

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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

**CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020**

INDEX	PAGE
Independent Auditor's Report	1-6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11 - 47



Ernst & Young & Co. (Certified Public Accountants)
General Partnership
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office – Riyadh

Registration No. 45/11/323
C.R. No. 4030276644

Tel: +966 12 221 8400
Fax: +966 12 221 8575

ey.ksa@sa.ey.com
ey.com/mena

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 subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"), (collectively referred to as "IFRSs endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the KSA. 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 endorsed in the KSA 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 matter	How our audit addressed the key audit matter
<p>Impairment loss on trade receivables</p> <p>The gross balance of trade receivables as at 31 December 2020 amounted to SR 202 million (2019: SR 192 million), against which an allowance for impairment of SR 26 million (2019: SR 40 million) was maintained. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis.</p> <p>Management determines and recognizes expected credit losses ('ECL') as required by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Significant judgements, estimates and assumptions have been made by the management in the calculation of ECL impact.</p> <p>We have considered this as a key audit matter as the determination of ECL involves significant management judgement and this has a material impact on the consolidated financial statements. Moreover, the COVID-19 pandemic has resulted in heightened uncertainty regarding the economic outlook in particular and hence has increased the levels of judgement needed to determine the ECL.</p> <p>Refer to note 3.13 to the consolidated financial statements for the significant accounting policy, note 2.4 for the critical accounting estimates and judgements and note 19 which details the disclosure of impairment against trade receivables.</p>	<p>We obtained and updated our understanding of the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks of customers.</p> <p>We assessed the appropriateness of significant judgements, estimates and assumptions made by the management keeping in view the uncertainty due to the COVID 19 pandemic.</p> <p>We checked Information Technology General Controls (ITGCs) on the accounting system and found effective.</p> <p>We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9.</p> <p>We assessed methodologies implemented by the Group with reference to the calculation of ECL including any key changes made in light of the COVID-19 pandemic. Particularly, we assessed the Group's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameter.</p> <p>We also assessed the disclosures in the consolidated financial statements as required by IFRS 9 and IFRS 7 Financial instruments: Disclosure.</p>
<p>Carrying value of vehicles</p> <p>Vehicles included under property and equipment as at 31 December 2020 amounting SR 987 million (2019: SR 1,097 million) representing 88% (2019: 89%) of total assets.</p> <p>Vehicles are carried at cost less depreciation and impairment after considering their residual values.</p>	<p>In addition to the verification of additions and disposals of rental vehicles and analytical review procedures of the depreciation charge for the year, we mainly performed the following audit procedures:</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)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>The Group's management determines the residual values and estimated useful lives of vehicles for calculating depreciation. These estimates and judgements are made after considering the expected usage of the vehicles, expected physical wear and tear and expected future value at the time of disposal.</p> <p>The determination of residual values and useful lives of vehicles requires a significant degree of management estimation and judgement, and as such, this has been identified as a key audit matter.</p> <p>Refer to note 3.8 to the consolidated financial statements for the significant accounting policy, note 2.4 for the critical accounting estimates and judgements and note 13 which details the disclosure of property and equipment.</p>	<ul style="list-style-type: none"> • Evaluation of design, implementation and effectiveness of controls embedded in the procurement process and of controls over capitalization and depreciation calculation of vehicles on a sample basis; • Assessment of the reasonableness of judgement of residual value assigned to long-term and short-term rental purpose; • Assessment of the adequacy of useful lives assigned to long-term and short-term rental purpose; • Evaluation of utilization of the vehicles from the management reports. • Evaluation of the periodic re-assessment of residual value and useful lives by the Group's management.

Other information included in The Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 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 2020 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 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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)

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 IFRSs that are endorsed in the KSA and other standards and pronouncements that are endorsed 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 ISA that are endorsed in the KSA 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.

As part of an audit in accordance with International Standard on Auditing that are endorsed in the KSA, we exercise professional judgment and maintain professional skepticism 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.

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)

- 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)

Auditor's Responsibilities for 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

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

22 Jumada II 1442H
4 February 2021

Jeddah

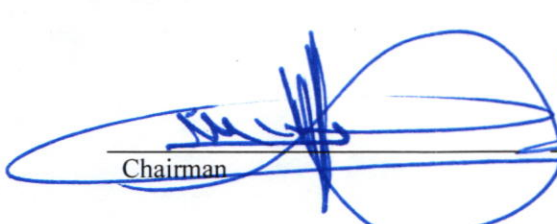



UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

For the year ended 31 December 2020

	Note	2020 SR'000	2019 SR'000
Revenue	6	977,205	1,043,494
Cost of revenue	7	(678,889)	(746,134)
GROSS PROFIT		298,316	297,360
Other operating income, net		2,250	1,548
Selling and marketing expenses	8	(43,377)	(42,946)
General and administrative expenses	9	(60,407)	(66,784)
OPERATING PROFIT		196,782	189,178
Finance costs, net	10	(2,649)	(4,921)
Share of results of associates	16	-	(114)
PROFIT BEFORE ZAKAT AND TAX		194,133	184,143
Zakat and tax	11	(6,287)	(5,524)
PROFIT FOR THE YEAR		187,846	178,619
OTHER COMPREHENSIVE INCOME			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(138)	-
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement losses on defined benefit obligation	24	(1,761)	(2,842)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		185,947	175,777
EARNINGS PER SHARE (EPS)			
Basic and diluted, profit for the year attributable to ordinary equity holders of the Parent (in Saudi Riyals)	12	2.64	2.51


