

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
TOGETHER WITH INDEPENDENT AUDITORS' REPORT



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Al Azem & Al Sudairy
CPA's & Consultants
Member Crowe Horwath International

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

FINANCIAL STATEMENTS

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Amro Mahmoud Abouelmaaty Siam
FM



Hamad Mohammad Aldrees
Chairman



Eng. Abdulelah Saad Aldrees
CEO



INDEPENDENT AUDITORS' REPORT

**TO: TO THE SHAREHOLDERS
ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
A Saudi Joint Stock Company
Riyadh-Kingdom of Saudi Arabia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY (the "Company")**, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other regulations adopted by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Auditing Standards that are endorsed in the Kingdom of Saudi Arabia, our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report on the audit of the financial statements. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with International Ethics Standards Board for Accountants requirements. In addition to our commitment to other ethical responsibilities as per 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

The key audit matters in our professional judgment, are those matters that were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and not for the purpose of expressing separate opinion on these matters. The description of key audit matters is described below:



1- Zakat

Key audit matter	How our audit addressed the key audit matter
<p>The Company files its zakat return with General Authority of Zakat and Tax ("GAZT") on an annual basis. The GAZT has issued Zakat assessment orders for the years from 2008 to 2010, which resulted in an additional zakat exposure of the Company amounting to SR 7 million approximately. The significant additional zakat exposure resulted mainly due to disallowance of certain items. The interpretation of the GAZT is being contested by the Company and the appeal proceedings are underway at various levels of available appellate forums available to the Company, hence ultimate outcome of the matter cannot be determined at this stage.</p> <p>Assessments for the years 2011 to 2016 are yet to be raised. However, in line with the assessments raised by the GAZT for the years 2008 to 2010, if certain items are disallowed, this would result in an additional zakat exposure.</p> <p>Zakat provisions requires the management to make judgements and estimates in relation to zakat lawsuits and zakat provisions.</p> <p>This matter is considered one of the key areas in our audit on the Company.</p>	<p>Our audit procedures included assessment of the Company's zakat positions, its correspondence with General Authority for Zakat and Tax and with Company's legal and zakat consultant and to analyze and challenge the assumptions used is determining zakat provisions based on our knowledge and experience in application of legislation by the relevant authorities and courts. Our assessment included consideration of the adequacy of the provisions take by the Company to meet the liabilities that may rise from zakat lawsuits.</p> <p>We also assessed the appropriateness of the disclosures included in the Company's financial statements.</p> <p>We further obtained the related appeal documents to confirm the fact that the matters have been contested at various appellate forums and to assess the status of the outcome of those appeal.</p>

2- Impairment of trade receivables

Key audit matter	How our audit addressed the key audit matter
<p>The adequacy of the recorded provisions for those receivables depend on managements estimates, which make it a Key Audit Matters, the Company has trade receivables with amount of around SR 363 million as of December 31, 2017 compare to approximately SR 303 million as of 31 December 2016, this increase resulted from increasing the ceilings granted to government customers in addition to new customers the Company started dealing with during 2017.</p> <p>The nature and characteristics of the Company's receivables are diversified. The Company sells petroleum products to various sectors such as government departments, customer institutions and other customers. This requires the classification of accounts receivable and the use of significant estimates to calculate a provision for impairment</p>	<p>Audit procedures include an understanding of the nature of these receivables and the study of the control measures used by the Company to collect trade receivables including the acceptance new customers and study the cash obtained during the period after the end of the fiscal year and the study of adequacy of the impairment provision against receivables through the evaluation of assumptions used by the management in addition to the process see correspondence with government agencies. Taking into account the external information available about the risk of future receivables and our experience in the provision for doubtful debts in this segment.</p>





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in accordance with that classification. No provision is made for government receivables and the Company calculates a provision for non - government receivables based on the age of those receivables.

