

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

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

**CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

##### **Opinion**

We have audited the consolidated financial statements of United International Transportation Company (A Saudi Joint Stock Company) - ("the Parent Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

##### **Basis for Opinion**

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

##### **Key Audit Matters**

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

Key Audit Matters (continued)

Key audit matters	Why considered most significant	How our audit addressed the key audit matter
<i>First time Adoption of International Financial Reporting Standard (IFRS)</i>	<p>As a result of the regulatory requirement in the Kingdom of Saudi Arabia, effective 1 January 2017, the Group is required to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia ("KSA").</p> <p>For all periods up to and including the year ended 31 December 2016, the Group prepared and published its audited consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP) issued by SOCPA in KSA (SOCPA GAAP). The consolidated financial statements for the year ended 31 December 2017 are the Group's first annual consolidated financial statements in accordance with IFRS as endorsed in KSA.</p> <p>Accordingly, the Group has applied IFRS as endorsed in KSA for preparation of its consolidated financial statements for the year beginning 1 January 2017, as well as for presenting the relevant comparative period data. In compliance with requirements of IFRS 1 as endorsed in KSA, the Group's opening statement of consolidated financial position was prepared as at 1 January 2016 after incorporating required adjustments to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Group has assessed the impact and significant adjustments are made on transitioning from SOCPA GAAP to IFRS as endorsed in KSA in the Group's consolidated financial statements as at 1 January 2016 and 31 December 2016.</p>	<p>We performed the following procedures in respect of the transition to IFRS as endorsed in KSA:</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of the implementation of IFRS as endorsed in KSA in accordance with the provisions of IFRS 1.</li> <li>Assessed the appropriateness of the accounting policies adopted.</li> <li>Evaluated the position papers on technical matters and GAAP differences identified by the Group's Management.</li> <li>Tested a sample of adjustments (including calculation and recording) made to various balances and transactions to bring them in line with IFRS as endorsed in KSA.</li> <li>Assessed the appropriateness of disclosures made in relation to transition impact from SOCPA GAAP to IFRS as endorsed in KSA.</li> <li>Assessed the appropriateness of the use of exceptions to retrospective application of certain IFRSs as endorsed in KSA availed by the Group, in preparing the consolidated financial statements.</li> </ul>



## INDEPENDENT AUDITOR'S REPORT

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

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

Key Audit Matters (continued)

Key audit matters	Why considered most significant	How our audit addressed the key audit matter
	<p>We considered this as a key audit matter since the first time adoption of IFRS has significant impact on the consolidated financial statements from the recognition, measurement and disclosure perspective.</p> <p>Refer to notes 2 and 5 to the consolidated financial statements for the details of transition and reconciliation adjustments between SOCPA GAAP and IFRS as endorsed in KSA.</p>	
Recoverability of trade receivables	<p>The gross balance of trade receivables as at 31 December 2017 amounted to SR 200 million, against which an allowance for doubtful debts of SR 30 million was made. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis. The Group's management approves credit limits above certain thresholds, where applicable. The assessment of the impairment of trade receivables requires significant management judgment in assessing the trade debtors' ability to pay, which in turn impacts the recoverability of the Group's receivables.</p> <p>Refer to note 3 to the consolidated financial statements for the significant accounting policy, note 2.4 for the critical accounting estimates and judgements and note 16 which details the disclosure of impairment against accounts receivable.</p>	<p>We evaluated the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks of customers. Our audit procedures included, amongst others, evaluating management's assessment of the credit review procedures of trade receivables, obtaining trade receivable confirmations, and obtaining evidence of receipts from the trade receivables after the year end.</p> <p>We also evaluated management's assumptions used to determine the trade receivables impairment amount, through detailed analysis of ageing of receivables, assessment of material overdue individual trade receivables and risks specific to the trade debtors.</p> <p>We assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk.</p>

## **INDEPENDENT AUDITOR'S REPORT**

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

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

### **Other information included in The Group's 2017 Annual Report**

Other information consists of the information included in the Group's 2017 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2017 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2017 annual report, if we 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 Consolidated Financial Statements**

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

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

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

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

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



## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

for Ernst & Young



Hussain Saleh Asiri  
Certified Public Accountant  
Licence No. 414

14 Jumada I 1439H  
31 January 2018

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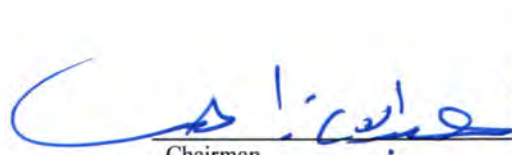
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UNITED INTERNATIONAL TRANSPORTATION COMPANY  
(A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
For the year ended 31 December 2017

		2017 SR'000	2016 SR'000 (Note 5)
	Note		
Revenue	6	1,173,158	1,182,512
Cost of revenue	7	(910,556)	(903,463)
<b>GROSS PROFIT</b>		<b>262,602</b>	<b>279,049</b>
Other operating income, net		8,631	8,522
Selling and marketing expenses	8	(31,451)	(31,473)
General and administrative expenses	9	(53,149)	(54,305)
<b>OPERATING PROFIT</b>		<b>186,633</b>	<b>201,793</b>
Finance costs, net		(11,409)	(16,063)
Share of results of associates	14	(1,676)	(1,491)
Impairment of investments in associates	14	(14,949)	(6,619)
<b>PROFIT BEFORE ZAKAT</b>		<b>158,599</b>	<b>177,620</b>
Zakat	10	(9,088)	(7,485)
<b>PROFIT FOR THE YEAR</b>		<b>149,511</b>	<b>170,135</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gains/(losses) on defined benefit obligation	21	1,748	(51)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>151,259</b>	<b>170,084</b>
<b>EARNINGS PER SHARE (EPS)</b>			
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent (in Saudi Riyals) (comparatives restated)	11	2.10	2.39

  
Chairman

  
Chief Executive Officer

  
Chief Financial Officer

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

UNITED INTERNATIONAL TRANSPORTATION COMPANY  
(A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 31 December 2017

		31 December 2017 SR'000	31 December 2016 SR'000 (Note 5)	1 January 2016 SR'000 (Note 5)
	Note			
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	12	1,289,087	1,396,865	1,498,059
Intangible assets	13	359	561	751
Investments in associates	14	1,326	17,951	26,061
		<u>1,290,772</u>	<u>1,415,377</u>	<u>1,524,871</u>
<b>CURRENT ASSETS</b>				
Inventories	15	7,383	18,590	15,159
Trade receivables	16	170,272	164,405	123,642
Prepayments and other receivables	17	22,748	20,680	17,044
Cash and cash equivalents	18	9,744	20,745	22,078
		<u>210,147</u>	<u>224,420</u>	<u>177,923</u>
<b>TOTAL ASSETS</b>		<u>1,500,919</u>	<u>1,639,797</u>	<u>1,702,794</u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	19(a)	711,667	610,000	508,333
Statutory reserve	19(b)	147,332	132,381	114,936
Retained earnings		211,348	252,957	278,235
		<u>1,070,347</u>	<u>995,338</u>	<u>901,504</u>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	20	60,490	92,936	249,259
Employee benefits	21	35,774	37,870	35,655
		<u>96,264</u>	<u>130,806</u>	<u>284,914</u>
<b>CURRENT LIABILITIES</b>				
Current portion of borrowings	20	188,063	372,571	400,672
Trade payables	22	106,346	95,468	71,351
Accrued expenses and other liabilities	23	29,462	37,927	39,107
Zakat payable	10	10,437	7,687	5,246
		<u>334,308</u>	<u>513,653</u>	<u>516,376</u>
<b>TOTAL LIABILITIES</b>		<u>430,572</u>	<u>644,459</u>	<u>801,290</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,500,919</u>	<u>1,639,797</u>	<u>1,702,794</u>