Chairman


President and Group CEO


Group Chief Financial Officer

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 SR'000	2019 SR'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	13	1,115,827	1,227,012
Right-of-use assets	14	26,443	33,930
Intangible assets	15	2,141	464
Investments in associates	16	-	1,219
Deferred tax		51	-
		<u>1,144,462</u>	<u>1,262,625</u>
CURRENT ASSETS			
Inventories	18	6,969	15,593
Trade receivables	19	175,323	151,504
Prepayments and other receivables	20	11,588	18,431
Cash and cash equivalents	21	146,510	4,655
		<u>340,390</u>	<u>190,183</u>
TOTAL ASSETS		<u><u>1,484,852</u></u>	<u><u>1,452,808</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22(a)	711,667	711,667
Statutory reserve	22(b)	200,978	182,193
Retained earnings		362,072	265,939
Foreign currency translation reserve		(138)	-
TOTAL EQUITY		<u>1,274,579</u>	<u>1,159,799</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank borrowings	23	-	3,333
Employee benefits	24	54,666	50,412
Lease liabilities	14	17,019	24,044
		<u>71,685</u>	<u>77,789</u>
CURRENT LIABILITIES			
Current portion of bank borrowings	23	3,333	57,006
Lease liabilities – current portion	14	7,171	5,213
Trade payables	25	34,251	82,330
Accrued expenses and other liabilities	26	85,616	63,732
Zakat payable	11	8,217	6,939
		<u>138,588</u>	<u>215,220</u>
TOTAL LIABILITIES		<u>210,273</u>	<u>293,009</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,484,852</u></u>	<u><u>1,452,808</u></u>

Chairman

President and Group CEO

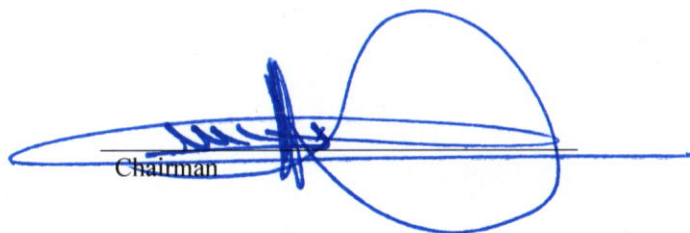
Group Chief Financial Officer

The attached notes from 1 to 36 form an integral part of these consolidated financial statements.

UNITED INTERNATIONAL TRANSPORTATION COMPANY (A SAUDI JOINT STOCK COMPANY) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Foreign currency translation reserve SR'000</i>	<i>Total equity SR'000</i>
Balance as at 1 January 2019	711,667	164,331	250,357	-	1,126,355
Profit for the year	-	-	178,619	-	178,619
Other comprehensive loss for the year	-	-	(2,842)	-	(2,842)
Total comprehensive income for the year	-	-	175,777	-	175,777
Dividends (note 22 (a))	-	-	(142,333)	-	(142,333)
Transfer to statutory reserve (note 22 (b))	-	17,862	(17,862)	-	-
Balance as at 31 December 2019	711,667	182,193	265,939	-	1,159,799
Profit for the year	-	-	187,846	-	187,846
Other comprehensive loss for the year	-	-	(1,761)	(138)	(1,899)
Total comprehensive income for the year	-	-	186,085	(138)	185,947
Dividends (note 22 (a))	-	-	(71,167)	-	(71,167)
Transfer to statutory reserve (note 22 (b))	-	18,785	(18,785)	-	-
Balance as at 31 December 2020	711,667	200,978	362,072	(138)	1,274,579



Chairman



President and Group CEO



Group Chief Financial Officer

The attached notes from 1 to 36 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 SR'000	2019 SR'000
OPERATING ACTIVITIES			
Profit before zakat and tax		194,133	184,143
Adjustments to reconcile profit before zakat and tax to net cash flows:			
Depreciation of property and equipment	13	410,617	455,172
Depreciation of right-of-use assets	14	10,988	5,248
Amortisation of intangible assets	15	165	283
Share of results of associates	16	-	114
Loss on disposal of other fixed assets	7	-	5,091
Loss on disposal of intangible assets	7	-	104
Gain on derecognition of right-of-use assets	14	(96)	(1,410)
Provision for employee benefits	24	7,795	6,560
Provision for doubtful receivables	19	14,177	9,595
Finance costs	10	2,649	4,921
		<u>640,428</u>	<u>669,821</u>
Working capital adjustments:			
Inventories		92,453	91,144
Trade receivables		(37,483)	23,898
Prepayments and other receivables		7,128	4,882
Trade payables		(48,079)	(35,655)
Accrued expenses and other liabilities		22,063	27,149
		<u>676,510</u>	<u>781,239</u>
Cash from operations			
Purchase of vehicles	13	(379,770)	(538,297)
Zakat paid	11	(5,008)	(5,048)
Finance costs paid	10	(2,649)	(4,921)
Employee benefits paid	24	(5,302)	(2,527)
		<u>283,781</u>	<u>230,446</u>
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment (excluding vehicles)	13	(3,432)	(45,758)
Investment in subsidiary, net of cash acquired	17	(1,336)	-
Additions to intangible assets	15	(19)	(159)
		<u>(4,787)</u>	<u>(45,917)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Proceeds from bank borrowings		-	91,000
Repayment of bank borrowings	23	(57,006)	(136,122)
Dividends paid	22	(71,167)	(142,333)
Payment of principal portion of lease liabilities	14	(8,828)	(6,721)
		<u>(137,001)</u>	<u>(194,176)</u>
Net cash flows used in financing activities			
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>141,993</u>	<u>(9,647)</u>
Net foreign exchange differences		(138)	-
Cash and cash equivalents at the beginning of the year		4,655	14,302
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>146,510</u>	<u>4,655</u>
Supplemental non-cash information			
Transfer of vehicles from property and equipment to inventories	13	83,829	104,678
Right-of-use assets and lease liabilities	14	3,582	42,628
Prepayments transferred to right-of-use assets	4.1	-	1,790