3- Inventory

Key audit matter	How our audit addressed the key audit matter
<p>The Company's inventory, which is mainly composed of petroleum products, oils and spare parts, is considered as a Key audit matters and should be recorded in accordance with International Financial Reporting Standards at the lower of cost or net realizable value.</p> <p>The nature of the Company's business requires the existence of many types of stock of petroleum products, oils and spare parts to maintain the continuity of the Company's activity. The process of recording inventories at cost or net realizable value, whichever is lower, involves measuring the selling value, comparing it with the original inventory cost, the recognition of any potential losses when the selling value is lower than the cost, and calculating the provision for stagnant and slow moving items. By specialized engineering cadres according to relevant annual technical studies.</p>	<p>The audit procedures included an understanding of the nature of the inventory and an examination of the internal control system used in the process of purchasing, pricing, warehousing, measuring the selling value of the inventory and comparing it with the original cost. In addition to the internal control procedures of the calculation process, we studied and understood the Company's policy of pricing, measuring the selling value, calculating the provisions, evaluating the factors affecting the accounting process, and discussing these factors with the executive management and the regulators. Procedure relating to stagnant and slow moving materials, included comparing a sample of the cost of the registered inventory with its selling value.</p>

4- Revenue recognition

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition has been recognized as a Key Audit Matters due to substantial and large volume of revenue, in addition to the risk of errors when recording and recognizing revenue. The Company focuses on revenue as a key indicator of its performance.</p>	<p>Our audit procedures include consideration of the accounting policies used to achieve the revenues of the Company. We also studied the internal control system of the Company about revenue recognition and studied the procedures carried out by the Company to complete the elements of revenue verification and analysis of the monthly profit margin to ascertain the reasonableness of the changes, especially if they are unusual. We also got contracts signed with major customers and we studied its pricing.</p> <p>We have also assessed the adequacy and relevance of policies and procedures prepared and adopted by the Company's management.</p>



Other information

Management is responsible for other information. Other information does not include the financial statements and the report on the audit of the financial statements.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other regulations adopted by the Saudi Organization for Certified Public Accountants, the Company Articles of Association By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Auditing Standards that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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


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

Report on Other Legal Requirements

The Company maintains duly organized accounting records, and agreements in all material respects with the accompanying financial statements and recommends their approval.



AlAzem & AlSudairy
Certified Public Accountants



Salman B. AlSudairy
License No, 283

4 Jamada Al Awal 1439H (January 21, 2018)
Riyadh, Kingdom of Saudi Arabia



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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	31 December 2017 SR	31 December 2016 "Restated" SR	1 January 2016 "Restated" SR
ASSETS				
NON CURRENT ASSETS				
Property and equipment, net	4	1,036,879,655	806,054,499	736,382,618
Deferred costs, net	5	14,480,937	17,037,628	21,410,177
Investment in joint ventures	6	2,311,652	1,822,737	500,000
TOTAL NON CURRENT ASSETS		1,053,672,244	824,914,864	758,292,795
CURRENT ASSETS				
Due from a related party	21	4,144,121	3,335,901	3,370,329
Other assets	7	37,804,363	89,424,888	34,458,964
Prepaid expenses	8	204,065,584	199,054,724	174,166,802
Inventories, net	9	38,469,947	43,966,932	29,194,000
Accrued income	10	42,647,183	38,414,690	19,367,313
Trade accounts receivable, net	11	363,280,199	303,532,002	208,444,401
Banks balances		46,083,128	38,602,469	18,300,184
TOTAL CURRENT ASSETS		736,494,525	716,331,606	487,301,993
TOTAL ASSETS		1,790,166,769	1,541,246,470	1,245,594,788
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	12	500,000,000	400,000,000	400,000,000
Statutory reserve		98,978,569	92,513,948	83,411,669
Retained earnings		56,785,789	141,211,548	142,561,563
TOTAL SHAREHOLDERS' EQUITY		655,764,358	633,725,496	625,973,232
LIABILITIES				
NON CURRENT LIABILITIES				
Long term financing	13	171,785,110	34,241,049	81,380,560
Employees' end of service indemnities	14	53,457,001	55,302,247	52,493,375
TOTAL NON CURRENT LIABILITIES		225,242,111	89,543,296	133,873,935
CURRENT LIABILITIES				
Zakat payable	15	4,586,069	5,504,370	4,217,815
Accrued expenses and other liabilities	16	211,724,055	187,802,019	136,101,317
Due to a related party	21	5,855,808	4,279,772	1,577,694
Trade payables	17	268,997,507	351,261,204	152,022,886
Current portion of long term financing	13	79,996,861	60,959,296	66,827,909
Short term financing	13	338,000,000	208,171,017	125,000,000
TOTAL CURRENT LIABILITIES		909,160,300	817,977,678	485,747,621
TOTAL LIABILITIES		1,134,402,411	907,520,974	619,621,556
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,790,166,769	1,541,246,470	1,245,594,788

