

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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
TOGETHER WITH REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS



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

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
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FINANCIAL STATEMENTS

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Amro Mahmoud Abouelmaaty Siam
FM



Hamad Mohammad Aldrees
Chairman



Eng. Abdulelah Saad Aldrees
CEO



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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

(All amounts in Saudi Riyals)

| | Note | 31 March 2020 (Unaudited) | 31 December 2019 (Audited) |
|---|------|------------------------------|-------------------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property and equipment, net | 4 | 1,083,741,612 | 1,090,358,233 |
| Right-of-use assets, net | 5-1 | 1,991,360,502 | 1,742,807,519 |
| Deferred costs, net | | 11,070,734 | 11,728,025 |
| Investment in joint ventures | 6 | 6,746,631 | 5,778,342 |
| TOTAL NON CURRENT ASSETS | | 3,092,919,479 | 2,850,672,119 |
| CURRENT ASSETS | | | |
| Due from a related party | 8 | 2,697,684 | 2,791,944 |
| Investment at fair value through profit or loss | 7 | 20,112,800 | 21,397,727 |
| Other assets | | 56,305,761 | 43,138,898 |
| Prepaid expenses | | 97,648,216 | 83,848,481 |
| Inventories, net | | 76,534,634 | 72,265,712 |
| Accrued income | | 29,623,207 | 22,639,676 |
| Trade accounts receivable, net | | 440,429,596 | 390,318,159 |
| Cash and cash equivalents | | 267,887,511 | 98,147,083 |
| TOTAL CURRENT ASSETS | | 991,239,409 | 734,547,680 |
| TOTAL ASSETS | | 4,084,158,888 | 3,585,219,799 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 10 | 600,000,000 | 600,000,000 |
| Statutory reserve | | 65,561,411 | 65,561,411 |
| Retained earnings | | 239,492,744 | 209,205,213 |
| TOTAL SHAREHOLDERS' EQUITY | | 905,054,155 | 874,766,624 |
| LIABILITIES | | | |
| NON CURRENT LIABILITIES | | | |
| Long term loans | 9 | 41,857,841 | 60,316,175 |
| Non-Current portion of Lease Liabilities | 5-2 | 1,654,981,533 | 1,423,617,065 |
| Employees' defined benefits liabilities | | 69,841,460 | 66,067,876 |
| TOTAL NON CURRENT LIABILITIES | | 1,766,680,834 | 1,550,001,116 |
| CURRENT LIABILITIES | | | |
| Provision for zakat payable | 12 | 14,604,206 | 13,184,206 |
| Current portion of Lease Liabilities | 5-2 | 244,084,722 | 219,158,800 |
| Accrued expenses and other liabilities | | 268,313,622 | 293,967,208 |
| Due to a related party | 8 | 2,756,746 | 2,001,331 |
| Trade payables | | 526,653,064 | 226,222,052 |
| Current portion of long term loans | 9 | 61,011,539 | 70,918,462 |
| Short term loans | 9 | 295,000,000 | 335,000,000 |
| TOTAL CURRENT LIABILITIES | | 1,412,423,899 | 1,160,452,059 |
| TOTAL LIABILITIES | | 3,179,104,733 | 2,710,453,175 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 4,084,158,888 | 3,585,219,799 |

The accompany from (1) to (20) are integrated part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
 (All amounts in Saudi Riyals)