Chairman

President and Group CEO

Group Chief Financial Officer

The attached notes from 1 to 36 form an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

1 CORPORATE INFORMATION

United International Transportation Company ("the Parent Company"), is a Saudi Joint Stock Company registered in Jeddah, Kingdom of Saudi Arabia ("KSA") under Commercial Registration No. 4030017038 dated 7 Shabaan 1428H (corresponding to 20 August 2007), with branches as detailed in note 34.

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:

6695 King Abdul Aziz Road, Al Basatin Dist.
Unit No. 92
Jeddah 23719-4327,
Kingdom of Saudi Arabia.

As at the reporting date, the Parent Company has two subsidiaries namely Aljozoor Alrasekha Trucking Company Limited - A Single Owner Company and Unitrans Infotech Services India Private Limited (the "subsidiaries" and collectively with the Parent Company referred to as the "Group").

As at the reporting date, the Parent Company owns 100% of the issued capital of Aljozoor Alrasekha Trucking Company Limited - A Single Owner Company (the "subsidiary" or "Rahaal"). 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.

With effect from 26 January 2020, the Parent Company acquired the remaining 51% shareholding of an existing associate Unitrans Infotech Services India Private Limited. As such the Parent Company fully owns 100% of the shareholding in this entity, therefore, the same have been consolidated in these consolidated financial statements from the date of acquiring control (see note 17).

2 BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to "IFRSs endorsed in KSA").

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, except for employees benefit liabilities where actuarial present value calculations are used.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Parent Company. All financial information presented in SR has been rounded off to the nearest thousand, 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. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision year and future years if the changed estimates affect both current and future years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

However, in the view of the current uncertainty due to COVID-19, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments (see also note 35).

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

- Financial instruments risk management (note 30)
- Capital management (note 31)

2.4.1 Judgements

The Group has exercised judgement in evaluating the impact of COVID-19 on the consolidated financial statements. In addition to the key sources of estimation uncertainty, the areas where COVID-19 has been considered are:

- Provision for expected credit losses (ECL) of trade receivables
- Carrying value of inventories
- Going concern

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:

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. The assessment of COVID-19 is disclosed in note 35.

Lease classification – Group as lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Keeping in view the business model of the Group, the Group has determined that leasing of vehicles does not transfer substantially all the risks and rewards incidental to ownership of the vehicles subject to the lease arrangement, hence such lease arrangements are classified as operating lease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

2.4.1 Judgements (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

2.4.2 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 and residual value 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 and both existing and emerging market conditions. The impact of COVID-19 on the impairment of inventories has been considered. However, to date, COVID-19 has not had a material impact on the Group's assessment of the net realisable value of inventory since the commencement of the pandemic.

Provision for expected credit losses (ECL) of trade receivables

The Group has selected simplified approach for all lease trade receivables. The Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in note 30.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

2.4.2 Estimates and assumptions (continued)

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 24.

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.

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.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for amendments in standards adopted during the year as disclosed in note 4, in the preparation of these consolidated financial statements.

3.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020. 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.

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 consolidated statement of profit or loss. 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 IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Business combinations and goodwill (continued)

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 consolidated statement of profit or loss.

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.

Investments 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.

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 consolidated 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 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. 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.

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 reflects the amount that arises from using this method.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currencies (continued)

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. 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 subsidiary/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 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 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.

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

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

Assets

An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is 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;
- It is held primarily for the purpose of trading;
- It is 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Revenue from contracts with customers

Sale of inventories (vehicles)

Revenue from sale of vehicles is recognised at the point in time when control of the vehicles is transferred to the customers, generally on delivery of the vehicles. The normal credit term is up to 30 days upon delivery. The Group's revenue from sale of vehicles include only one performance obligation and there is no variable consideration and financing component involved.

Income from other services

Revenue from other services that are incidental to vehicle rental arrangements are recognized when these related services are provided and classified as part of revenue from these core operating activities. The Group's revenue from other services that are incidental to vehicle rental arrangements is recognised over the time when services are rendered.

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 and tax

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.

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.

Current and deferred income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Zakat and tax (continued)

Current and deferred income tax (continued)

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.8 Property and equipment

Recognition and measurement

Items of property and equipment are initially recorded at cost and 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Property and equipment (continued)

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.

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 as incurred.

Capital work in progress

Capital work-in-progress represents all costs relating directly and indirectly to the construction in progress and is capitalized as property and equipment when ready for the intended use.

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 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 3.14.

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 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 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 consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Intangible assets (continued)

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

Software	4 years
Intellectual property	4 years

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 when the asset is derecognised.

3.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold building 2 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment, refer note 3.14.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Leases (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. 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.

3.11 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.

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, term deposits 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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 four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired. This category is relevant to the Group. The Group's financial assets at amortised cost includes trade receivables, loans to employees and due from related parties included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Group's does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Group's does not have any equity investments designated at fair value through OCI.

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 recognised in the consolidated statement of profit or loss.

Currently, the Group does not have any financial assets designated at fair value through profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

i) Financial assets (continued)

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.

Impairment

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost (lease liabilities and borrowing).