  
Chairman

  
Chief Executive Officer

  
Chief Financial Officer

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

UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2017

	Share capital SR'000	Proposed increase in capital- bonus shares SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total equity SR'000
<b>Balance as at 1 January 2017</b>	610,000	-	132,381	252,957	995,338
Profit for the year	-	-	-	149,511	149,511
Other comprehensive income for the year	-	-	-	1,748	1,748
Total comprehensive income for the year	-	-	-	151,259	151,259
Transfer to statutory reserve (Note 19 (b))	-	-	14,951	(14,951)	-
Proposed increase in capital – bonus shares (Note 19 (a))	-	101,667	-	(101,667)	-
Bonus shares issued (Note 19 (a))	101,667	(101,667)	-	-	-
Dividends (Note 19 (a))	-	-	-	(76,250)	(76,250)
<b>Balance as at 31 December 2017</b>	<b>711,667</b>	<b>-</b>	<b>147,332</b>	<b>211,348</b>	<b>1,070,347</b>
<b>Balance as at 1 January 2016</b>	508,333	-	114,936	278,235	901,504
Profit for the year	-	-	-	170,135	170,135
Other comprehensive income for the year	-	-	-	(51)	(51)
Total comprehensive income for the year	-	-	-	170,084	170,084
Transfer to statutory reserve (Note 19 (b))	-	-	17,445	(17,445)	-
Proposed increase in capital – bonus shares (Note 19 (a))	-	101,667	-	(101,667)	-
Bonus shares issued (Note 19 (a))	101,667	(101,667)	-	-	-
Dividends (Note 19 (a))	-	-	-	(76,250)	(76,250)
<b>Balance as at 31 December 2016</b>	<b>610,000</b>	<b>-</b>	<b>132,381</b>	<b>252,957</b>	<b>995,338</b>

  
Chairman

  
Chief Executive Officer

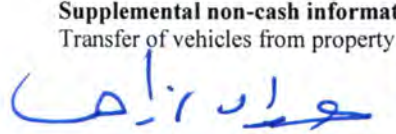
  
Chief Financial Officer


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



UNITED INTERNATIONAL TRANSPORTATION COMPANY  
(A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended 31 December 2017

	Note	2017 SR'000	2016 SR'000
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		158,599	177,620
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation of property and equipment	12	482,530	520,464
Amortisation of intangible assets	13	300	209
Loss on disposal of property and equipment	12	-	16
Amortization of advance prepayments under operating lease		-	1,031
Share of results of associates, net	14	1,676	1,491
Impairment of investment in associates	14	14,949	6,619
Provision for employee benefits	21	5,620	4,228
Movement in allowance for doubtful debts, net	16	(273)	8,292
Finance costs		11,409	16,063
		<b>674,810</b>	<b>736,033</b>
Working capital adjustments:			
Inventories		248,859	171,769
Trade receivables, net		(5,594)	(49,055)
Prepayments and other receivables		(2,068)	(4,667)
Trade payables		10,878	24,117
Accrued expenses and other liabilities		(8,465)	(1,180)
		<b>918,420</b>	<b>877,017</b>
Cash from operations		<b>918,420</b>	<b>877,017</b>
Purchase of vehicles	12	(609,205)	(592,018)
Zakat paid	10	(6,338)	(5,044)
Finance costs paid		(11,409)	(16,063)
Employee benefits paid	21	(5,968)	(2,064)
		<b>285,500</b>	<b>261,828</b>
<b>Net cash flows from operating activities</b>			
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	12	(3,199)	(2,468)
Additions to intangible assets	13	(98)	(19)
		<b>(3,297)</b>	<b>(2,487)</b>
<b>Net cash flows used in investing activities</b>			
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings	20	220,005	317,564
Repayment of borrowings	20	(436,959)	(501,988)
Dividends paid	19	(76,250)	(76,250)
		<b>(293,204)</b>	<b>(260,674)</b>
<b>Net cash flows used in financing activities</b>			
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(11,001)</b>	<b>(1,333)</b>
Cash and cash equivalents at the beginning of the year		20,745	22,078
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
		<b>9,744</b>	<b>20,745</b>
<b>Supplemental non-cash information</b>			
Transfer of vehicles from property and equipment to inventories	12	237,652	175,200

  
Chairman

  
Chief Executive Officer

  
Chief Financial Officer

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

### 1 CORPORATE INFORMATION

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

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

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

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

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

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The Group has prepared on 31 December 2017 its first annual consolidated financial statements in accordance with "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in KSA. Refer to note 5 for information on the first time adoption of IFRS as endorsed in KSA, by the Group.

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

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

#### 2.4 Significant accounting judgements, estimates and assumptions

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

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

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

#### Judgements

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2017

**2 BASIS OF PREPARATION (continued)**

**2.4 Significant accounting judgements, estimates and assumptions (continued)**

**Estimates and assumptions**

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

***Useful lives of property and equipment***

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

***Allowance for inventory losses***

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

***Allowance for doubtful receivable***

A provision for impairment of trade receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired.

***Impairment of non-financial assets***

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

***Defined benefit plan***

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in (Note 21).



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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**2 BASIS OF PREPARATION (continued)**

**2.4 Significant accounting judgements, estimates and assumptions (continued)**

***Fair value measurement of financial instruments***

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

***Going concern***

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

***Provisions***

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position at 1 January 2016 for the purposes of transition to IFRS as endorsed in KSA, except for the application of relevant exceptions or available exemptions as stipulated in IFRS 1. Details of such exceptions and exemptions are disclosed in note 5.

**3.1 Basis of consolidation**

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Basis of consolidation (continued)**

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

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

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

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

***Business combinations and goodwill***

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

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

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

***Investment in associates***

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Basis of consolidation (continued)**

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

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

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

**3.2 Foreign currencies**

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

***Transactions and balances***

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

***Foreign operations***

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

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 Foreign currencies (continued)**

***Foreign operations (continued)***

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

**3.3 Current versus non-current classification**

***Assets***

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

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

All other assets are classified as non-current.

***Liabilities***

A liability is current when it is:

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

The Group classifies all other liabilities as non-current.

**3.4 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

***Vehicle rental and lease arrangements***

Revenue from vehicle rental is recognised on accrual basis over the rental period in accordance with the terms of the agreements. Lease revenue is recognized over the period of lease agreement. In case the vehicle is not returned by the expiry of the rental agreement period, revenue is continued to be recognized till the vehicle is returned by the customer to the extent that revenue recognition criteria is met, such as the probability that the associated economic benefits will flow to the Group.

***Sale of inventories***

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of vehicles can be estimated reliably, there is no continuing management involvement with the vehicles, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards depends on the terms of the sales agreement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2017

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 Revenue recognition (continued)**

***Income from other services***

Income from other services that are incidental to vehicle rental arrangements or sale of vehicles are recognized when these related services are provided and classified as part of revenue from these core operating activities.

Income from other services is recognized similarly and classified as other operating income in the consolidated statement of profit or loss and other comprehensive income.

Income and expenses are presented in a net basis only when permitted under IFRS, or of gains and losses arising from a group of similar transactions.

***Dividends***

Revenue is recognised when the Group's right to receive the amount is established, which is generally when shareholders of the investee company approve the dividend.

