

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

CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30,  
2020 TOGETHER WITH REPORT ON REVIEW OF CONDENSED INTERIM  
FINANCIAL STATEMENTS



**Crowe**

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

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


**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30,**  
**2020 TOGETHER WITH REPORT ON REVIEW OF CONDENSED INTERIM**  
**FINANCIAL STATEMENTS**

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Amro Mahmoud Abouelmaaty Siam  
FM



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Hamad Mohammad Aldrees  
Chairman



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Eng. Abdulelah Saad Aldrees  
CEO



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

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

**Introduction:**

We have reviewed the accompanying condensed interim statement of financial position of **ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY (the "Company")** as at 30 September 2020, and the related condensed interim statement of comprehensive income for the three-month and nine-month periods ended 30 September 2020, and the related condensed interim statements of changes in shareholders' equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

**Scope of Review:**

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

**Conclusion:**

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



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

**Salman B. AlSudairy  
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**Aldrees Petroleum and Transport Services Company**  
**(A Saudi Joint Stock Company)**

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**

AS AT SEPTEMBER 30, 2020

(All amounts in Saudi Riyals)

	<i>Note</i>	<i>30 September 2020</i> <i>(Unaudited)</i>	<i>31 December 2019</i> <i>(Audited)</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment, net	4	1,144,604,020	1,090,358,233
Right-of-use assets, net	5-1	2,354,910,641	1,742,807,519
Deferred costs, net		11,748,978	11,728,025
Investment in joint ventures	6	9,537,842	5,778,342
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,520,801,481</b>	<b>2,850,672,119</b>
<b>CURRENT ASSETS</b>			
Due from a related party	8	2,006,524	2,791,944
Investment at fair value through profit or loss	7	20,494,400	21,397,727
Other assets		55,221,523	43,138,898
Prepaid expenses		120,974,396	83,848,481
Inventories, net		71,295,340	72,265,712
Accrued income		33,401,666	22,639,676
Trade accounts receivable, net		477,519,669	390,318,159
Cash and cash equivalents		68,683,954	98,147,083
<b>TOTAL CURRENT ASSETS</b>		<b>849,597,472</b>	<b>734,547,680</b>
<b>TOTAL ASSETS</b>		<b>4,370,398,953</b>	<b>3,585,219,799</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	600,000,000	600,000,000
Statutory reserve		65,561,411	65,561,411
Retained earnings		197,495,624	209,205,213
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>863,057,035</b>	<b>874,766,624</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	9	100,125,000	60,316,175
Non-current portion of lease liabilities	5-2	2,029,787,758	1,423,617,065
Employees' defined benefits liabilities		71,819,718	66,067,876
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,201,732,476</b>	<b>1,550,001,116</b>
<b>CURRENT LIABILITIES</b>			
Provision for zakat payable	12	6,920,357	13,184,206
Current portion of lease liabilities	5-2	271,411,750	219,158,800
Accrued expenses and other liabilities		291,067,061	293,967,208
Due to a related party	8	2,637,437	2,001,331
Trade payables		468,807,626	226,222,052
Current portion of long term loans	9	39,538,397	70,918,462
Short term loans	9	225,226,814	335,000,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,305,609,442</b>	<b>1,160,452,059</b>
<b>TOTAL LIABILITIES</b>		<b>3,507,341,918</b>	<b>2,710,453,175</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>4,370,398,953</b>	<b>3,585,219,799</b>

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 AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**  
 (All amounts in Saudi Riyals)