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. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

ii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

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 IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (lease liabilities and borrowing)

This category is relevant to the Group. After initial recognition, lease liabilities and interest-bearing loans and borrowing are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

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. This category generally applies to lease liabilities and borrowings (refer to note 14).

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.

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 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

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

Intangible assets, excluding goodwill, with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 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.

3.16 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.

4 CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Several amendments and interpretations apply for the first time in 2020, but do not have an impact or not applicable on the consolidated financial statements of the Group as mentioned below:

4.1 Amendments and interpretations effective as of 1 January 2020

Several amendments and interpretations apply for the first time in 2020, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1.1 Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

4.1.2 Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

4.1.3 Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

4 CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

4.1 Amendments and interpretations effective as of 1 January 2020 (continued)

4.1.4 Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

4.1.5 Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

5.1 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 2023, 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.

5.2 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.3 Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

5.4 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

5.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

5.6 IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

5.7 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.7 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

6 REVENUE

	2020 SR'000	2019 SR'000
Vehicle rental and lease arrangements	670,654	782,867
Revenue from contracts with customers (see note (a) below)	306,551	260,627
	<u>977,205</u>	<u>1,043,494</u>

a) Revenue from contracts with customers represents sale of vehicles.

7 COST OF REVENUE

	2020 SR'000	2019 SR'000
Depreciation on property and equipment (note 13(d))	409,710	454,081
Depreciation on right-of-use assets (note 14(a))	10,988	5,248
Cost of sale of vehicles	92,552	91,103
Operational costs	30,744	39,917
Repairs and maintenance	37,982	48,000
Insurance	22,670	23,125
Employees' related expenses	41,393	35,964
Expense relating to short-term leases (note 14(c))	15,411	20,381
Incentives, commission and franchise fee	9,383	11,229
Communication expense	2,859	4,839
Disposal of other fixed assets	-	5,091
Amortization of intangible asset (note 15)	165	283
Disposal of intangible assets (note 15)	-	104
Other	5,032	6,769
	<u>678,889</u>	<u>746,134</u>

8 SELLING AND MARKETING EXPENSES

	2020 SR'000	2019 SR'000
Employees' related expenses	34,250	33,483
Advertisement costs	4,392	4,746
Other	4,735	4,717
	<u>43,377</u>	<u>42,946</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

9 GENERAL AND ADMINISTRATIVE EXPENSES

	2020 SR'000	2019 SR'000
Employees' related expenses	21,259	34,441
Expense relating to short-term leases (note 14(c))	1,335	2,872
Subscriptions	6,662	5,847
Allowance for doubtful debts (note 19)	14,177	9,595
Board of directors' remuneration (note 27)	2,671	2,543
Depreciation (note 13(d))	907	1,091
Repairs and maintenance	1,559	1,260
Communication	715	1,210
Legal and professional charges	3,257	4,029
Other	7,865	3,896
	60,407	66,784

10 FINANCE COST

	2020 SR'000	2019 SR'000
Finance cost on Murabaha & Al Tawarroq	1,125	3,293
Finance cost on lease liabilities (note 14(b))	1,065	1,509
Bank charges and others	459	119
	2,649	4,921

11 ZAKAT AND TAX

a) Charge for the year

Zakat and tax charge for the year is SR 6.287 million (2019: SR 5.524 million).

The Group's zakat charge is based on the consolidated financial statement of the Parent Company.

The consolidated zakat charge for the year consists of:

	2020 SR'000	2019 SR'000
Charge for the year	6,286	5,524

Zakat charge is based on the following:

	2020 SR'000	2019 SR'000
Equity	1,088,631	984,021
Provisions and other adjustments	91,685	184,219
Book value of long-term assets (net of related financing)	(1,144,412)	(1,244,289)
	35,904	(76,049)
Adjusted income for the year	214,400	220,960
Zakat base	250,304	144,911

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

11 ZAKAT AND TAX (continued)

Movement in provision during the year

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

	2020	2019
	SR'000	SR'000
At the beginning of the year	6,939	6,463
Provided during the year	6,286	5,524
Paid during the year	(5,008)	(5,048)
	8,217	6,939

a) 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 2019. All assessment proceedings of the General Authority of Zakat and Tax ("GAZT") up to the end of the financial year ended 31 December 2012 have been agreed with GAZT. Assessment proceeding returns of zakat filed for the years from 2013 to 2017 have been initiated by GAZT. The Parent Company submitted its zakat return with GAZT on the basis of consolidated financial statements of the Group (Parent Company and Rahaal) for the year 2018 and 2019. Assessment proceeding for the return of zakat for the year 2018 have also been raised by GAZT. However, the assessments for the financial year 2019 have not yet been raised by GAZT.

Subsidiary- Aljozoor Alrasekha Trucking Company Limited (Rahaal)

Before filing consolidated zakat returns for 2018 and 2019, as mentioned above, Rahaal has filed the separate zakat returns up to the financial year ended 31 December 2017. Assessment proceeding returns of zakat filed for the period from 12 May 2012 to 31 December 2012 and the financial years 2013 to 2016 have been initiated by GAZT. The assessments for the financial year 2017 have not yet been raised by GAZT.

Subsidiary- Unitrans Infotech Services India Private Limited

The subsidiary has filed application for the settlement of all pending assessments up to 31 March 2020 with Income Tax Department of India and payment has also been made during the year in this regard. However, final order from the Tax Authorities is still awaited.