**3.5 Expenses**

***Cost of revenue***

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

***Selling, marketing and administrative expenses***

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

***Franchise fee***

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

**3.6 Borrowing costs**

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

**3.7 Zakat**

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiary is charged to the consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

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

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.8 Property and equipment**

***Recognition and measurement***

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

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

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

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

***Subsequent costs***

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

***Depreciation***

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

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For discussion on impairment assessment of property and equipment, please refer note 3.15.

***Change in estimate***

During the year, the Company reviewed the estimated useful life and residual value of vehicles being used for short term rentals. Based on an assessment and the advice from the Company's operations department, the management believes that it is appropriate to change the estimated useful life of the vehicles being used for short term rentals from 30 months to 24 months and residual value from 35% to 48% of the cost. Such change in the estimated useful of vehicles being used for short term rentals has been applied prospectively from 1 January 2017. The change in useful life and residual value will not result in any change in depreciation charge for the current year and future years.

The estimated useful lives are as follows:

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

**3.9 Leases**

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

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.9 Leases (continued)**

***Group as a lessee***

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

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

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

***Group as a lessor***

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

**3.10 Intangible assets**

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

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

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

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

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

**3.11 Inventories**

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



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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.11 Inventories (continued)**

***Vehicles for sale***

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

***Spare parts and supplies***

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

**3.12 Cash and cash equivalents**

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

**3.13 Financial instruments**

**i) Financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity investments and available for sale (AFS) financial assets. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

***Subsequent measurement***

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

- Financial assets at fair value through profit or loss (FVPL)
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of profit or loss and other comprehensive income.

***Loans and receivables***

The loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the consolidated statement of profit or loss and other comprehensive income in finance costs for loans and in cost of revenue or other operating expenses for receivables. This category generally applies to trade and other receivables.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.13 Financial instruments (continued)**

**i) Financial assets (continued)**

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the consolidated statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the consolidated statement of profit or loss and other comprehensive income as finance costs.

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of profit or loss and other comprehensive income in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortized to consolidated statement of profit or loss and other comprehensive income over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of profit or loss and other comprehensive income.

***Derecognition***

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.13 Financial instruments (continued)**

**ii) Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payable, other liabilities and borrowings.

***Subsequent measurement***

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

***Financial liabilities at fair value through profit or loss.***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

***Borrowings***

This is the category most relevant to the Group. After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income. This category generally applies to loans and borrowings. For more information, refer to (Note 20).

***Derecognition***

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

**iii) Offsetting of financial instruments**

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

**3.14 Employee benefits**

***Short-term employee benefits***

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.14 Employee benefits (continued)**

***Post-employment benefits***

The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in the statement of profit or loss. Also refer to defined benefits plans in (Note 2.4).

**3.15 Impairment of financial and non-financial assets**

***Financial assets***

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

***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it include the assets in group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in consolidated statement of profit or loss and other comprehensive income. Interest income (recorded as finance income in the consolidated statement of profit or loss and other comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of profit or loss and other comprehensive income.

***Available-for-sale (AFS) financial investments***

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.



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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.15 Impairment of financial and non-financial assets (continued)**

*Available-for-sale (AFS) financial investments (continued)*

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the other comprehensive income - is removed from OCI and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss and other comprehensive income; increases in their fair value after impairment are recognised in OCI.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss and other comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss and other comprehensive income, the impairment loss is reversed through the consolidated statement of profit or loss and other comprehensive income.

***Non-financial assets***

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

**3.16 Provisions**

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

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

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

**4 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

**4.1 IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group did not adopt the new standard before 1 January 2018.

The Group has made a preliminary assessment of the classification and measurement of financial assets and expects no significant change to the accounting for these assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. Derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

**4.2 IFRS 15 Revenue from Contracts with Customers**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11, which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for the period beginning on or after 1 January 2018, and will allow early adoption.

The Group has made preliminary assessment of "IFRS 15 Revenue from Contracts with Customers" and expects no significant impact on the Group's revenue.

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At 31 December 2017

**4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

**4.3 IFRS 16 Leases**

The IASB has issued a new standard for the recognition of leases. This standard will replace:

- IAS 17 – ‘Leases’
- IFRS Interpretations Committee 4 – ‘Whether an arrangement contains a lease’ (“IFRIC 4”)
- Standards Interpretation Committee 15 – ‘Operating leases – Incentives’ (“SIC 15”)
- SIC-27 – ‘Evaluating the substance of transactions involving the legal form of a lease’

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessee to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and lease assets; however, this exemption can only be applied by lessee.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company will make more detailed assessments of the effect in the future to determine the impact. The mandatory date for adoption for the standard is 1 January 2019.

Lessees will be also required to re-measure 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 re-measurement of the lease liability as an adjustment to the right-of-use asset.

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

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

In 2018, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

**4.4 IFRS 17 Insurance Contracts**

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

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

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

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**4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The amendment to IFRS 10 and IAS 28 has no impact on the Group.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The amendment to IFRS 2 has no impact on the Group.

**4.7 Amendments to IAS 40 - Transfers of Investment Property**

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

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

The amendments are effective for annual periods beginning on or after 1 January 2018. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendment to IAS 40 has no impact on the Group.

**4.8 IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters**

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

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

The amendments clarify that:

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

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.



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**4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)**

**4.10 IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation; or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The IFRIC is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. This interpretation has no impact on the Group.

**4.11 IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment**

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

The Interpretation specifically addresses the following:

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. This interpretation has no impact on the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2017

**5 FIRST-TIME ADOPTION OF IFRS**

These consolidated financial statements for the year ended 31 December 2017 are the first annual consolidated financial statements the Group has prepared in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia together with other standards and pronouncements that are issued by SOCPA. For all periods up to and including the year ended 31 December 2016, the Group prepared its consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia ("SOCPA GAAP").

Accordingly, the Group has prepared consolidated financial statements, which comply with IFRS as endorsed in KSA applicable as at 31 December 2017, together with the comparative period data for the year ended 31 December 2016. In preparing the consolidated financial statements, the Group's opening statement of consolidated financial position was prepared as at 1 January 2016, the Group's date of transition to IFRS as endorsed in KSA.

In preparing its opening IFRS consolidated statement of financial position as at 1 January 2016 and the consolidated financial statements for the year ended 31 December 2016, the Group has analysed the impact and has made following adjustments to the amounts reported previously in consolidated financial statements prepared in accordance with SOCPA GAAP.

**Exemption applied**

These consolidated financial statements have been prepared in accordance with the accounting policies described in note 3, except for one optional exemption availed by the Group in preparing these consolidated financial statements in accordance with IFRS 1 – First time adoption of International Financial Reporting Standards from full retrospective application of IFRS. The optional exemption applied is described below:

Group has elected the business combination exemption in IFRS 1 to not apply IFRS 3 retrospectively, to past business combinations. Accordingly, the Group has not restated business combinations that took place prior to the transition date.

**Estimates**

The estimates at 1 January 2016 and at 31 December 2016 are consistent with those made for the same dates in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies) apart from the employee benefits items where application of SOCPA GAAP did not require estimation.