	<i>Note</i>	<i>For the three months period ended</i>		<i>For the nine months period ended</i>	
		<i>30 September 2020</i>	<i>30 September 2019</i>	<i>30 September 2020</i>	<i>30 September 2019</i>
Revenue		1,300,259,436	1,472,740,704	3,477,351,429	4,098,993,814
Cost of revenue		(1,211,765,104)	(1,406,703,136)	(3,258,107,399)	(3,901,448,308)
<b>GROSS PROFIT FOR THE PERIOD</b>		<b>88,494,332</b>	<b>66,037,568</b>	<b>219,244,030</b>	<b>197,545,506</b>
<b>EXPENSES</b>					
Selling and marketing		(722,629)	(1,116,082)	(2,352,973)	(3,845,460)
General and administration		(25,510,268)	(30,333,695)	(95,607,128)	(89,500,941)
<b>INCOME FROM OPERATIONS FOR THE PERIOD</b>		<b>62,261,435</b>	<b>34,587,791</b>	<b>121,283,929</b>	<b>104,199,105</b>
Financial charges		(25,916,342)	(17,520,049)	(57,142,087)	(49,656,356)
Company share in gains of investment in joint venture		1,299,879	-	3,759,500	-
Gain / (Loss) from investment at fair value through profit and loss		440,200	-	(903,327)	-
Other income, net		219,749	227,840	18,404,097	13,980,919
<b>INCOME BEFORE ZAKAT ESTIMATED FOR THE PERIOD</b>		<b>38,304,921</b>	<b>17,295,582</b>	<b>85,402,112</b>	<b>68,523,668</b>
Zakat estimate		(1,410,000)	(745,500)	(3,836,701)	(4,814,000)
<b>NET INCOME FOR THE PERIOD</b>		<b>36,894,921</b>	<b>16,550,082</b>	<b>81,565,411</b>	<b>63,709,668</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>					
<b>Earnings per share from:</b>					
Income from operations for the period	13	<b>1.04</b>	<b>0.58</b>	<b>2.02</b>	<b>1.74</b>
Net income for the period	13	<b>0.61</b>	<b>0.28</b>	<b>1.36</b>	<b>1.06</b>

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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 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 (Note 10)	100,000,000	(70,948,239)	(29,051,761)	-
Dividends (Note 11)	-	-	(50,000,000)	(50,000,000)
Board of directors' remunerations (Note 11)	-	-	(2,100,000)	(2,100,000)
Total comprehensive income for the period	-	-	63,709,668	63,709,668
<b>Balance at 30 September 2019 (Unaudited)</b>	<u>600,000,000</u>	<u>36,387,045</u>	<u>33,726,084</u>	<u>670,113,129</u>
Balance at 1 January 2020	600,000,000	65,561,411	209,205,213	874,766,624
Dividends (Note 11)	-	-	(90,000,000)	(90,000,000)
Board of directors' remunerations (Note 11)	-	-	(3,275,000)	(3,275,000)
Total comprehensive income for the period	-	-	81,565,411	81,565,411
<b>Balance at 30 September 2020 (Unaudited)</b>	<u>600,000,000</u>	<u>65,561,411</u>	<u>197,495,624</u>	<u>863,057,035</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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**  
 (All amounts in Saudi Riyals)

	<u>30 September 2020</u> <i>(Unaudited)</i>	<u>30 September 2019</u> <i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Income before zakat estimated for the period	85,402,112	68,523,668
Adjustment for:		
Depreciation	74,826,647	69,743,937
Depreciation of right of use asset	135,246,259	144,949,240
Company share in gains of investment in joint venture	(3,759,500)	-
Refund of provisions	(17,407,451)	-
Loss from investment at fair value through profit or loss	903,327	-
Amortization of deferred costs	1,944,155	3,151,750
Written off deferred costs	-	5,720,000
(Gain) / loss on sale of property and equipment	198,938	(107,614)
Provision for employees' defined benefits	13,630,720	14,785,820
	<u>290,985,207</u>	<u>306,766,801</u>
<b>Changes in operating assets and liabilities:</b>		
Trade accounts receivable	(87,201,510)	26,492,557
Accrued income	(10,761,990)	(7,580,273)
Inventories	970,372	(5,388,249)
Prepaid expenses	(37,125,915)	(6,150,404)
Other assets	(12,082,625)	(1,425,540)
Net change in related parties	1,421,526	(3,359,347)
Trade payables	242,585,574	80,815,278
Accrued expenses and other liabilities	14,507,304	29,360,423
<b>Cash from operations</b>	<u>403,297,943</u>	<u>419,531,246</u>
Employees' defined benefits paid	(7,878,878)	(9,646,669)
Zakat paid	(10,100,550)	(7,942,284)
<b>Net cash from operating activities</b>	<u>385,318,515</u>	<u>401,942,293</u>
<b>INVESTING ACTIVITIES</b>		
Deferred costs	(1,965,108)	(13,437,503)
Purchase of property and equipment	(144,055,902)	(92,956,415)
Proceeds from sale of property and equipment	14,784,530	2,882,164
<b>Net cash used in investing activities</b>	<u>(131,236,480)</u>	<u>(103,511,754)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from short term loans	2,867,000,000	3,125,000,000
Repayment of short term loans	(2,976,773,186)	(3,109,671,576)
Proceeds from long term loans	72,000,000	-
Repayment of long term loans	(63,571,240)	(69,094,420)
Net change in lease liabilities	(88,925,738)	(140,087,481)
Dividends paid	(90,000,000)	(50,000,000)
Board of directors' remunerations	(3,275,000)	(2,100,000)
<b>Net cash used in financing activities</b>	<u>(283,545,164)</u>	<u>(245,953,477)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(29,463,129)</u>	<u>52,477,062</u>
<b>BALANCES</b>		
<b>CASH AND CASH EQUIVALENTS BALANCES, AT BEGINNING OF PERIOD</b>	<u>98,147,083</u>	<u>46,062,378</u>
<b>CASH AND CASH EQUIVALENTS BALANCES, END OF PERIOD</b>	<u>68,683,954</u>	<u>98,539,440</u>
<b>Non cash item:</b>		
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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 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. On December 31, 2019, it was extended until the financial periods of the year beginning on January 1, 2022, 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 456,011,970. 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 NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020 (All amounts in Saudi Riyals)