The accompany from (1) to (31) are integrated part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts in Saudi Riyals)

	<i>Note</i>	<i>2017</i>	<i>2016 "Restated"</i>
Revenue		3,409,598,030	3,461,349,302
Cost of revenue		(3,226,761,057)	(3,253,962,439)
GROSS PROFIT		182,836,973	207,386,863
EXPENSES			
Selling and marketing	18	(6,776,035)	(8,968,159)
General and administration	19	(94,792,667)	(93,953,158)
INCOME FROM OPERATIONS		81,268,271	104,465,546
Financial charges	13	(17,715,156)	(14,237,858)
Gains of joint venture	6	488,915	1,322,737
Other income, net	20	2,544,377	1,995,193
INCOME BEFORE ZAKAT		66,586,407	93,545,618
Zakat estimate	15	(1,940,193)	(2,522,824)
NET INCOME FOR THE PERIOD		64,646,214	91,022,794
OTHER COMPREHENSIVE INCOME:			
ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Re-measurement for employees' end of service indemnities		(1,207,352)	(1,870,530)
TOTAL COMPREHENSIVE INCOME		63,438,862	89,152,264
Earnings per share from:			
Income from operations	22	1,63	2,09
Net income for the year	22	1,29	1,82

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The accompany from (1) to (31) are integrated part of these financial statements.

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

STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts in Saudi Riyals)

	<i>Share Capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2016	400,000,000	83,411,669	159,582,817	642,994,486
Effect of changes in accounting policies (note 29)	-	-	(17,021,254)	(17,021,254)
Balance at 1 January 2016 after restatement	400,000,000	83,411,669	142,561,563	625,973,232
Dividends (note 23)	-	-	(80,000,000)	(80,000,000)
Board of directors' remunerations (note 23)	-	-	(1,400,000)	(1,400,000)
Net income for the year	-	-	91,022,794	91,022,794
Other comprehensive income for the year	-	-	(1,870,530)	(1,870,530)
Total comprehensive income for the year	-	-	89,152,264	89,152,264
Transfer to statutory reserve	-	9,102,279	(9,102,279)	-
Balance at 31 December 2016 after restatement	400,000,000	92,513,948	141,211,548	633,725,496
Transfer to capital (note 12)	100,000,000	-	(100,000,000)	-
Dividends (note 23)	-	-	(40,000,000)	(40,000,000)
Board of directors' remunerations (note 23)	-	-	(1,400,000)	(1,400,000)
Net income for the year	-	-	64,646,214	64,646,214
Other comprehensive income for the year	-	-	(1,207,352)	(1,207,352)
Total comprehensive income for the year	-	-	63,438,862	63,438,862
Transfer to statutory reserve	-	6,464,621	(6,464,621)	-
Balance at 31 December 2017	500,000,000	98,978,569	56,785,789	655,764,358

  



The accompany from (1) to (31) are integrated part of these financial statements.

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in Saudi Riyals)

