi Aramco) to limit the quantities that apply to it after increasing the margin from the date of the application starting retroactively from the date of 23 August 2018 and provide Saudi Aramco With the statements to which the effect applies and the company is still awaiting approval of the quantities and the transmitted statements later, and based on the estimates of the company's management, "Aldrees Petroleum and Transport Services", the company recognized the effect of the margin increase on the financial statements ended on December 31, 2019 and the effect was The following:

The effect was as follows:

	<u>Balance before</u>	<u>Margin effect</u>	<u>Balance after</u>
Cost of revenue	(5,420,077,455)	200,547,708	<u>(5,219,529,747)</u>
Other income	15,458,953	68,119,725	<u>83,578,678</u>
Accounts payable	494,889,485	(268,667,433)	<u>226,222,052</u>

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

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#### **26) PROFIT MARGIN(Continued)**

\* The effect of the margin increase for the period from January 1, 2019 to December 31, 2019 has been modified by reducing the cost of revenue in the comprehensive income statement for the year ended December 31, 2019. As for the effect of the increase in the profit margin from August 23, 2018 until December 31, 2018, the effect on other income has been proven in Income statement for the year ended December 31, 2019.

#### **27) PROVISION FOR CONTINGENT LIABILITIES**

The management of Aldrees Petroleum and Transport Services Company recorded a provision for potential liabilities against any liabilities that may arise on the company in line with the company's recognition of the impact of increasing the profit margin from fuel, according to the administration's estimates, the value of provision as at December 31, 2019: 17,407,451 SAR.

#### **28) DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS**

The general assembly in its meeting on 11 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.

#### **29) COMMITMENTS AND CONTINGENCIES**

- a) At December 31, 2019, the Company had outstanding contingent liabilities in the form of letters of guarantee amounting to SAR 1,227 million (2018 SAR 803 million).
- b) In addition, the company has capital commitments as of December 31, 2019 amounting to SR 14,8 million (2018: SR 51,4 million).

#### **30) SEGMENTAL INFORMATION**

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

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

- Petroleum Services Segment
- Transport Services Segment

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#### 30) SEGMENTAL INFORMATION (Continued)

The selected segment information is provided by business segment 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>
<i>As of 31 December 2019</i>				
Total assets	3,051,648,374	653,683,101	(120,111,676)	3,585,219,799
Total liabilities	2,523,877,024	306,687,827	(120,111,676)	2,710,453,175
Revenue	5,402,967,569	358,759,761	(80,598,120)	5,681,129,210
Cost of Revenue	5,055,732,445	244,395,422	(80,598,120)	5,219,529,747
Gross profit	347,235,124	114,364,339	-	461,599,463
Depreciation and amortization	51,341,551	46,665,120	-	98,006,671
Income from operations	255,303,868	58,531,994	-	313,835,862
Net income	241,354,513	50,389,145	-	291,743,658
Deferred cost additions	13,841,755	-	-	13,841,755
Capital expenditure additions	105,932,668	16,657,468	-	122,590,136
<i>Total assets and Liabilities</i>				
<i>As of 31 December 2018 "Restated"</i>				
Total assets	2,862,582,584	685,541,817	(116,626,829)	3,431,497,572
Total liabilities	2,540,158,900	364,709,891	(116,626,829)	2,788,241,962
<i>As of 31 December 2018 - "Restated"</i>				
Revenue	4,959,763,168	296,938,274	(80,116,555)	5,176,584,887
Cost of Revenue	4,793,894,852	209,837,722	(80,116,555)	4,923,616,019
Gross profit	165,868,316	87,100,552	-	252,968,868
Depreciation and amortization	49,504,547	47,518,494	-	97,023,041
Income from operations	104,093,462	43,272,472	-	147,365,934
Net income	31,953,947	34,952,016	-	66,905,963
Capital expenditure additions	113,803,500	10,878,262	-	124,681,762
<i>Total assets and Liabilities</i>				
<i>As of 01 January 2018 "Restated"</i>				
Total assets	2,814,040,296	671,750,247	(53,875,330)	3,431,915,213
Total liabilities	2,478,776,675	379,819,756	(53,875,330)	2,804,721,101

#### 31) SUBSEQUENT EVENTS

-The Company's Board of Directors in their meeting held on 06 Shaaban 1441H (corresponding to 30 March, 2020) recommended the following:

Distribution of cash dividends of SR 1.5 per share totalling SR 90 million representing 15% of the Company's share capital.