The estimates used by the Group to present these amounts in accordance with IFRS as endorsed in KSA reflect conditions at 1 January 2016, the date of transition to IFRS and as at 31 December 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2017

**5 FIRST-TIME ADOPTION OF IFRS (continued)**

The following is a reconciliation of the Group's consolidated statement of financial position reported in accordance with SOCPA GAAP to its consolidated statement of financial position under IFRS at the transition date 1 January 2016:

	<i>Note</i>	<i><b>SOCPA GAAP as at 1 January 2016 SR'000</b></i>	<i><b>Re-measurements SR'000</b></i>	<i><b>IFRS as at 1 January 2016 SR'000</b></i>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	5(i)	1,498,810	(751)	1,498,059
Intangible assets	5(i)	-	751	751
Investment in associates		26,061	-	26,061
		<b>1,524,871</b>	<b>-</b>	<b>1,524,871</b>
<b>CURRENT ASSETS</b>				
Assets held for sale	5(ii)	11,516	(11,516)	-
Inventories	5(ii)	3,643	11,516	15,159
Trade receivables, net		123,642	-	123,642
Prepayments and other receivables		17,044	-	17,044
Cash and cash equivalents		22,078	-	22,078
		<b>177,923</b>	<b>-</b>	<b>177,923</b>
<b>TOTAL ASSETS</b>		<b>1,702,794</b>	<b>-</b>	<b>1,702,794</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital		508,333	-	508,333
Statutory reserve		114,936	-	114,936
Retained earnings		278,235	-	278,235
		<b>901,504</b>	<b>-</b>	<b>901,504</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings		249,259	-	249,259
Employee benefits		35,655	-	35,655
		<b>284,914</b>	<b>-</b>	<b>284,914</b>
<b>CURRENT LIABILITIES</b>				
Current portion of borrowings		400,672	-	400,672
Trade payables		71,351	-	71,351
Accrued expenses and other liabilities		39,107	-	39,107
Zakat and income tax payable		5,246	-	5,246
		<b>516,376</b>	<b>-</b>	<b>516,376</b>
<b>TOTAL LIABILITIES</b>		<b>801,290</b>	<b>-</b>	<b>801,290</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,702,794</b>	<b>-</b>	<b>1,702,794</b>

5 (i) An amount of SR 751 thousand as at 1 January 2016 has been reclassified from property and equipment to intangible assets representing software that were previously classified as part of property and equipment under SOCPA GAAP.

5 (ii) Vehicles held for sale by the Group in the ordinary course of its operations, amounting to SR 11,516 thousand, were previously classified as "assets held for sale". Since these vehicles and their subsequent sale represents a routine operating activity of the Group, these have been classified to inventories.

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

At 31 December 2017

**5 FIRST-TIME ADOPTION OF IFRS (continued)**

**Notes to the above reconciliation:**

The following is a reconciliation of the Group's consolidated statement of financial position reported in accordance with SOCPA GAAP to its consolidated statement of financial position under IFRS at 31 December 2016:

		<i><b>SOCPA GAAP as at 31 December 2016 SR'000</b></i>	<i><b>Re-measurements SR'000</b></i>	<i><b>IFRS as at 31 December 2016 SR'000</b></i>
	<i><b>Note</b></i>			
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	5(iii)	1,397,426	(561)	1,396,865
Intangible assets	5(iii)	-	561	561
Investment in associates		17,951	-	17,951
		<b>1,415,377</b>	<b>-</b>	<b>1,415,377</b>
<b>CURRENT ASSETS</b>				
Assets held for sale	5(iv)	16,438	(16,438)	-
Inventories	5(iv)	2,152	16,438	18,590
Trade receivables, net		164,405	-	164,405
Prepayments and other receivables		20,680	-	20,680
Cash and cash equivalents		20,745	-	20,745
		<b>224,420</b>	<b>-</b>	<b>224,420</b>
<b>TOTAL ASSETS</b>		<b>1,639,797</b>	<b>-</b>	<b>1,639,797</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital		610,000	-	610,000
Statutory reserve		132,381	-	132,381
Retained earnings		252,957	-	252,957
<b>TOTAL EQUITY</b>		<b>995,338</b>	<b>-</b>	<b>995,338</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings		92,936	-	92,936
Employee benefits		37,870	-	37,870
		<b>130,806</b>	<b>-</b>	<b>130,806</b>
<b>CURRENT LIABILITIES</b>				
Current portion of borrowings		372,571	-	372,571
Trade payables		95,468	-	95,468
Accrued expenses and other liabilities		37,927	-	37,927
Zakat and income tax payable		7,687	-	7,687
		<b>513,653</b>	<b>-</b>	<b>513,653</b>
<b>TOTAL LIABILITIES</b>		<b>644,459</b>	<b>-</b>	<b>644,459</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,639,797</b>	<b>-</b>	<b>1,639,797</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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**5 FIRST-TIME ADOPTION OF IFRS (continued)**

**Note to the above reconciliation**

5 (iii) An amount of SR 561 thousand as at 31 December 2016 has been reclassified from property and equipment to intangible assets representing softwares that were previously classified as part of property and equipment under SOCPA GAAP.

5 (iv) Vehicles held for sale by the Group in the ordinary course of its operations, amounting to SR 16,438 thousand, were previously classified as “assets held for sale”. Since these vehicles and their subsequent sale represents a routine operating activity of the Group, hence these have been classified to inventories.

Group’s reconciliation of consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016:

	<b>Note</b>	<b>SOCPA GAAP 31 December 2016 SR’000</b>	<b>Re-measurements SR’000</b>	<b>IFRS 31 December 2016 SR’000</b>
Revenue	5(v) & 5(vi)	866,844	315,668	1,182,512
Cost of revenue	5(v)	(732,094)	(171,369)	(903,463)
<b>GROSS PROFIT</b>		<b>134,750</b>	<b>144,299</b>	<b>279,049</b>
Gain on sale of vehicles	5(v)	143,244	(143,244)	-
Other operating income, net	5(vi)	9,577	(1,055)	8,522
Selling and marketing expenses		(31,473)	-	(31,473)
General and administrative expenses	5(vii)	(49,990)	(4,315)	(54,305)
<b>OPERATING PROFIT</b>		<b>206,108</b>	<b>(4,315)</b>	<b>201,793</b>
Finance costs, net		(16,063)	-	(16,063)
Share of results of associates - net		(1,491)	-	(1,491)
Impairment of investments in associates		(6,619)	-	(6,619)
<b>PROFIT BEFORE ZAKAT</b>		<b>181,935</b>	<b>(4,315)</b>	<b>177,620</b>
Zakat		(7,485)	-	(7,485)
<b>PROFIT FOR THE YEAR</b>		<b>174,450</b>	<b>(4,315)</b>	<b>170,135</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Re-measurement gains/(losses) on defined benefit obligations		-	(51)	(51)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>174,450</b>	<b>(4,366)</b>	<b>170,084</b>



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

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**5 FIRST-TIME ADOPTION OF IFRS (continued)**

**Notes to the above reconciliation**

- 5 (v) Consistent with the reclassification of vehicle for sale from assets held for sale to inventories (note 5(ii)), an amount of SR 143,244 thousand representing the net gain on sale of vehicles has been reclassified to revenue and cost of revenue via adjustments of SR 314,613 thousand (gross sales value) and SR 171,369 thousand (net carrying value of inventories).
- 5 (vi) As explained in note 3.4, income from other services that are incidental to the core operating activities of the Group are classified as revenue in consolidated statement of profit or loss and other comprehensive income. However, these amounts were classified as other operating income under SOCPA GAAP. Hence, an amount of SR 1,055 thousand has been reclassified from other operating income to revenue.
- 5 (vii) The Group previously recognised board of directors' remuneration in retained earnings through consolidated statement of changes in equity. Such remuneration is required to be recorded in consolidated statement of profit or loss under IFRS and therefore an amount of SR 4,315 thousand has been reclassified from changes in equity to statement of profit or loss and other comprehensive income.