12 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 Company 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:

	2020	2019
Profit attributable to ordinary equity holders of the parent (SR'000)	187,846	178,619
Weighted average number of ordinary shares for basic and diluted EPS	71,167	71,167
Earnings per share (in Saudi Riyals)	2.64	2.51

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

13 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>
Cost:							
At 1 January 2019	47,380	79,140	7,603	28,862	2,073,821	3,156	2,239,962
Additions	39,202	4,036	442	1,379	538,297	699	584,055
Transfer from CWIP	-	3,000	325	-	-	(3,325)	-
Disposals	-	(5,854)	(826)	(2,414)	-	(55)	(9,149)
Transfer to inventories (see note (a) below)	-	-	-	-	(512,589)	-	(512,589)
At 31 December 2019	86,582	80,322	7,544	27,827	2,099,529	475	2,302,279
Additions	300	1,998	178	1,006	379,770	9	383,261
Transfer to inventories (see note (a) below)	-	-	-	-	(515,707)	-	(515,707)
At 31 December 2020	86,882	82,320	7,722	28,833	1,963,592	484	2,169,833
Accumulated depreciation:							
At 1 January 2019	-	36,513	7,094	26,957	961,500	-	1,032,064
Depreciation for the year	-	4,876	537	1,150	448,609	-	455,172
Disposals	-	(2,030)	(382)	(1,646)	-	-	(4,058)
Transfer to inventories (see note (a) below)	-	-	-	-	(407,911)	-	(407,911)
At 31 December 2019	-	39,359	7,249	26,461	1,002,198	-	1,075,267
Depreciation for the year	-	4,171	105	541	405,800	-	410,617
Transfer to inventories (see note (a) below)	-	-	-	-	(431,878)	-	(431,878)
At 31 December 2020	-	43,530	7,354	27,002	976,120	-	1,054,006
Net book value at 31 December 2020	86,882	38,790	368	1,831	987,472	484	1,115,827
Net book value at 31 December 2019	86,582	40,963	295	1,366	1,097,331	475	1,227,012

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

13 PROPERTY AND EQUIPMENT (continued)

- a) These represent cost and accumulated depreciation of vehicles retired from fleets and transferred to vehicle inventories (note 18).
- b) Capital work in progress represents ongoing construction works of workshop.
- c) Property and equipment of the gross carrying amount of SR 255 million (2019: SR 197 million) are fully depreciated but are still in use.
- d) Depreciation charge for the year ended has been allocated as follows:

	2020 SR'000	2019 SR'000
Cost of revenue (note 7)	409,710	454,081
General and administrative expenses (note 9)	907	1,091
	<u>410,617</u>	<u>455,172</u>

14 LEASES

The Group has lease contracts for leasehold buildings (i.e. workshops, accommodations and locations). Leasehold buildings have lease terms between 2 to 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of accommodation buildings with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

- a) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2020 SR'000	2019 SR'000
As at 1 January	33,930	26,712
Additions	3,582	17,706
Deletion	(81)	(5,240)
Depreciation expense	(10,988)	(5,248)
As at 31 December	<u>26,443</u>	<u>33,930</u>

- b) Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020 SR'000	2019 SR'000
As at 1 January	29,257	24,922
Additions	3,582	17,706
Deletion	(177)	(6,650)
Accretion of interest	1,065	1,509
Payments	(9,537)	(8,230)
As at 31 December	<u>24,190</u>	<u>29,257</u>
Current	<u>7,171</u>	<u>5,213</u>
Non-current	<u>17,019</u>	<u>24,044</u>

The maturity analysis of lease liabilities is disclosed in note 30.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

14 LEASES (continued)

c) The following are the amounts recognised in the consolidated statement of profit or loss:

	<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i>
Depreciation expense of right-of-use assets	10,988	5,248
Interest expense on lease liabilities	1,065	1,509
Expense relating to short-term leases (included in cost of revenue) (note 7)	15,411	20,381
Expense relating to short-term leases (included in general and administrative expenses) (note 9)	1,335	2,872
Total amount recognised in consolidated statement of profit or loss	28,799	30,010

The Group had total cash outflows for leases of SR 26.283 million in 2020 (2019: SR 31.5 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 3.582 million in 2020 (2019: SR 42,628 million).

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

15 INTANGIBLE ASSETS

	<i>As at 31 December 2020</i>			<i>31 December 2019</i>
	<i>Software</i>	<i>Intellectual property</i>	<i>Total</i>	<i>Software</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Cost				
At 1 January	8,318	-	8,318	8,391
Additions/ acquisition during the year	19	1,823	1,842	159
Disposal	-	-	-	(232)
	8,337	1,823	10,160	8,318
Amortisation				
At 1 January	7,854	-	7,854	7,699
Amortisation during the year	165	-	165	283
Disposal	-	-	-	(128)
	8,019	-	8,019	7,854
Net book value closing balance	318	1,823	2,141	464

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

16 INVESTMENTS IN ASSOCIATES

These represent Group's investments in the following associates:

	<u>Effective ownership interest</u>		<u>Balance as at</u>	
	<u>(%)</u>		<u>2020</u>	<u>2019</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
			<u>SR'000</u>	<u>SR'000</u>
Tranzlease Holdings India Private Limited ("THL") - (Operating Lease of Motor Vehicles) (see note below)	32.99%	32.99%	-	-
Unitrans Infotech Services India Private Limited ("Unitrans") - (Providing Information Technology Services) (see note below)	-	49%	-	1,219
			<u>-</u>	<u>1,219</u>

Tranzlease Holdings India Private Limited

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

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 2019 or 2020.