| | <i>Note</i> | <i>For the three months period ended 31 March 2020 (Unaudited)</i> | <i>For the three months period ended 31 March 2019 (Unaudited)</i> |
|---|-------------|--|--|
| Revenues | | 1,457,811,424 | 1,299,797,948 |
| Cost of revenues | | (1,373,087,349) | (1,232,155,604) |
| GROSS PROFIT | | 84,724,075 | 67,642,344 |
| Selling and marketing expenses | | (1,047,315) | (1,249,411) |
| General and Administrative expenses | | (32,029,712) | (29,739,642) |
| INCOME FROM OPERATIONS | | 51,647,048 | 36,653,291 |
| Financial charges | | (20,065,010) | (16,779,015) |
| Company share in gains of investment in joint venture | | 968,289 | - |
| Loss from investment at fair value through profit or loss | | (1,284,927) | - |
| Other income, net | | 458,832 | 13,373,600 |
| INCOME BEFORE ZAKAT ESTIMATED | | 31,724,232 | 33,247,876 |
| Zakat estimated | | (1,436,701) | (3,360,000) |
| NET INCOME FOR THE PERIOD | | 30,287,531 | 29,887,876 |
| OTHER COMPREHENSIVE INCOME: | | | |
| ITEMS NOT TO BE RECLASSIFIED TO PROFIT | | | |
| OR LOSS IN SUBSEQUENT PERIODS: | | | |
| Re-measurement for employees' defined benefits | | - | - |
| TOTAL COMPREHENSIVE INCOME | | 30,287,531 | 29,887,876 |
| Earnings per share for the period from: | | | |
| Income from operations | 13 | 0.86 | 0.61 |
| Net income | 13 | 0.50 | 0.50 |

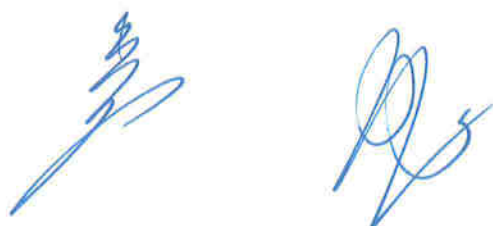
The accompany from (1) to (20) are integrated part of these condensed interim financial statements.

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

**CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

(All amounts in Saudi Riyals)

| | <i>Share Capital</i> | <i>Statutory reserve</i> | <i>Retained earnings</i> | <i>Total</i> |
|---|---------------------------|------------------------------|------------------------------|---------------------------|
| Balance at 1 January 2019 | 500,000,000 | 107,335,284 | 51,168,177 | 658,503,461 |
| Transfer to capital | 100,000,000 | (70,948,239) | (29,051,761) | - |
| Dividends | - | - | (50,000,000) | (50,000,000) |
| Board of directors' remunerations | - | - | (2,100,000) | (2,100,000) |
| Total comprehensive income for the period | - | - | 29,887,876 | 29,887,876 |
| Balance at 31 March 2019 (Unaudited) | <u>600,000,000</u> | <u>36,387,045</u> | <u>(95,708)</u> | <u>636,291,337</u> |
| | | | | |
| Balance at 1 January 2020 | 600,000,000 | 65,561,411 | 209,205,213 | 874,766,624 |
| Total comprehensive income for the period | - | - | 30,287,531 | 30,287,531 |
| Balance at 31 March 2020 (Unaudited) | <u>600,000,000</u> | <u>65,561,411</u> | <u>239,492,744</u> | <u>905,054,155</u> |



The accompany from (1) to (20) are integrated part of these condensed interim financial statements.