### 2) BASIS OF PREPARATION (Continued)

#### (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.

However, as explained in Note 17, the Company has reviewed the key sources of estimation uncertainties disclosed in the last annual Consolidated Financial Statements against the backdrop of Covid-19 pandemic. Management believes that other than the expected credit losses arising on the financial assets, all other sources of estimation uncertainty remain similar to those disclosed in the annual Consolidated Financial Statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

### 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, except for amendments on IFRS 16 'Leases' in response to the impacts of COVID-19 on tenants, which were adopted on 1 June 2020.

#### 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 has applied the same accounting policies and methods of computation in its interim financial statements as in its 2019 annual financial statements, except for amendments to IFRS 16: COVID-19 Related Rent Concessions, which were adopted on 1 June 2020.

#### *Amendments to IFRS 16: COVID-19-Related Rent Concessions*

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession

Aldrees Petroleum and Transport Services Company has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of Aldrees Petroleum and Transport Services Company, occurred from March 2020 to June 2020.

**Aldrees Petroleum and Transport Services Company**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**  
 (All amounts in Saudi Riyals)

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

**New standards and amendments to standards and interpretations (Continued)**

Accounting for the rent concessions as lease modifications would have resulted in Aldrees Petroleum and Transport Services Company remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, A Layout is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is disclosed in Note 17.

**4) PROPERTY AND EQUIPMENT, NET**

During the nine months period ended September 30, 2020, the Company addition to property and equipment were SR 144,055,902 (SR 122,590,136 as at December 31, 2019).

During the nine months period ended September 30, 2020, the Company disposed of property and equipment with a net book value of SR 14,983,468 (December 31, 2019: SR 6,533,876), which resulted in losses /Gain on sale of property and equipment for the nine month period on 30 September 2020 amounting to SR 198,938 (December 31, 2019: SR 806,105).

During the nine months period ended September 30, 2020, depreciation expense of property and equipment amounted to SR 74,826,647 (SR 69,743,937 for the nine months ended September 30, 2019)

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

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

	<i>September 30, 2020</i> <i>(Unaudited)</i>		<i>December 31, 2019</i> <i>(audited)</i>	
	<u>Depreciation</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Balance</u>
Land	1,049,482	268,535	1,609,342	1,318,017
Building	134,196,777	2,354,642,106	199,964,226	1,741,489,502
<b>Total right of use</b>	<u>135,246,259</u>	<u>2,354,910,641</u>	<u>201,573,568</u>	<u>1,742,807,519</u>

Additions to the right to use assets during the period ended September 30, 2020: SR 808 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>September 30, 2020</i> <i>(Unaudited)</i>	<i>December 31, 2019</i> <i>(Audited)</i>
Non-Current portion of Lease Liabilities	2,029,787,758	1,423,617,065
Current portion of Lease Liabilities	271,411,750	219,158,800
<b>Total lease liabilities</b>	<u>2,301,199,508</u>	<u>1,642,775,865</u>

The total interest expense on lease liabilities recognized during the period ended September 30, 2020: SR 43,7 million (30 September 2019: SR 35,8 million).

Expenses related to short-term and low-value lease contracts amounted to SR 29 million, SR 10 million respectively.

**Aldrees Petroleum and Transport Services Company**  
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 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 September 30, 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	3,759,500	916,779
At the end of period / year	<u>9,537,842</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.