The impact on net sales and cash flows and on earnings per share were:

	<b><i>SOCPA GAAP</i></b>	<b><i>IFRS</i></b>	
	<b><i>31 December 2016</i></b>	<b><i>31 December 2016</i></b>	<b><i>Difference</i></b>
	<b><i>SR'000</i></b>	<b><i>SR'000</i></b>	<b><i>SR'000</i></b>
Net sales	866,844	1,182,512	315,668
Net cash from operating activities	557,095	261,828	295,267
Net cash used in investing activities	(279,891)	(2,487)	(277,404)
Net cash used in financing activities	(278,537)	(260,674)	17,863
Net profit per ordinary share in SR	2.45	2.39	0.06

**6 REVENUE**

	<b><i>2017</i></b>	<b><i>2016</i></b>
	<b><i>SR'000</i></b>	<b><i>SR'000</i></b>
Vehicle rental and lease arrangements	<b>805,054</b>	867,899
Proceeds of sales from vehicles	<b>368,104</b>	314,613
	<b><u>1,173,158</u></b>	<b><u>1,182,512</u></b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2017

**7 COST OF REVENUE**

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Depreciation (note 12(d))	481,717	519,520
Cost of sale of vehicles	249,344	171,369
Operational cost	36,597	41,150
Repairs and maintenance	48,419	59,086
Insurance	29,917	42,577
Employees related expenses	25,549	24,733
Rent of counters and workshop	19,825	19,970
Incentives, commission and franchise fee	11,015	15,778
Communication expense	2,502	2,332
Operating lease expense	-	1,031
Other	5,671	5,917
	<u>910,556</u>	<u>903,463</u>

**8 SELLING AND MARKETING EXPENSES**

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Employee related expenses	27,052	27,503
Advertisement costs	3,501	2,630
Other	898	1,340
	<u>31,451</u>	<u>31,473</u>

**9 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Employees related expenses	27,132	26,301
Rent	4,528	4,721
Subscriptions	4,798	4,352
Allowance for doubtful debts (note 16)	5,503	8,584
Board of directors' remuneration (note 24)	3,775	4,315
Depreciation and amortization (note 12(d) and 13)	1,113	1,153
Repairs and maintenance	1,150	974
Communication	1,190	861
Legal and professional charges	1,123	893
Other	2,837	2,151
	<u>53,149</u>	<u>54,305</u>

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

At 31 December 2017

**10 ZAKAT**

**a) Charge for the year**

The Group's zakat charge is based on the separate financial statements of the Parent Company and its subsidiary.

**Movement in provision during the year**

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

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
At the beginning of the year	7,687	5,246
Provided during the year	9,088	7,485
Paid during the year	(6,338)	(5,044)
	<u>10,437</u>	<u>7,687</u>
At the end of the year	<u>10,437</u>	<u>7,687</u>

**b) Status of assessments**

**The Parent Company**

The Parent Company has filed the zakat return for all years up to the financial year ended 31 December 2016. All assessment proceedings of the General Authority of Zakat and Tax ("GAZT") up to the end of the financial year ended 31 December 2011 have been completed. The assessments for the financial years 2012 through 2016 are under process.

**Subsidiary- Aljozoor Alrasekha Trucking Company Limited**

The subsidiary has filed the zakat returns up to the financial year ended 31 December 2016. The assessments for the financial years 2012 to 2016 are under process.

**11 EARNINGS PER SHARE (EPS)**

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

The EPS calculation is given below:

	<i>2017</i>	<i>2016</i>
Profit attributable to ordinary equity holders of the parent (SR'000)	<u>149,511</u>	<u>170,135</u>
Weighted average number of ordinary shares for basic and diluted EPS (SR'000)	<u>71,167</u>	<u>71,167</u>
Earnings per share (in Saudi Riyals) (comparatives restated)	<u>2.10</u>	<u>2.39</u>

UNITED INTERNATIONAL TRANSPORTATION COMPANY  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
At 31 December 2017

**12 PROPERTY AND EQUIPMENT**

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

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

At 31 December 2017

**12 PROPERTY AND EQUIPMENT (continued)**

	<i>Land SR'000</i>	<i>Buildings and other installation SR'000</i>	<i>Machinery and equipment SR'000</i>	<i>Furniture and office equipment SR'000</i>	<i>Vehicles SR'000</i>	<i>Capital work in progress SR'000</i>	<i>Total SR'000</i>
<b>Cost:</b>							
At 1 January 2016	46,780	75,878	7,108	26,121	2,216,367	216	2,372,470
Additions	600	705	98	1,065	592,018	-	594,486
Disposals	-	-	(51)	-	-	-	(51)
Transfer from work in progress	-	206	-	-	-	(206)	-
Transfer to inventories (see note (a) below)	-	-	-	-	(646,218)	-	(646,218)
At 31 December 2016	<b>47,380</b>	<b>76,789</b>	<b>7,155</b>	<b>27,186</b>	<b>2,162,167</b>	<b>10</b>	<b>2,320,687</b>
<b>Accumulated depreciation:</b>							
At 1 January 2016	-	22,599	6,145	21,521	824,146	-	874,411
Depreciation for the year	-	4,626	438	2,190	513,210	-	520,464
Relating to disposal	-	-	(35)	-	-	-	(35)
Transfer to inventories (see note (a) below)	-	-	-	-	(471,018)	-	(471,018)
At 31 December 2016	-	27,225	6,548	23,711	866,338	-	923,822
<b>Net book value at 31 December 2016</b>	<b>47,380</b>	<b>49,564</b>	<b>607</b>	<b>3,475</b>	<b>1,295,829</b>	<b>10</b>	<b>1,396,865</b>
<b>Net book value at 1 January 2016</b>	<b>46,780</b>	<b>53,279</b>	<b>963</b>	<b>4,600</b>	<b>1,392,221</b>	<b>216</b>	<b>1,498,059</b>

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**12 PROPERTY AND EQUIPMENT (continued)**

- a) These represent cost and accumulated depreciation of vehicles retired from fleets and transferred to vehicle inventories (note 15).
- b) Capital work in progress represents ongoing construction works in the workshop.
- c) Property and equipment of the gross carrying amount of SR 129 million (31 December 2016: SR 120 million, 1 January 2016: SR 143 million) are fully depreciated but are still in use.
- d) Depreciation charge for the year ended has been allocated as follows:

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
Cost of revenue (note 7)	481,717	519,520
General and administrative expenses (note 9)	813	944
	<u>482,530</u>	<u>520,464</u>

**13 INTANGIBLE ASSETS**

	<i>2017</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>
<b>Software</b>		
<b>Cost</b>		
At 1 January	7,681	7,662
Additions	98	19
	<u>7,779</u>	<u>7,681</u>
<b>Amortisation and impairment</b>		
At 1 January	7,120	6,911
Amortisation during the year	300	209
	<u>7,420</u>	<u>7,120</u>
<b>Net book value at 31 December</b>	<u>359</u>	<u>561</u>

Net book value of the intangible assets was SR 751 thousand as at 1 January 2016.