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

**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(All amounts in Saudi Riyals)**

| | <i>For the three months period ended 31 March 2020 (Unaudited)</i> | <i>For the three months period ended 31 March 2019 (Unaudited)</i> |
|---|--|--|
| OPERATING ACTIVITIES | | |
| Income before zakat estimated | 31,724,232 | 33,247,876 |
| Adjustment for: | | |
| Depreciation | 24,786,933 | 22,953,609 |
| Depreciation of right of use asset | 52,162,167 | 46,500,842 |
| Loss from investment at fair value through profit or loss | 1,284,927 | - |
| Amortization of deferred costs | 832,291 | 997,184 |
| Gain on sale of property and equipment | (275,306) | (100,262) |
| Provision for employees' defined benefits | 6,137,766 | 3,952,309 |
| | 116,653,010 | 107,551,558 |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | (50,111,437) | 74,563,307 |
| Accrued income | (6,983,531) | (7,199,158) |
| Inventories | (4,268,922) | (7,373,082) |
| Prepaid expenses | (13,799,735) | 922,017 |
| Other assets | (13,166,863) | 243,877 |
| Trade payables | 301,186,427 | 24,551,112 |
| Accrued expenses and other liabilities | (25,559,326) | 9,193,029 |
| | Cash from operations | 202,452,660 |
| Employees' defined benefits paid | (2,364,182) | (2,357,217) |
| Zakat paid | - | (5,644,151) |
| | Net cash from operating activities | 194,451,292 |
| INVESTING ACTIVITIES | | |
| Deferred costs | (175,000) | (9,823,682) |
| Purchase of property and equipment | (29,107,081) | (38,025,539) |
| Proceeds from sale of property and equipment | 11,212,075 | 2,164,882 |
| | Net cash used in investing activities | (45,684,339) |
| FINANCING ACTIVITIES | | |
| Proceeds from short term loans | 1,045,000,000 | 800,000,000 |
| Repayment of short term loans | (1,085,000,000) | (849,671,576) |
| Repayment of long term loans | (28,365,257) | (34,761,927) |
| Repayment of lease liabilities | (45,409,750) | (29,805,973) |
| Board of directors' remunerations | - | (2,100,000) |
| | Net cash used in financing activities | (116,339,476) |
| CHANGE IN CASH AND CASH EQUIVALENTS BALANCES | | |
| CASH AND CASH EQUIVALENTS BALANCES, AT BEGINNING OF PERIOD | 169,740,428 | 32,427,477 |
| | 98,147,083 | 46,062,378 |
| CASH AND CASH EQUIVALENTS BALANCES, END OF PERIOD | | |
| | 267,887,511 | 78,489,855 |
| Non cash item: | | |
| Dividends | - | 50,000,000 |
| Capital increase | - | 100,000,000 |

The accompany from (1) to (20) are integrated part of these condensed interim financial statements.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(All amounts in Saudi Riyals)**

1) ORGANISATION AND ACTIVITIES

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

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

2) BASIS OF PREPARATION

(a) Statement of compliance:

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Company's last annual Financial Statements as at and for the year ended 31 December 2019. They do not include all of the information required for a complete set of IFRS Financial Statements however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since December 31, 2019.

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

The company's current liabilities are in excess of current assets by SR 421,184,490 However, the management and board of directors assumed that the company have the ability to continue as a going concern. It is their assessment that the company will generate sufficient profits and cash flows to meet ongoing liabilities and scheduled repayments. These condensed interim financial statements have been accordingly prepared on a going concern basis.

(b) Basis of measurement:

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(All amounts in Saudi Riyals)

2) BASIS OF PREPARATION (continue)

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments

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

The significant estimates made by the management when applying the company's accounting policies and the significant sources of uncertainties in the estimates were similar to those shown in the last annual financial statements.

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") and are the same policies applied in the company's annual financial statements for the year ended December 31, 2019.

The main accounting policies applied in preparing these condensed interim financial statements have been applied consistently to all periods presented.

New standards and amendments to standards and interpretations

No new standards have been issued, however, a number of amendments to the standards are in effect as of January 1, 2020, which have been explained in the company's annual financial statements, but have no material impact on the Company's interim condensed financial statements.

Aldrees Petroleum and Transport Services Company
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
 (All amounts in Saudi Riyals)

4) PROPERTY AND EQUIPMENT, NET

During the three months period ended March 31, 2020, the Company addition to property and equipment were SR 29,107,081 (SR 122,590,136 as at December 31, 2019).

During the three months period ended March 31, 2020, the Company disposed of property and equipment with a net book value of SR 10,936,769 (December 31, 2019: SR 6,533,876), which resulted in Gain (losses) on sale of property and equipment for the nine month period on 31 March 2020 amounting to SR 275,306 (December 31, 2019: SR 806,105).