Name	Number of units	Units Cost	Unrealized gains on revaluation of investments	Units Fair value
Al-Khair Capital Fund (Aramco)	2,000,000	20,000,000	494,400	20,494,400

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

	<i>September 30, 2020 (Unaudited)</i>	<i>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	(903,327)	1,397,727
At the end of the period / year	<u>20,494,400</u>	<u>21,397,727</u>





**Aldrees Petroleum and Transport Services Company**  
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
 FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020  
 (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.

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

The following are the most important transactions with related parties:

<u>Nature of the transaction</u>	<u>30 September 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
Purchase of machinery, equipment and spare parts	2,949,323	8,198,232
Rental expenses (depreciation of the right to use the assets)	1,954,784	2,665,417
Interest-free financing	2,006,524	2,791,944

The balances of related parties are as follows:

	<u>30 September 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
<u>Due from a related party:</u>		
Aldrees Bertschi	2,006,524	2,791,944
<u>Due to related party:</u>		
Al - Drees for Industry and Trading	2,637,437	2,001,331

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**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 September 30, 2020 amounting to SR2,796 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 1,127 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 September 30, 2020 amounted to SR 225,226,814 (31 December 2019: SR 335,000,000).  
b) Long term loans consist of the following:

Bank	Type of facilities	Facility amount in SR		Utilized amount in SR		Outstanding balance in SR		Purpose	Repayment frequency	Repayment	
		September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019			Starting date	Ending date
Riyadh Bank	Revolving long term tawarruq financing	50,000,000	150,000,000	50,000,000	88,000,000	27,038,397	44,149,507	Finance the operations	Monthly	28 December 2017	28 December 2020
Samba Financial Group	Revolving Long term tawarruq financing	75,000,000	-	72,000,000	-	72,000,000	-	Finance the working capital and acquisition of property and equipment	Quarterly	06 June 2020	19 May 2024
Al Bihad Bank	Revolving long term tawarruq financing	50,000,000	80,000,000	50,000,000	72,000,000	40,625,000	55,085,130	Acquisition of trucks and fuel stations	Monthly	12 December 2019	12 December 2023
National Commercial Bank	long term tawarruq financing	16,000,000	125,000,000	16,000,000	120,000,000	-	32,000,000	Acquisition of trucks	Quarterly	15 April 2017	15 July 2020
		<b>191,000,000</b>	<b>355,000,000</b>	<b>188,000,000</b>	<b>280,000,000</b>	<b>139,663,397</b>	<b>131,234,637</b>				

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

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





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#### 10) SHARE CAPITAL

The Company's share capital at September, 30 2020 amounted to SR 600 million (December 31, 2019: SR 600 million) of 60 million shares (2019: 60 million shares) fully paid with a nominal value of SR 10 per share.

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

#### 11) DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

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 (2018: 50 million).
- Disburse an amount of SR 3,275 million to member of the board of directors for the year ending on December 31, 2019, The amount distributed as in accordance with the regulations of the ministry of commerce and the Capital Market Authority (2018: 2,1 million)

#### 12) PROVISION FOR ZAKAT PAYBLE

##### *Status of assessment*

The Company has filed its zakat declaration for all years up to 31 December 2019. The assessments have been finalized with the General Authority of Zakat and Income Tax (the "GAZT") for all years up to 31 December 2018. The General Authority made a settlement with the Company and the settlement amount was paid.

The assessments for the year ended December 31, 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 September 30, 2020 (September 30, 2019: 60 million shares).

#### 14) COMMITMENTS AND CONTINGENCIES

At September 30, 2020, the Company has outstanding contingent liabilities in the form of letters of guarantee amounting to SR 1,303million (December 31, 2019: SR 1,227 million).