**14 INVESTMENT IN ASSOCIATES**

These represent Group's investment in the following associates:

	<u><i>Effective ownership interest (%)</i></u>			<u><i>Balance as at</i></u>		
	<i>31</i> <i>December</i> <i>2017</i>	<i>31</i> <i>December</i> <i>2016</i>	<i>1 January</i> <i>2016</i>	<i>31</i> <i>December</i> <i>2017</i>	<i>31</i> <i>December</i> <i>2016</i>	<i>1 January</i> <i>2016</i>
Tranzlease Holdings India Private Limited ("THL") - (Operating Lease of Motor Vehicle)	32.96%	32.96%	32.96%	-	16,577	24,619
Unitrans Infotech Services India Private Limited ("Unitrans") - (Providing Information Technology Services)	49%	49%	49%	1,326	1,374	1,442
				<u>1,326</u>	<u>17,951</u>	<u>26,061</u>



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2017

**14 INVESTMENT IN ASSOCIATES (continued)**

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

	<b>2017</b> <b>SR'000</b>	<b>2016</b> <b>SR'000</b>
Balance at 1 January	17,951	26,061
Share of results for the year, net (see below)	(1,676)	(1,491)
Impairment for the year (see below)	(14,949)	(6,619)
	<u>1,326</u>	<u>17,951</u>
Balance at 31 December	<u>1,326</u>	<u>17,951</u>

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

Quantitative information about each of the associate is as follows:

	<b>Tranzlease Holdings India Private Limited</b>		
	<b>31 December</b> <b>2017</b> <b>SR'000</b>	<b>31 December</b> <b>2016</b> <b>SR'000</b>	<b>1 January</b> <b>2016</b> <b>SR'000</b>
Non-current assets	<b>102,641</b>	97,144	85,045
Current assets	<b>12,096</b>	10,481	7,839
Non-current liabilities	<b>(80,508)</b>	(78,632)	(62,311)
Current liabilities	<b>(12,197)</b>	(6,816)	(4,080)
<b>Equity</b>	<b>22,032</b>	<b>22,177</b>	<b>26,493</b>
Group's share in equity – 32.96% (31 December 2016: 32.96%, 1 January 2016: 32.96%)	<b>7,262</b>	7,309	8,732
Goodwill	<b>7,687</b>	15,887	15,887
Impairment in investment	<b>(14,949)</b>	(6,619)	-
<b>Group's carrying amount of the investment</b>	<b>-</b>	<b>16,577</b>	<b>24,619</b>
		<b>2017</b> <b>SR'000</b>	<b>2016</b> <b>SR'000</b>
Revenue		<b>36,997</b>	22,320
Cost of revenue and administrative expenses		<b>(34,576)</b>	(19,533)
Finance costs		<b>(7,705)</b>	(7,104)
Loss before tax		<b>(5,284)</b>	(4,317)
Income tax expense		<b>(1,068)</b>	-
Loss for the year		<b>(6,352)</b>	(4,317)
<b>Group's share of loss for the year</b>		<b>(2,093)</b>	(1,423)

The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent, if required, at the reporting date. The associate had no contingent liabilities or capital commitments as at 31 December 2016 or 2017.

The financial year-end of the associate is 31 March and management accounts have been prepared as at 31 December 2017.

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At 31 December 2017

**14 INVESTMENT IN ASSOCIATES (continued)**

	<b>Unitrans Infotech Services India Private Limited</b>		
	<i>31 December</i>	<i>31 December</i>	<i>1 January</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Non-current assets	125	77	89
Current assets	2,607	2,800	3,147
Non-current liabilities	-	(5)	-
Current liabilities	(25)	(68)	(293)
<b>Equity</b>	<b>2,707</b>	<b>2,804</b>	<b>2,943</b>
Group's share in equity – 49% (31 December 2016: 49%, 1 January 2016: 49%)	1,326	1,374	1,442
Goodwill	-	-	-
Impairment in investment	-	-	-
<b>Group's carrying amount of the investment</b>	<b>1,326</b>	<b>1,374</b>	<b>1,442</b>
		<i>2017</i>	<i>2016</i>
		<i>SR'000</i>	<i>SR'000</i>
Revenue		2,192	2,055
Cost of revenue and administrative expenses		(2,306)	(2,193)
Finance costs		(1)	(2)
Profit before tax		(115)	(140)
Income tax expense		17	1
Profit for the year		(98)	(139)
<b>Group's share of loss for the year</b>		<b>(48)</b>	<b>(68)</b>

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

The associate had no contingent liabilities or capital commitments as at 31 December 2016 or 2017. The financial year end of the Unitrans Infotech Services India Private Limited is 31 March and management accounts have been prepared as at 31 December 2017.

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At 31 December 2017

**15 INVENTORIES**

	<i>31 December 2017 SR'000</i>	<i>31 December 2016 SR'000</i>	<i>1 January 2016 SR'000</i>
Vehicles held for sale	4,746	16,438	11,516
Spare parts and supplies	2,637	2,152	3,643
	<u>7,383</u>	<u>18,590</u>	<u>15,159</u>

**16 TRADE RECEIVABLES**

	<i>31 December 2017 SR'000</i>	<i>31 December 2016 SR'000</i>	<i>1 January 2016 SR'000</i>
Trade receivables	199,875	194,281	145,226
Allowance for doubtful debts (see below)	(29,603)	(29,876)	(21,584)
	<u>170,272</u>	<u>164,405</u>	<u>123,642</u>

At 31 December 2017, trade receivables at nominal value of SR 29.6 million (31 December 2016: SR 29.9 million, 1 January 2016: SR 21.55 million) were impaired. The unimpaired trade receivables include SR 60.9 million (31 December 2016: SR 50.4 million, 1 January 2016: SR 6.5 million) which are past due, more than normal collection cycle, but not impaired. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

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

	<i>2017 SR'000</i>	<i>2016 SR'000</i>
Balance at 1 January	29,876	21,584
Charge for the year (note 9)	5,503	8,584
Written-off during the year	(5,776)	(292)
Balance as at 31 December	<u>29,603</u>	<u>29,876</u>

As at 31 December, the ageing analysis of trade receivables is, as follows:

	<i>Total SR'000</i>	<i>&lt; 180 days SR'000</i>	<i>&gt;180 days SR'000</i>
31 December 2017	199,875	164,283	35,592
31 December 2016	194,281	157,592	36,689
1 January 2016	145,226	119,505	25,721

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

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**17 PREPAYMENTS AND OTHER RECEIVABLES**

	<b>31 December 2017 SR'000</b>	<b>31 December 2016 SR'000</b>	<b>1 January 2016 SR'000</b>
Prepaid rent and other expenses	<b>14,928</b>	14,376	11,105
Employee loans and others	<b>7,820</b>	6,172	4,796
Advances for vehicles under lease	-	-	1,074
Due from related parties (note 24)	-	132	69
	<b>22,748</b>	20,680	17,044

**18 CASH AND CASH EQUIVALENTS**

	<b>31 December 2017 SR'000</b>	<b>31 December 2016 SR'000</b>	<b>1 January 2016 SR'000</b>
Cash on hand	<b>1,994</b>	1,621	865
Bank balances	<b>7,750</b>	19,124	21,213
	<b>9,744</b>	20,745	22,078

**19 EQUITY**

**(a) Share capital**

At 31 December 2017, the Parent Company's share capital of SR 711.67 million (2016: SR 610 million, 1 January 2016: SR 508.3 million) consists of 71.167 million (31 December 2016: SR 61 million, 1 January 2016: SR 50.8 million) fully paid shares of SR 10 each.

The Board of Directors in its meeting held on 19 January 2016, proposed final dividend of SR 76.25 million (representing SR 1.5 per share) for the year ended 31 December 2015. Additionally, the Board of Directors also proposed to increase the Parent Company's share capital to SR 610 million by issuing one bonus share for every five ordinary shares outstanding. The shareholders in the Extraordinary General Assembly Meeting on 5 May 2016, approved the Board's proposal and authorised issuance of 10.17 million bonus shares at a nominal value of SR 10 each and resultantly the share capital of the Parent Company was increased from SR 508.3 million to SR 610 million. The legal formalities for the increase in capital were completed on 21 June 2016.

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

The Board of Directors in its meeting held on 31 January 2018, proposed final dividend of SR 106.75 million (representing SR 1.5 per share) for the year ended 31 December 2017.