Unitrans Infotech Services India Private Limited

With effect from 26 January 2020, the Parent Company acquired the remaining 51% shareholding of an existing associate Unitrans Infotech Services India Private Limited. As such the Parent Company fully owns 100% of the shareholding in this entity, therefore, the same have been consolidated in these consolidated financial statements from the date of acquiring control (see note 17).

17 ACQUISITION OF A SUBSIDIARY

As mentioned in note 1 & 16, with effective from 26 January 2020, the Parent Company acquired remaining 51% shareholding of an existing associate based in India, namely; Unitrans Infotech Services India Private Limited ("the subsidiary") for a total consideration of SR 2.869 million. As per the payment terms, the purchase consideration amounting to SR 2.869 million has been paid at the time of acquisition.

The acquisition has been accounted for using the purchase method of accounting. The Parent Company has recorded the net assets acquired of the subsidiary at fair value resulting in intangible asset (intellectual properties) of SR 1.823 million without any goodwill. The details of net assets acquired, and their respective fair values are as follows:

	<u>Carrying value</u>	<u>Fair value</u>
	<u>SR'000</u>	<u>SR'000</u>
<u>Net assets acquired:</u>		
Fixed assets	59	59
Intangible asset (intellectual properties)	-	1,823
Deferred tax asset	54	54
Trade receivables	513	513
Cash and cash equivalents	1,533	1,533
Short-term loans and advances	185	185
Other current assets	100	100
Other current liabilities	(18)	(18)
Short term provision	(161)	(161)
Net assets acquired	<u>2,265</u>	<u>4,088</u>
Less: Carrying value of previously held investment (49%)		<u>(1,219)</u>
Purchase consideration		<u>2,869</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

18 INVENTORIES

	<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i>
Vehicles held for sale	5,568	14,289
Spare parts and supplies	1,401	1,304
	6,969	15,593

19 TRADE RECEIVABLES

	<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i>
Trade receivables	201,758	191,604
Allowance for doubtful debts (see below)	(26,435)	(40,100)
	175,323	151,504

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

	<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i>
Balance at 1 January	40,100	35,000
Charge for the year (note 9)	14,177	9,595
Written-off during the year	(27,842)	(4,495)
Balance as at 31 December	26,435	40,100

See credit note 30 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. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

20 PREPAYMENTS AND OTHER RECEIVABLES

	<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i>
Prepaid rent and other assets	10,304	15,214
Employee loans and others	1,284	3,217
	11,588	18,431

21 CASH AND CASH EQUIVALENTS

	<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i>
Cash on hand	1,406	1,770
Short term deposits	110,000	-
Bank balances	35,104	2,885
	146,510	4,655

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

22 EQUITY

(a) Share capital

At 31 December 2020, the Parent Company's share capital of SR 711.67 million (2019: SR 711.67 million) consists of 71.167 million (2019: 71.167 million) fully paid shares of SR 10 each.

The Board of Directors in its meeting held on 6 February 2020, proposed final cash dividend of SR 106,750,002 (representing SR 1.5 per share) for the year ended 31 December 2019. The Board of Directors, in its meeting held on 16 April 2020, revised the amount of distribution of cash dividend from amounting SR 106,750,002 (representing SR 1.5 per share) to SR 35,583,334 (representing SR 0.5 per share) for the year ended 31 December 2019, which was approved in the General Assembly Meeting held on 15 June 2020.

The Board of Directors, in its meeting held on 23 July 2020, approved a distribution of interim cash dividend of SR 35.58 million (representing SR 0.5 per share) for the year ended 31 December 2020.

The Board of Directors, in its meeting held on 4 February 2021, proposed final cash dividend of SR 88.96 million (representing SR 1.25 per share) for the year ended 31 December 2020.

(b) Statutory reserve

In accordance with by-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.

23 BANK BORROWINGS

	<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i>
Murabaha sale agreements	-	16,173
Al Tawarroq agreements	3,333	44,166
	<hr/>	<hr/>
Gross debts	3,333	60,339
	<hr/>	<hr/>
Less current portion:		
Murabaha sale agreements	-	(16,173)
Al Tawarroq agreements	3,333	(40,833)
	<hr/>	<hr/>
	3,333	(57,006)
	<hr/>	<hr/>
Non-current portion	-	3,333
	<hr/> <hr/>	<hr/> <hr/>

Group's bank borrowings consist of long-term bank debts under various Islamic Finance Products including Murabaha and Al Tawarroq arrangements with commercial banks in Kingdom of Saudi Arabia. Such debts bear financing charges at the prevailing market rates at the time of entering into the debt contracts. 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. The bank borrowings are repayable in monthly variable instalments with the last instalment payable on 28 February 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

24 EMPLOYEE BENEFITS

General description of the plan

The Group operates an 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:

	<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i>
Balance at 1 January	50,412	43,537
<i>Included in consolidated statement of profit or loss</i>		
Current service cost	6,243	4,803
Interest cost, net	1,552	1,757
	7,795	6,560
<i>Included in consolidated statement of other comprehensive income</i>		
Actuarial losses/(gains):		
Effect of change in financial assumptions	3,059	5,254
Experience loss/(gain)	(1,298)	(2,412)
	1,761	2,842
	59,968	52,939
Benefits paid	(5,302)	(2,527)
Balance at 31 December	54,666	50,412

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

	<i>2020</i> <i>SR'000</i>	<i>2019</i> <i>SR'000</i>
Cost of revenue	2,961	2,492
Selling and marketing expenses	2,076	1,747
General and administrative expenses	2,758	2,321
	7,795	6,560