During the three months period ended March 31, 2020, depreciation expense of property and equipment amounted to SR 24,786,933 (SR 22,953,609 for the three months ended March 31, 2019)

5) RIGHT OF USE ASSETS, NET

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

| | <i>March 31, 2020</i> <i>(Unaudited)</i> | | <i>December 31, 2019</i> <i>(audited)</i> | |
|---------------------------|---|----------------------|--|---------------|
| | Depreciation | Balance | Depreciation | Balance |
| Land | 246,300 | 988,515 | 1,609,342 | 1,318,017 |
| Building | 51,915,867 | 1,990,371,987 | 199,964,226 | 1,741,489,502 |
| Total right of use | 52,162,167 | 1,991,360,502 | 201,573,568 | 1,742,807,519 |

Additions to the right to use assets during the period ended March 31, 2020: SR 308 million (December 31, 2019: SR 362 million)

5/2 Lease Liabilities

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

| | <i>March 31, 2020</i> <i>(Unaudited)</i> | <i>December 31, 2019</i> <i>(Audited)</i> |
|--|---|--|
| Non-Current portion of Lease Liabilities | 1,654,981,533 | 1,423,617,065 |
| Current portion of Lease Liabilities | 244,084,722 | 219,158,800 |
| Total lease liabilities | 1,899,066,255 | 1,642,775,865 |

The total interest expense on lease liabilities recognized during the period ended March 31, 2020: SR 15,3 million (31 March 2019: SR 12,3 million).

Expenses related to short-term and low-value lease contracts amounted to SR 5,5 million, SR 2,7 million respectively.

Aldrees Petroleum and Transport Services Company
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
 (All amounts in Saudi Riyals)

6) INVESTMENT IN JOINT VENTURES

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

The following is the movement in the investments account.

| | <i>As at 31 March 2020 (Unaudited)</i> | <i>As at 31 December 2019 (Audited)</i> |
|---------------------------------------|--|---|
| At the beginning of the period / year | 5,778,342 | 4,861,563 |
| Investment gain of the period / year | 968,289 | 916,779 |
| At the end of period / year | <u>6,746,631</u> | <u>5,778,342</u> |

7) INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

During the 2019, the company purchased 2 million units in Al-Khair Capital Fund (Aramco) with a value of 20 million Saudi riyals, and the investment was classified as an investment at fair value through profit or loss. Because the company's management keeps it for short-term sale, with unrealized profits or losses included in the revaluation of the net asset value of the fund in the statement of profit or loss.

| <u>Name</u> | <u>Number of units</u> | <u>Units Cost</u> | <u>Unrealized gains on revaluation of investments</u> | <u>Units Faire value</u> |
|-----------------------------------|----------------------------|-------------------|---|--------------------------|
| Al-Khair Capital Fund (Aramco) | 2,000,000 | 20,000,000 | 112,800 | 20,112,800 |

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

| | <i>As at March 31, 2020 (Unaudited)</i> | <i>As at December 31, 2019 (Audited)</i> |
|--|---|--|
| At the beginning of the period / year | 21,397,727 | |
| Purchase of investments during the period / year | - | 20,000,000 |
| Unrealized (loss)/ gains on revaluation of investments at fair value through profit or loss during the period / year | (1,284,927) | 1,397,727 |
| At the end of the period / year | <u>20,112,800</u> | <u>21,397,727</u> |

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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 (All amounts in Saudi Riyals)

8) RELATED PARTIES

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

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

The following are the most important transactions with related parties:

| Nature of the transaction | <i>31 March 2020</i> <i>(Unaudited)</i> | <i>31 December 2019</i> <i>(Audited)</i> |
|---|--|---|
| Purchase of machinery, equipment and spare parts | <u>1,097,687</u> | <u>8,198,232</u> |
| Rental expenses (depreciation of the right to use the assets) | <u>613,028</u> | <u>2,665,417</u> |
| Interest-free financing | <u>2,697,684</u> | <u>2,791,944</u> |

The balances of related parties are as follows:

| | <i>31 March 2020</i> <i>(Unaudited)</i> | <i>31 December 2019</i> <i>(Audited)</i> |
|-------------------------------------|--|---|
| <u>Due from a related party:</u> | | |
| Aldrees Bertschi | <u>2,697,684</u> | <u>2,791,944</u> |
| <u>Due to related party:</u> | | |
| Al - Drees for Industry and Trading | <u>2,756,746</u> | <u>2,001,331</u> |