**(b) Statutory reserve**

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

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**20 BORROWINGS**

	<b>31 December 2017 SR'000</b>	<b>31 December 2016 SR'000</b>	<b>1 January 2016 SR'000</b>
Murabaha sale agreements	<b>190,775</b>	419,119	571,323
Al Tawarroq agreements	<b>57,778</b>	46,388	78,608
Gross debts	<b>248,553</b>	465,507	649,931
Less current portion:			
Murabaha sale agreements	<b>(131,396)</b>	(327,294)	(332,898)
Al Tawarroq agreements	<b>(56,667)</b>	(45,277)	(67,774)
	<b>(188,063)</b>	(372,571)	(400,672)
Non-current portion	<b>60,490</b>	92,936	249,259

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

**21 EMPLOYEE BENEFITS**

**General description of the plan**

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

	<b>2017 SR'000</b>	<b>2016 SR'000</b>
Balance at 1 January	37,870	35,655
<b>Included in statement of profit or loss</b>		
Current service cost	3,762	2,524
Interest cost	1,858	1,704
	5,620	4,228
<b>Included in statement of other comprehensive income</b>		
Actuarial (gain) / loss	(1,748)	51
Benefits paid	41,742 (5,968)	39,934 (2,064)
Balance at 31 December	<b>35,774</b>	<b>37,870</b>

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**21 EMPLOYEE BENEFITS (continued)**

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

	<i>2017</i> <b>SR'000</b>	<i>2016</i> <b>SR'000</b>
Cost of revenue	<b>1,903</b>	1,755
Selling and marketing expenses	<b>1,896</b>	1,091
General and administrative expenses	<b>1,821</b>	1,382
	<b>5,620</b>	4,228

**Actuarial assumptions**

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

	<i>31 December</i> <i>2017</i>	<i>31 December</i> <i>2016</i>	<i>1 January</i> <i>2016</i>
Discount rate	5%	5%	5%
Future salary growth / Expected rate of salary increase			
- First four years	3%	3%	3%
- Thereafter	5%	5%	5%
Mortality rate	0.650 – 6.670 per thousand	0.650 – 6.670 per thousand	0.650 – 6.670 per thousand
Employee turnover / withdrawal rates	0 – 57.36 per thousand	0 – 57.36 per thousand	0 – 57.36 per thousand
Retirement age	60 years	60 years	60 years

The quantitative sensitivity analysis for principal assumptions is as follows:

<b>31 December 2017</b>	<b>Impact on EOSB Increase / (decrease)</b>		
	<b>Change in assumption by</b>	<b>Increase in assumption by <i>SR'000</i></b>	<b>Decrease in assumption by <i>SR'000</i></b>
Discount rate	1%	(3,585)	4,258
Future salary growth / Expected rate of salary increase	1%	4,008	(3,266)
Mortality rate	1 year	(43)	57
Employee turnover / withdrawal rates	1 year	(78)	91
Retirement age	1 year	253	(271)



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**21 EMPLOYEE BENEFITS (continued)**

**31 December 2016**

	Impact on EOSB Increase / (decrease)		
	Change in assumption by	Increase in assumption by SR'000	Decrease in assumption by SR'000
Discount rate	1%	(4,180)	5,119
Future salary growth / Expected rate of salary increase	1%	4,969	(4,144)
Mortality rate	1 year	(31)	37
Employee turnover / withdrawal rates	1 year	77	(84)
Retirement age	1 year	206	(231)

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

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

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

	SR'000
Within the next 12 months (next annual reporting period)	<b>4,128</b>
Between 2 and 5 years	<b>4,920</b>
Between 5 and 10 years	<b>5,390</b>
Beyond 10 years	<b>27,478</b>
Total expected payments	<b>41,916</b>

**22 TRADE PAYABLES**

	31 December 2017 SR'000	31 December 2016 SR'000	1 January 2016 SR'000
Suppliers for vehicles	<b>90,500</b>	56,390	37,533
Suppliers for stores, spares and others	<b>15,864</b>	39,078	33,818
	<b>106,346</b>	95,468	71,351

**23 ACCRUED EXPENSES AND OTHER LIABILITIES**

	31 December 2017 SR'000	31 December 2016 SR'000	1 January 2016 SR'000
Accrued expenses	<b>15,734</b>	23,300	24,786
Employees related accruals	<b>5,076</b>	2,515	-
Advances from customers	<b>431</b>	287	2,627
Other provisions	<b>8,221</b>	11,825	11,694
	<b>29,462</b>	37,927	39,107

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**24 RELATED PARTY TRANSACTIONS AND BALANCES**

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

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

<i>Related party</i>	<i>Nature of relationship</i>	<i>Nature of transactions</i>	<i>Amounts of transactions</i>		<i>31 December 2017</i>	<i>Balance at</i>	
			<i>2017 SR'000</i>	<i>2016 SR'000</i>		<i>31 December 2016</i>	<i>1 January 2016</i>
Zahid Group	Shareholder	Car rentals	222	446			
		Location rent	82	82	83	132	69
Abdulillah Abdullah Al Zahid Trading Establishment	Affiliate	Services received	831	912			
		Used car sale	20,402	26,372	-	-	-
Key management personnel	Employees	Salaries	3,965	5,155	-	-	-
		End of service benefits	363	1,080	4,805	4,474	4,117
		Board of Directors remuneration	3,775	4,315	-	-	-

**25 CONTINGENCIES AND COMMITMENTS**

**Contingencies**

At 31 December 2017, the Group has outstanding letters of guarantee amounting to SR 6.1 million (2016: SR 5.6 million, 1 January 2016: SR 6.7 million) issued by the local banks on behalf of Group in the ordinary course of business.

**Operating lease commitments**

**Group as a lessee**

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

	<i>31 December 2017 SR'000</i>	<i>31 December 2016 SR'000</i>	<i>1 January 2016 SR'000</i>
Within one year	3,864	5,109	6,555
After one year but not later than five years	2,721	7,881	7,619
	<u>6,585</u>	<u>12,990</u>	<u>14,174</u>

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**26 SEGMENTAL INFORMATION**

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

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

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

There is change in reportable segments from last year due to changes in framework from SOCPA GAAP to IFRS from 1 January 2016. Vehicles held for sale by the Group in the ordinary course of its operations were previously classified as "assets held for sale". Since these vehicles and their subsequent sale represents a routine operating activity of the Group, these have been classified to inventories. Consistent with the reclassification of vehicle for sale from "assets held for sale" to "inventories", gain on sale of vehicles has been reclassified to revenue and cost of revenue. A new segment "others" has been reported which represents inventories and related income & expense for items not classified under lease and rental segments.

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

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

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

<i>Particulars</i>	<i>Lease</i>		<i>Rental</i>		<i>Others</i>		<i>Total</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Revenue - external customers	<b>555,900</b>	546,624	<b>249,154</b>	321,275	<b>368,104</b>	314,613	<b>1,173,158</b>	1,182,512
Depreciation	<b>(347,901)</b>	(352,707)	<b>(133,816)</b>	(166,813)	-	-	<b>(481,717)</b>	(519,520)
Segment profit	<b>207,999</b>	193,917	<b>115,338</b>	154,462	<b>368,104</b>	314,613	<b>691,441</b>	662,992

**Unallocated income/(expenses):**

Cost of revenue	<b>(428,839)</b>	(383,943)
Other operating income, net	<b>8,631</b>	8,522
Selling and marketing expenses	<b>(31,451)</b>	(31,473)
General and administrative expenses	<b>(53,149)</b>	(54,305)
Impairment of investments in associates	<b>(14,949)</b>	(6,619)
Finance costs, net	<b>(11,409)</b>	(16,063)
Share of results of associates	<b>(1,676)</b>	(1,491)
<b>Profit before zakat</b>	<b>158,599</b>	177,620