Actuarial assumptions

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

	<i>2020</i>	<i>2019</i>
Discount rate	2.25%	3.25%
Future salary growth / Expected rate of salary increase		
- First four years	3%	3%
- Thereafter	4.5%	5%
Mortality rate	0.790 – 10.540 per thousand	0.790 – 10.540 per thousand
Employee turnover / withdrawal rates	0 – 132 per thousand	0 – 132 per thousand
Retirement age	60 years	60 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

24 EMPLOYEE BENEFITS (continued)

Actuarial assumptions (continued)

The quantitative sensitivity analysis for principal assumptions is as follows:

31 December 2020

	Impact on EOSB Increase / (decrease)		
	Change in assumption by	Increase in assumption by SR'000	Decrease in assumption by SR'000
Discount rate	1%	(5,271)	6,284
Future salary growth / Expected rate of salary increases	1%	6,073	(5,212)
Mortality rate	1 year	(308)	324
Employee turnover / withdrawal rates	1 year	(33)	34
Retirement age	1 year	(4,058)	1,087

31 December 2019

	Impact on EOSB Increase / (decrease)		
	Change in assumption by	Increase in assumption by SR'000	Decrease in assumption by SR'000
Discount rate	1%	(5,161)	6,055
Future salary growth / Expected rate of salary increases	1%	5,832	(5,035)
Mortality rate	1 year	(69)	86
Employee turnover / withdrawal rates	1 year	(119)	139
Retirement age	1 year	366	(391)

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 for the defined benefit plan in future years:

	2020 SR'000	2019 SR'000
Within the next 12 months (next annual reporting period)	7,469	5,265
Between 2 and 5 years	1,367	6,647
Between 5 and 10 years	6,720	15,237
Beyond 10 years	56,433	49,412
Total expected payments	<u>71,989</u>	<u>76,561</u>

25 TRADE PAYABLES

	2020 SR'000	2019 SR'000
Suppliers for vehicles	8,426	45,566
Suppliers for stores, spares and others	25,825	36,764
	<u>34,251</u>	<u>82,330</u>

Trade payables are non-interest bearing and are normally settled on 60-day terms.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

26 ACCRUED EXPENSES AND OTHER LIABILITIES

	2020	2019
	SR'000	SR'000
Accrued expenses	44,416	29,940
Employees' related accruals	11,322	6,900
Advances from customers	-	908
Others	29,878	25,984
	85,616	63,732

27 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 balances are as follows:

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>		<u>Balance at</u>	
			<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
			<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Zahid Group	Shareholder	Car rentals	64	31	16	7
The Law Firm of Bassim Abdullah A. Alim	Other related party	Professional services	1,707	1,200	-	-
Key management personnel	Employees	Short term benefits	7,333	8,294	-	-
		Long term benefits	596	577	8,289	8,222
		Board of Directors remuneration	2,671	2,543	2,671	2,5432,543

The balances due are included in accrued expenses and other liabilities in the consolidated statement of the financial position.

28 CONTINGENCIES AND COMMITMENTS

Contingencies

At 31 December 2020, the Group has outstanding letters of guarantee amounting to SR 19.8 million (2019: SR 8.9 million) issued by the local banks on behalf of Group in the ordinary course of business.

Commitments

At 31 December 2020, the Group has future capital commitments amounting to SR Nil (31 December 2019: SR Nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

29 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.

Segment results that are reported to the top management (Chairman, President & Group Chief Executive Officer (GCEO), Director Corporate Affairs, Director of Operation (DOO) and Group Chief Financial Officer (GCFO)) 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>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</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	485,732	509,398	184,922	273,469	306,551	260,627	977,205	1,043,494
Depreciation of vehicles	(290,169)	(308,848)	(115,631)	(139,761)	-	-	(405,800)	(448,609)
Segment profit	195,563	200,550	69,291	133,708	306,551	260,627	571,405	594,885
Unallocated income/(expenses):								
Cost of revenue							(273,089)	(297,525)
Other operating income, net							2,250	1,548
Selling and marketing expenses							(43,377)	(42,946)
General and administrative expenses							(60,407)	(66,784)
Finance costs, net							(2,649)	(4,921)
Share of results of associates							-	(114)
Profit before zakat							194,133	184,143

Detail of segment assets and liabilities is given below:

<i>Particulars</i>	<i>Allocated</i>		<i>Unallocated</i>	
	<i>Lease</i>	<i>Rental</i>	<i>Other</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
2020				
Segment assets	737,519	249,953	497,380	1,484,852
Segment liabilities	-	-	210,273	210,273
2019				
Segment assets	745,323	352,008	355,477	1,452,808
Segment liabilities	-	-	293,009	293,009

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

29 SEGMENTAL INFORMATION (continued)

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>
2020				
Capital expenditures	308,825	70,945	5,333	385,103
2019				
Capital expenditures	321,968	216,329	45,917	584,214

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 & tax and financial assets and liabilities are not allocated to those segments as they are also managed on the Group basis.

30 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.

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 transactions 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

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.

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

	2020 SR'000	2019 SR'000
Financial assets		
Trade receivable (note 19)	201,758	191,604
Cash and cash equivalents (excluding cash in hand) (note 21)	145,104	2,855
	<u>346,862</u>	<u>194,459</u>

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. The 5 largest customers account for 18% of outstanding accounts receivable at 31 December 2020 (2019: 13%).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than two years and are not subject to enforcement activity if the cost of such activity is expected to be higher than the benefit of doing so. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of cash security deposit or advance, which are considered integral part of trade receivables and considered in the calculation of impairment. The credit risk exposure of the Group on trade receivables, excluding secured receivables and using a provision matrix, ranges from 4.23% to 24.86% on trade receivables ageing less than 90 days to above 365 days, respectively.