**Aldrees Petroleum and Transport Services Company
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals)**

9) LOANS

In the normal course of business, the Company has obtained Islamic long term and short term facilities from various local commercial banks as of March 31, 2020 amounting to SR 2,494 million (31 December 2019: SR 2,299 million). These facilities include advances in the current account, short term and long-term Tawarruq loans, notes payable, letters of guarantee against the advance payments and contracts performance. The Company has unutilized facilities amounting to SR 773 million (31 December 2019: SR 605,9 million). The following is the details of outstanding balance as of:

- a) Short-term loans outstanding as at March 31, 2020 amounted to SR 295,000,000 (31 December 2019: SR 335,000,000).
b) Long term loans consist of the following:

| Bank | Type of facilities | Facility amount in SR | | | Outstanding Balance in SR | | Purpose | Repayment frequency | Repayment | |
|--------------------------|--|-----------------------|--------------------|--------------------|---------------------------|--------------------|---|---------------------|---------------|------------------|
| | | March 31, 2020 | December 31, 2019 | March 31, 2020 | December 31, 2019 | Starting date | | | Ending date | |
| Riyadh Bank | Revolving long term tawarruq financing | 50,000,000 | 150,000,000 | 88,000,000 | 88,000,000 | 44,149,507 | Finance the operations | Monthly | 30 March 2013 | 28 December 2020 |
| Samba Financial Group | Revolving Long term tawarruq financing | 75,000,000 | - | - | - | - | Finance the working capital and acquisition of property and equipment | Quarterly | 10 March 2020 | 29 February 2021 |
| Al Bilad Bank | Revolving long term tawarruq financing | - | 80,000,000 | 72,000,000 | 72,000,000 | 55,085,130 | Acquisition of trucks and fuel stations | Monthly | 4 July 2012 | 17 August 2020 |
| National Commercial Bank | long term tawarruq financing | 64,000,000 | 125,000,000 | 120,000,000 | 120,000,000 | 32,000,000 | Acquisition of trucks | Quarterly | 15 April 2017 | 15 July 2020 |
| | | 189,000,000 | 355,000,000 | 280,000,000 | 280,000,000 | 102,869,380 | | | | |

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

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

**Aldrees Petroleum and Transport Services Company
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals)**

10) SHARE CAPITAL

The Company's share capital at 31 March 2020 amounted to SR 600 million (31 December 2019: SR 600 million) of 60 million shares (2019: 60 million shares) fully paid with a nominal value of SR 10 per share.

11) DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

The general assembly in its meeting on 5 Ramadan 1441H (corresponding to 28 April 2020) has approved to distribute cash dividends amounting to SR 90 million representing SR 1.5 per share representing 15% of the Company's and to disburse an amount of SAR 500,000 to each member of the board of directors for the year 2019. The amount distributed as in accordance with the regulations of the ministry of commerce and the Capital Market Authority.

The Company's Board of Directors in their meeting held on 06 Shaaban 1441H (corresponding to 30 March, 2020) recommended to distribute cash dividends to shareholders of SAR 1.5 per share, with a total amount of SAR 90 million, and on 27 Rajab 1441 H (corresponding to March 22, 2020) with recommendation an amount of SAR 500,000 to each member of the board of directors for the year 2019. The amount distributed as in accordance with the regulations of the ministry of commerce and the Capital Market Authority

12) PROVISION FOR ZAKAT PAYBLE

Status of assessment

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

The assessments for the year ended December 31, 2017, 2018 and 2019 have not been raised by the GAZT, yet.

13) EARNINGS PER SHARE

Earnings per share attributable to income from operations and net income was calculated by dividing income from operations and net income for the period by the weighted average number of outstanding shares of 60 million as of 31 March 2020 (31 March 2019: 60 million shares).

14) COMMITMENTS AND CONTINGENCIES

At 31 March 2020, the Company has outstanding contingent liabilities in the form of letters of guarantee amounting to SR 1,323million (31 December 2019: SR 1,227 million).