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**26 SEGMENTAL INFORMATION (continued)**

Detail of segment assets and liabilities is given below:

<i>Particulars</i>	<i>Allocated</i>		<i>Unallocated</i>	<i>Total</i>
	<i>Lease</i>	<i>Rental</i>	<i>Other</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>31 December 2017</b>				
Segment assets	852,407	339,128	309,384	1,500,919
Segment liabilities	-	-	430,572	430,572
<b>31 December 2016</b>				
Segment assets	970,423	325,406	343,968	1,639,797
Segment liabilities	-	-	644,459	644,459
<b>1 January 2016</b>				
Segment assets	923,836	468,385	310,573	1,702,794
Segment liabilities	-	-	801,290	801,290

**Other disclosures**

<i>Particulars</i>	<i>Allocated</i>		<i>Unallocated</i>	<i>Total</i>
	<i>Lease</i>	<i>Rental</i>	<i>Other</i>	
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<b>31 December 2017</b>				
Capital expenditures	354,600	254,605	3,297	612,502
<b>31 December 2016</b>				
Capital expenditures	485,082	106,937	2,486	594,505
<b>1 January 2016</b>				
Capital expenditures	405,434	371,101	5,373	781,908

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

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

**27 FINANCIAL INSTRUMENTS RISK MANAGEMENT**

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

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

**Market risk**

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

**Interest rate risk**

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

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

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**27 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

***Foreign currency risk***

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

***Other price risk***

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

***Credit risk***

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

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

	<b>31 December 2017 SR'000</b>	<b>31 December 2016 SR'000</b>	<b>1 January 2016 SR'000</b>
<b>Financial assets</b>			
Trade receivable	<b>199,875</b>	194,281	145,226
Cash and cash equivalents	<b>9,744</b>	20,745	22,078
	<b>209,619</b>	215,026	167,304

**Trade receivables**

Trade receivables are due from customers who have been assessed for credit worthiness prior to the execution of vehicle rental arrangements. While cash at bank is placed with local banks having sound credit rating.

The Group regards receivable overdue for more than six months as partially impaired. As at the reporting date, receivable overdue for more than six months amounting to SR 35.59 million (31 December 2016: SR 36.70 million, 1 January 2016: SR 25.72 million). While total allowances for credit losses at 31 December 2017 amounted to SR 29.60 million (31 December 2016: SR 29.88 million, 1 January 2016: SR 21.58 million).

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

***Liquidity risk***

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The Group has no significant concentration of credit risk. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual undiscounted maturity analysis of the financial liabilities of the Group. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

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**27 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

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

<b>31 December 2017</b>	<b><i>Within 1 year SR('000)</i></b>	<b><i>1 to 5 years SR('000)</i></b>	<b><i>More than 5 years SR('000)</i></b>	<b><i>Total SR('000)</i></b>
Borrowings	188,063	60,490	-	248,553
Trade payables	106,346	-	-	106,346
Accrued and other current liabilities	29,462	-	-	29,462
	<u>323,871</u>	<u>60,490</u>	<u>-</u>	<u>384,361</u>
	<u><u>323,871</u></u>	<u><u>60,490</u></u>	<u><u>-</u></u>	<u><u>384,361</u></u>
 31 December 2016	 <i>Within 1 year SR('000)</i>	 <i>1 to 5 years SR('000)</i>	 <i>More than 5 years SR('000)</i>	 <i>Total SR('000)</i>
Borrowings	372,571	92,936	-	465,507
Trade payables	95,468	-	-	95,468
Accrued and other current liabilities	37,927	-	-	37,927
	<u>505,966</u>	<u>92,936</u>	<u>-</u>	<u>598,902</u>
	<u><u>505,966</u></u>	<u><u>92,936</u></u>	<u><u>-</u></u>	<u><u>598,902</u></u>
 1 January 2016	 <i>Within 1 year SR('000)</i>	 <i>1 to 5 years SR('000)</i>	 <i>More than 5 years SR('000)</i>	 <i>Total SR('000)</i>
Borrowings	400,672	249,259	-	649,931
Trade payables	71,351	-	-	71,351
Accrued and other current liabilities	39,107	-	-	39,107
	<u>511,130</u>	<u>249,259</u>	<u>-</u>	<u>760,389</u>
	<u><u>511,130</u></u>	<u><u>249,259</u></u>	<u><u>-</u></u>	<u><u>760,389</u></u>



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**28 CAPITAL MANAGEMENT**

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

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

	<b>31 December 2017 SR'000</b>	<b>31 December 2016 SR'000</b>	<b>1 January 2016 SR'000</b>
Debt - borrowings	<b>248,553</b>	465,507	649,931
Equity	<b>1,070,347</b>	995,338	901,504
<b>Capital and debt</b>	<b>1,318,900</b>	1,460,845	1,551,435
Gearing ratio	<b>0.19</b>	0.32	0.42

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches of the financial covenants of any borrowings in the current year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

**29 FAIR VALUE OF ASSETS AND LIABILITIES**

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

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group 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).

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

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

At 31 December 2017

**29 FAIR VALUE OF ASSETS AND LIABILITIES (continued)**

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

As at 31 December 2017, 31 December 2016 and 1 January 2016, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 2 of the fair value hierarchy. No significant inputs were applied in the valuation of trade receivables as at 31 December 2017, 31 December 2016 and 1 January 2016.

Fair values of the Group's borrowings are determined by using DCF method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 December 2017, 31 December 2016 and 1 January 2016, the carrying amounts of borrowings were not materially different from their calculated fair values.

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

**30 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Changes in liabilities arising from financing activities:

	<i>1 January 2017</i>	<i>Cash flows</i>	<i>Other</i>	<i>31 December 2017</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Current portion of borrowing	372,571	(436,959)	252,451	188,063
Non-current portion of borrowings	92,936	220,005	(252,451)	60,490
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities from financing activities</b>	<b>465,507</b>	<b>(216,954)</b>	<b>-</b>	<b>248,553</b>
	<hr/>	<hr/>	<hr/>	<hr/>

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2017

**31 BRANCHES**

The Parent Company has the following branches:

Commercial Registration Number	Location of Branch	Commercial Registration Number	Location of Branch
001394	Yanbu	052751	Riyadh
001874	Al-Dhahran	056086	Dammam
002374	Rabeg	057088	Madinah
003067	Yanbu	068567	Mahayel
008845	Besha	069857	Abha
009547	Taif	071445	Khamis Mushit
014036	Jizan	071446	Khamis Mushit
015153	Dammam	071447	Khamis Mushit
020216	Yanbu	092741	Dammam
020217	Yanbu	096161	Jeddah
021493	Khamis Mushit	098462	Makkah
022946	Tubuk	098979	Makkah
025750	Khobar	106710	Jeddah
025900	Najran	106712	Jeddah
025901	Najran	110696	Jeddah
029416	Madinah	114976	Jeddah
029417	Madinah	114977	Jeddah
029418	Madinah	143758	Jeddah
032219	Jizan	145422	Jeddah
033796	Besh	160936	Jeddah
037761	Makkah	168973	Jeddah
037762	Makkah	169630	Jeddah
037763	Makkah	169631	Jeddah
037822	Makkah	221293	Jeddah
038423	Tubuk	247720	Riyadh
038809	Buridah	288386	Riyadh
040229	Al-Mubaraz	292619	Jeddah
048863	Madinah	292620	Jeddah
048864	Madinah	292621	Jeddah
048865	Madinah	292622	Jeddah
292623	Jeddah		

**32 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These audited consolidated financial statements have been approved by the Board of Directors on 31 January 2018, corresponding to 14 Jumada I 1439H.