In addition, the company has capital commitments as at September 30, 2020 amounting to SR 66,8million (December 31, 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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**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 at September 30, 2020 – unaudited</i>				
Total assets	3,784,394,859	658,259,427	(72,255,333)	4,370,398,953
Total liabilities	3,255,736,806	323,860,445	(72,255,333)	3,507,341,918
Revenue	3,319,922,821	221,254,055	(63,825,447)	3,477,351,429
Cost of Revenue	3,144,108,563	177,824,283	(63,825,447)	3,258,107,399
Gross profit	175,814,258	43,429,772	-	219,244,030
Depreciation and amortization	41,246,229	35,524,573	-	76,770,802
Income from operations	115,226,431	6,057,498	-	121,283,929
Net income for the period	77,524,203	4,041,208	-	81,565,411
Deferred cost additions	1,965,108	-	-	1,965,108
Capital expenditure additions	104,417,479	39,638,423	-	144,055,902
<i>As at December 31, 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 at September 30, 2019 - unaudited</i>				
Revenue	3,892,351,649	265,050,739	(58,408,574)	4,098,993,814
Cost of Revenue	3,778,652,763	181,204,119	(58,408,574)	3,901,448,308
Gross profit	113,698,886	83,846,620	-	197,545,506
Depreciation and amortization	37,935,329	34,960,358	-	72,895,687
Income from operations	62,920,315	41,278,790	-	104,199,105
Net income for the period	27,555,226	36,154,442	-	63,709,668
Deferred cost additions	13,437,503	-	-	13,437,503
Capital expenditure additions	81,473,163	11,483,252	-	92,956,415

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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
- Currency 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:

	<u>Requested value</u>	
	<u>As at September 30, 2020</u>	<u>As at December 31, 2019</u>
Trade accounts receivable, net	477,519,669	390,318,159
Investment at fair value through profit or loss	20,494,400	21,397,727
Cash and cash equivalents	68,683,954	98,147,083
Accrued income	33,401,666	22,639,676
Other assets	55,221,523	43,138,898
Due from related parties	2,006,524	2,791,944
	<u>657,327,736</u>	<u>578,433,487</u>



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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:

	Carrying Amount	Contractual Cash Flows	Less than a year	More than a year
<b>September 30, 2020</b> <i>(Unaudited)</i>				
Loans	364,890,211	(364,890,211)	(264,765,211)	(100,125,000)
Trade payables	468,807,626	(468,807,626)	(468,807,626)	-
Due to related party	2,637,437	(2,637,437)	(2,637,437)	-
Accrued expenses and other liabilities	291,067,061	(291,067,061)	(291,067,061)	-
Zakat payable	6,920,357	(6,920,357)	(6,920,357)	-
Employees' defined benefits liabilities	71,819,718	(71,819,718)	-	(71,819,718)
	<u>1,206,142,410</u>	<u>(1,206,142,410)</u>	<u>(1,034,197,692)</u>	<u>(171,944,718)</u>
<b>December 31, 2019</b> <i>(Audited)</i>				
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)
	<u>1,067,677,310</u>	<u>(1,067,677,310)</u>	<u>(941,293,259)</u>	<u>(126,384,051)</u>

**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.

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 September 30, 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.

On May 14, 2020, the company received a notification from the Saudi Arabian Oil Company (Saudi Aramco) stating the value of the retroactive effect due to the company, amounting to SAR 286.8 million, which represents the company's dues from the retroactive effect for the period from August 23, 2018 until January 31, 2020.

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**17) IMPORTANT MATTERS (Continued)**

**B. Impact of Covid-19 on the financial statements for the period ending September 30, 2020**

Concerning the current events related to the Coronavirus (Covid-19) and the precautionary measures taken by the official authorities, including a 24-hour curfew, which had some negative impact on the company's business. The company's management, since the beginning of the crisis, is constantly following the developments and taking the necessary measures and procedures to face that crisis and reduce its effects on the company and its work, including the support provided by the state to companies to confront these effects. Whereas, the company is one of the companies exempted from the ban due to the company selling strategic goods and providing logistical services represented in transporting hydrocarbons and dry materials, and accordingly, the company's business continues during the pandemic period, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the condensed interim consolidated financial statement. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the condensed interim consolidated financial statements.

- Impairment of non-financial assets

The Company has considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19 regard to property and equipment. As for the right to use, as discussed in Note 3, the Company has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during the nine months period ended 30 September 2020 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of SAR 50.6 million. The effect of this reduction has been recorded in profit or loss.

- Expected Credit Losses ("ECL") and impairment of financial assets

The Company has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Company has also assessed the exposures in potentially affected sectors for any indicators of impairment and there is no material impact of the Covid-19 epidemic.

- Commitments and contingent liabilities

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

- Going concern

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, this interim condensed consolidated financial statement has been appropriately prepared on a going concern basis.

The company's management continues to monitor the situation closely in light of the changes in the duration and size of precautionary measures, and it is assessing the potential effects on the financial statements.

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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 management believes that except for what has been mentioned above, there are no material subsequent events for the period ending on September 30, 2020 which may have a significant impact on the Company's interim condensed 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 Rabi al-awwal 2, 1442H (October 19, 2020).