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.

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

2020	Within 1 year SR'000	1 to 5 years SR'000	More than 5 years SR'000	Total SR'000
Bank borrowings	3,333	-	-	3,333
Lease liabilities	7,171	17,019	-	24,190
Trade payables	34,251	-	-	34,251
	<u>44,755</u>	<u>17,019</u>	<u>-</u>	<u>61,774</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

30 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk (continued)

2019	Within 1 year SR'000	1 to 5 years SR'000	More than 5 years SR'000	Total SR'000
Bank borrowings	57,006	3,333	-	60,339
Lease liabilities	5,213	24,044	-	29,257
Trade payables	82,330	-	-	82,330
	<u>144,549</u>	<u>27,377</u>	<u>-</u>	<u>171,926</u>

31 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 Company. 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.

	2020 SR'000	2019 SR'000
Debt – Bank borrowings and lease liabilities	27,523	89,596
Equity	1,274,579	1,159,799
Capital and debt	1,302,102	1,249,395
Gearing ratio	0.02	0.07

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 2020 and 31 December 2019.

32 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

32 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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.

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 2020 and 31 December 2019, 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 2020 and 31 December 2019.

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 2020 and 31 December 2019, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the year ended 31 December 2020 and 2019, there were no movements between the levels.

33 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities:

	<i>1 January 2020 SR'000</i>	<i>Cash flows SR'000</i>	<i>New leases SR'000</i>	<i>Other SR'000</i>	<i>31 December 2020 SR'000</i>
Current portion of borrowings	57,006	(57,006)	-	3,333	3,333
Lease liabilities	29,257	(9,537)	3,582	888	24,190
Non-current portion of borrowings	3,333	-	-	(3,333)	-
Total	89,596	(66,543)	3,582	888	27,523
	<i>1 January 2019 SR'000</i>	<i>Cash flows SR'000</i>	<i>New leases SR'000</i>	<i>Other SR'000</i>	<i>31 December 2019 SR'000</i>
Current portion of borrowings	89,610	(136,122)	-	103,518	57,006
Lease liabilities	24,922	(8,230)	17,706	(5,141)	29,257
Non-current portion of borrowings	15,851	91,000	-	(103,518)	3,333
Total	130,383	(53,352)	17,706	(5,141)	89,596

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

34 BRANCHES

The Parent Company has the following branches:

Commercial Registration Numbers	Location of Branch	Commercial Registration Number	Location of Branch
23309	Abha	29417	Madinah
69857	Abha	29418	Madinah
03205	Al Baha	48863	Madinah
38171	Al Kharj	48865	Madinah
08840	Al Qunfodah	12787	Madinah
01874	Al-Dhahran	57088	Madinah
40229	Al-Mubaraz	49746	Madinah
33796	Besh	68567	Mahayel
08845	Besha	37762	Makkah
38809	Buridah	37763	Makkah
91649	Buridah	98979	Makkah
15153	Dammam	18884	Makkah
92741	Dammam	22237	Makkah
39420	Hail	30925	Makkah
92623	Jeddah	25900	Najran
35842	Jeddah	02374	Rabeg
43757	Jeddah	9468	Riyadh
04007	Jeddah	79991	Riyadh
30782	Jeddah	89448	Riyadh
10924	Jeddah	47720	Riyadh
98923	Jeddah	88386	Riyadh
58776	Jeddah	49626	Riyadh
66373	Jeddah	49628	Riyadh
96161	Jeddah	49627	Riyadh
06710	Jeddah	52751	Riyadh
06712	Jeddah	79992	Riyadh
14976	Jeddah	79993	Riyadh
43758	Jeddah	79995	Riyadh
45422	Jeddah	79996	Riyadh
68973	Jeddah	79997	Riyadh
69630	Jeddah	30558	Tabuk
69631	Jeddah	09574	Taif
21293	Jeddah	27594	Taif
92619	Jeddah	27595	Taif
92620	Jeddah	22946	Tubuk
92621	Jeddah	38423	Tubuk
14036	Jizan	01394	Yanbu
32219	Jizan	03067	Yanbu
05127	Jubail	20216	Yanbu
21493	Khamis Mushit	20217	Yanbu
71445	Khamis Mushit	08180	Yanbu
71446	Khamis Mushit		
25750	Khobar		
29416	Madinah		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2020

35 IMPACT OF COVID-19

A novel strain of coronavirus (COVID-19) was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization (WHO). COVID-19 continues to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities which resulted in a slowdown of economic activities and shutdowns of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Group's business, operations, and financial results, is certain but the amount is not specified and depends on many factors and future developments, that the Group may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Group's customers and other factors.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group's management carried out an impact assessment on the overall Group's operations, estimated its liquidity requirements and business aspects including factors like travel restrictions, services demand, used vehicle demand, etc. The Group cannot assure its assumptions used in the above estimates will be correct due to such uncertain situation. In addition, the magnitude, duration and speed of the global pandemic is uncertain. Therefore, the management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures. Further, the Group's management recalibrated ECL calculation by incorporating macroeconomic factors which resulted in ECL provision of SR 14.177 million and also evaluated the cash flow situation, including available bank facilities, continuation of existing leasing contracts and the readiness of operational processes when the situation improves. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, the Group management will continue to assess the impact based on prospective developments.

36 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 4 February 2021, corresponding to 22 Jumada II 1442H.