-The Company's Board of Directors in their meeting held on 27 Rajab 1441 H (corresponding to 22 March, 2020) recommended the following:

Disburse an amount of SAR 500,000 to each member of the board of directors and the secretary of the board of directors for the year 2019. The amount distributed as in accordance with the regulations of the ministry of commerce and the Capital Market Authority

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

- The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event. It is not practicable to provide a quantitative estimate of the potential impact at this stage. The Group does not foresee major impact on its operations, if the situation is normalized within a reasonable time period. The management and those charged with governance will continue to monitor the situation across all geographies and accordingly update stakeholders as per the regulatory requirements. Any changes in circumstances may require enhanced disclosures or recognition of adjustments in the condensed interim consolidated financial statements of the Group for the subsequent periods during the financial year 2020.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**32) 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 at 31 December was as follows:

<i>In Saudi Riyal</i>	<b>Requested value</b>		
	<b>As of December 31, 2019</b>	<b>"Restated" As of December 31, 2018</b>	<b>"Restated" As of January 01, 2018</b>
Trade accounts receivable, net	390,318,159	426,854,351	363,280,199
Investment at fair value through profit or loss	21,397,727	-	-
Cash at Bank	98,147,083	46,062,378	46,083,128
Accrued income	22,639,676	24,128,164	42,647,183
Other assets	43,138,898	42,204,759	37,804,363
Due from related parties	2,791,944	3,931,599	4,144,121
	<b>578,433,487</b>	<b>543,181,251</b>	<b>493,958,994</b>



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For The Year Ended December 31, 2019

**32) 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 (15). 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:

**December 31, 2019**

<b>In Saudi Riyal</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Less than a year</b>	<b>More than a year</b>
Loans	466,234,637	(466,234,637)	(405,918,462)	(60,316,175)
Trade payables	226,222,052	(226,222,052)	(226,222,052)	-
Due to related party	2,001,331	(2,001,331)	(2,001,331)	-
Accrued expenses and other liabilities	293,967,208	(293,967,208)	(293,967,208)	-
Zakat payable	13,184,206	(13,184,206)	(13,184,206)	-
Employees' defined benefits liabilities	66,067,876	(66,067,876)	-	(66,067,876)
	<b>1,067,677,310</b>	<b>(1,067,677,310)</b>	<b>(941,293,259)</b>	<b>(126,384,051)</b>

**December 31, 2018**

<b>In Saudi Riyal</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Less than a year</b>	<b>More than a year</b>
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	220,340,753	(220,340,753)	(220,340,753)	-
Zakat payable	4,933,188	(4,933,188)	(4,933,188)	-
Employees' defined benefits liabilities	56,771,528	(56,771,528)	-	(56,771,528)
	<b>1,213,879,494</b>	<b>(1,213,879,494)</b>	<b>(1,054,300,050)</b>	<b>(159,579,444)</b>

**January 01, 2018**

<b>In Saudi Riyal</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Less than a year</b>	<b>More than a year</b>
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	210,176,532	(210,176,532)	(210,176,532)	-
Zakat payable	4,586,069	(4,586,069)	(4,586,069)	-
Employees' defined benefits liabilities	53,457,001	(53,457,001)	-	(53,457,001)
	<b>1,132,854,888</b>	<b>(1,132,854,888)</b>	<b>(907,612,777)</b>	<b>(225,242,111)</b>

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

### NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

#### 32) 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.

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

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

<i>Increase/(decrease) in basis points</i>	<i>Effect on income for the year</i>	
	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
+5	(233,118)	(258,545)
+10	(466,235)	(517,091)
-5	233,118	258,545
-10	466,235	517,091

##### 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.

##### Fair Value

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value, of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Company uses observable market 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 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).

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

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2019

32) FINANCIAL RISK MANAGEMENT (Continued)

Fair Value (Continued)

<u>December 31, 2019</u>	<i>Value</i> SR	<i>Level (1)</i> SR	<i>Level (2)</i> SR	<i>Level (3)</i> SR
Assets measured at fair value				
Investment at fair value through profit and loss	21,397,727	21,397,727	-	-
	-----	-----	-----	-----
<u>December 31, 2018</u>	<i>Value</i> SR	<i>Level (1)</i> SR	<i>Level (2)</i> SR	<i>Level (3)</i> SR
Assets measured at fair value				
Investment at fair value through profit and loss	-	-	-	-
	-----	-----	-----	-----

The company has not disclosed the fair values of financial instruments such as cash and cash equivalents, commercial and debit accounts, commercial credit accounts, amounts payable and other current liabilities, given that their book values are a reasonable approximation of the fair value and that is largely due to the short-term maturity dates for these instruments.

33) KEY SOURCES OF ESTIMATION UNCERTAINTY

**Trade receivable "expected credit losses"**

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

At the balance sheet date, gross trade accounts receivables were SR 396,269,202 (2018: SR 429,599,276), and the Provision for credit losses was SR (5,951,043) (2018: SR 2,744,925). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

**Impairment of inventories**

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

**Useful lives of property and equipment**

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

34) COMPARATIVE FIGURES

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

35) APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 06 Shaaban, 1441 H (corresponding to March 30, 2020).