In addition, the company has capital commitments as of 31 March 2020 amounting to SR 45,2 million (31 December 2019: SR 14,8 million).

15) SEGMENTAL INFORMATION

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

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

- Petroleum Service Segment
- Transport Services Segment

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
 (All amounts in Saudi Riyals)

15) SEGMENTAL INFORMATION (continued)

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

| | <i>Petroleum service</i> | <i>Transport Services</i> | <i>Intercompany eliminations</i> | <i>Total</i> |
|--|------------------------------|-------------------------------|--------------------------------------|---------------|
| <i>As of 31 March 2020 – unaudited</i> | | | | |
| Total assets | 3,573,775,501 | 647,948,077 | (137,564,690) | 4,084,158,888 |
| Total liabilities | 3,017,754,700 | 298,914,723 | (137,564,690) | 3,179,104,733 |
| Revenue | 1,406,894,430 | 73,609,304 | (22,692,310) | 1,457,811,424 |
| Cost of Revenue | 1,338,175,717 | 57,603,942 | (22,692,310) | 1,373,087,349 |
| Gross profit | 68,718,713 | 16,005,362 | - | 84,724,075 |
| Depreciation and amortization | 66,072,823 | 11,708,568 | - | 77,781,391 |
| Income from operations | 48,201,169 | 3,445,879 | - | 51,647,048 |
| Net income for the period | 28,249,451 | 2,038,080 | - | 30,287,531 |
| Deferred cost additions | 175,000 | - | - | 175,000 |
| Capital expenditure additions | 26,640,506 | 2,466,575 | - | 29,107,081 |
| <i>Total assets and Liabilities</i> | | | | |
| <i>As of 31 December 2019 audited</i> | | | | |
| Total assets | 3,051,648,374 | 653,683,101 | (120,111,676) | 3,585,219,799 |
| Total liabilities | 2,523,877,024 | 306,687,827 | (120,111,676) | 2,710,453,175 |
| <i>As of 31 March 2019 - unaudited</i> | | | | |
| Revenue | 1,226,323,680 | 91,995,442 | (18,521,174) | 1,299,797,948 |
| Cost of Revenue | 1,189,982,036 | 60,694,742 | (18,521,174) | 1,232,155,604 |
| Gross profit | 36,341,644 | 31,300,700 | - | 67,642,344 |
| Depreciation and amortization | 58,730,389 | 11,721,246 | - | 70,451,635 |
| Income from operations | 19,738,857 | 16,914,434 | - | 36,653,291 |
| Net income for the period | 12,110,197 | 17,777,679 | - | 29,887,876 |
| Deferred cost additions | 9,823,682 | - | - | 9,823,682 |
| Capital expenditure additions | 31,104,443 | 6,921,096 | - | 38,025,539 |

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16) FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Commission rate risk

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

Risk management framework

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

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

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

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

Credit risk

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

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

| | Requested value | |
|---|---------------------------------|------------------------------------|
| | As of March 31, 2020 | As of December 31, 2019 |
| Trade accounts receivable, net | 440,429,596 | 390,318,159 |
| Investment at fair value through profit or loss | 20,112,800 | 21,397,727 |
| Cash and cash equivalents | 267,887,511 | 98,147,083 |
| Accrued income | 29,623,207 | 22,639,676 |
| Other assets | 56,305,761 | 43,138,898 |
| Due from related parties | 2,697,684 | 2,791,944 |
| | 817,056,559 | 578,433,487 |



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16) FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

It is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value, The Company manages its liquidity risk by ensuring that Islamic bank facilities are available, The terms and conditions of the facilities are disclosed in note 9, The Company's terms of sales require amounts to be paid either on cash on delivery or on terms basis, Trade payables are normally settled within 60 days of the date of purchase.

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

March 31, 2020
(Unaudited)

| | Carrying Amount | Contractual Cash Flows | Less than a year | More than a year |
|---|----------------------|------------------------|------------------------|----------------------|
| Loans | 397,869,380 | (397,869,380) | (356,011,539) | (41,857,841) |
| Trade payables | 526,653,064 | (526,653,064) | (526,653,064) | - |
| Due to related party | 2,756,746 | (2,756,746) | (2,756,746) | - |
| Accrued expenses and other liabilities | 268,313,622 | (268,313,622) | (268,313,622) | - |
| Zakat payable | 14,604,206 | (14,604,206) | (14,604,206) | - |
| Employees' defined benefits liabilities | 69,841,460 | (69,841,460) | - | (69,841,460) |
| | 1,280,038,478 | (1,280,038,478) | (1,168,339,177) | (111,699,301) |

December 31, 2019
(Audited)

| | | | | |
|---|----------------------|------------------------|----------------------|----------------------|
| Loans | 466,234,637 | (466,234,637) | (405,918,462) | (60,316,175) |
| Trade payables | 226,222,052 | (226,222,052) | (226,222,052) | - |
| Due to related party | 2,001,331 | (2,001,331) | (2,001,331) | - |
| Accrued expenses and other liabilities | 293,967,208 | (293,967,208) | (293,967,208) | - |
| Zakat payable | 13,184,206 | (13,184,206) | (13,184,206) | - |
| Employees' defined benefits liabilities | 66,067,876 | (66,067,876) | - | (66,067,876) |
| | 1,067,677,310 | (1,067,677,310) | (941,293,259) | (126,384,051) |

Commission rate risk

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

Currency risk

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

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16) FINANCIAL RISK MANAGEMENT (continued)

Fair Value

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

17) IMPORTANT MATTERS

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

On February 1, 2020, the company signed a new agreement with the Saudi Arabian Oil Company (Saudi Aramco), which stipulates the new profit margin. Accordingly, the profit margin was changed retroactively from the date of August 23, 2018 to January 31, 2020, and the company's management has complied with the requirements of the Saudi Aramco company to limit the quantities that apply to it after increasing the margin and provide Saudi Aramco with the statements that the effect applies to and the company is still awaiting approval of Quantities and statements sent.

According to the company's management estimates, "Aldrees Petroleum and Transport Services", the company recognized the effect of increasing the margin for the month of January 2020, reducing the cost of revenues in the condensed interim statement of comprehensive income for the period ending March 31, 2020, amounting to 18,150,682 SR, and the company's management has recognized the effect of increasing the margin For the period from January 1, 2019 to December 31, 2019, by reducing from the cost of revenues during the fourth quarter in the statement comprehensive income for the period ending December 31, 2019 amounting to SR 200,547,708. As for the effect of the increase in the profit margin from August 23, 2018 to December 31, 2018, the effect on other income recognized during the fourth quarter in the statement of comprehensive income for the year ended December 31, 2019 amounting to SR 68,119,725.

- B. Due to the spread of the new Coronavirus (Covid-19) in the early 2020s and its spread in several geographical regions around the world, causing disturbances to economic activities and businesses, the areas of the spread of this epidemic included the Kingdom of Saudi Arabia.

The company considers that the outbreak of this epidemic and the consequences thereof do not warrant an amendment to the interim condensed statement of financial position as of March 31, 2020. The management expects an impact on trade receivables and sales for subsequent periods and the company's management will continue to monitor it closely.



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18) INTERIM RESULTS

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

19) EVENT AFTER THE REPORTING PERIOD

The General Assembly meeting held on 5 Ramadan 1441H (corresponding to 28 April, 2020) recommended the following:

- Distribution of cash dividends of SR 1.5 per share totalling SR 90 million representing 15% of the Company's share capital for the year ending on 31 December 2019.
- Disburse an amount of SR 3,5 million to member of the board of directors for the year 2019, The amount distributed as in accordance with the regulations of the ministry of commerce and the Capital Market Authority

The management believes that except for what has been mentioned above, there are no material subsequent events for the period ended March 31, 2020, which may have a significant impact on the Company's condensed interim statement of financial position as shown in these condensed interim financial statements.

20) APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by the Board of Directors on 11 Ramadan 1441H (04 May 2020).