	2017	2016 "Restated"
OPERATING ACTIVITIES		
Income before zakat	66,586,407	93,545,618
Adjustment for:		
Depreciation	78,835,566	68,217,996
Amortization of deferred costs	6,231,741	6,075,489
Gains of Joint Venture	(488,915)	(1,322,737)
Allowance for doubtful trade accounts receivable	(5,685)	(575,806)
Written off deferred cost	139,280	-
Loss on sale of property and equipment	507,059	1,456,857
Provision for employees' end-of-service indemnities	9,315,962	7,607,713
	161,121,415	175,005,130
Changes in operating assets and liabilities:		
Trade accounts receivable, net	(59,742,512)	(94,511,795)
Accrued income	(4,232,493)	(19,047,377)
Inventories, net	5,496,985	(14,772,932)
Prepaid expenses	(5,010,860)	(24,887,922)
Other assets	51,620,525	(54,965,924)
Trade payables	(82,263,697)	199,238,318
Related parties	767,816	2,736,506
Accrued expenses and other liabilities	23,922,036	51,700,702
Cash from operations	91,679,215	220,494,706
Employees' end-of-service indemnities paid	(12,368,560)	(6,669,371)
Zakat paid	(2,858,494)	(1,236,269)
Net cash from operating activities	76,452,161	212,589,066
INVESTING ACTIVITIES		
Investment	-	-
Deferred costs	(3,814,330)	(1,702,940)
Purchase of property and equipment	(311,077,581)	(141,616,470)
Proceeds from sale of property and equipment	909,800	2,269,736
Net cash used in investing activities	(313,982,111)	(141,049,674)
FINANCING ACTIVITIES		
Proceeds from short term financing	4,657,961,896	2,479,100,000
Repayment of short term financing	(4,528,132,913)	(2,395,928,983)
Proceeds from long term financing	230,000,000	19,000,000
Repayment of long term financing	(73,418,374)	(72,008,124)
Dividends paid	(40,000,000)	(80,000,000)
Board of directors' remunerations	(1,400,000)	(1,400,000)
Net cash (used in) from financing activities	245,010,609	(51,237,107)
CHANGE IN BANKS BALANCES	7,480,659	20,302,285
Banks balances, at 1 January	38,602,469	18,300,184
BANKS BALANCES, AT 31 DECEMBER	46,083,128	38,602,469

The accompany from (1) to (31) are integrated part of these financial statements.

Aldrees Petroleum and Transport Services Company

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2017

1) ORGANISATION AND ACTIVITIES

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

The Company's objectives, as per its commercial registration, include retail and wholesale trading of fuel, lubricants, catering services and the transportation of goods using highways in the Kingdom of Saudi Arabia in accordance with license number 010111012400, establishment of vehicle workshops and car washes and acquisition of land to construct buildings for sale or lease for the interest of the Company and construction, managing, operating and renting take away centres for hot and cold beverages and food.

2) BASIS OF PREPARATION

(a) Statement of compliance:

The financial statements have been prepared in accordance with International financial Reporting Standards as approved by the Saudi Organization for Certified Public Accountants, which became effective in Saudi Arabia on January 1, 2017. These statements are the first financial statements to be prepared in accordance with International financial Reporting Standards (IFRS). IFRS 1, "Adoption of International Financial Reporting Standards for the First Time", has been applied in the preparation of these financial statements and date of the Company's transition to IFRS on 1 January 2016.

The last annual financial statements for the year ended 31 December 2016 have been prepared for the Company in accordance with the previously generally accepted accounting standards issued by the Saudi Organization for Certified Public Accountants. Due to the preparation of the first financial statements in accordance with IAS 1, the company has included additional disclosures to enable the users of the Financial Statements to understand the impact of the transition to IFRS on the previously reported annual figures as well as the figures.

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

The company's current liabilities are in excess of current assets by SR 172,665,775. However, the management and board of directors assumed that the company have the ability to continue as a going concern. It is their assessment that the company will generate sufficient profits and cash flows to meet ongoing liabilities and scheduled repayments. These financial statements have been accordingly prepared on a going concern basis.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments

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

Aldrees Petroleum and Transport Services Company

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2017

In particular, information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is summarized as follows:

- Management periodically reassesses the economic useful lives of tangible assets and intangible assets based on the general condition of these assets and the expectation for their useful economic lives in the future.
- Estimated useful lives of intangible assets for the privilege of providing services is from the period when the company will be able to charge for use of the public infrastructure to the end of the concession period.
- Management frequently reviews the lawsuits raised against the company based on a legal study prepared by the company's legal advisors. This study highlights potential risks that the company may incur in the future.
- A provision for doubtful debts is taken on the basis and estimates approved by management in conformity with International Financial Reporting Standards (IFRS).
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, and its selling price to fall below cost or any other factors that causes the recoverable amount to be lower than its carrying amount.
- Management estimates the recoverable amount of the other financial assets to determine whether there was any impairment in its value.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Fair value measurement

- Fair value represents the amount that may be collected from the asset sale or a boost to convert commitment between knowledgeable parties on the same terms and dealing with others and depends on the fair value measurement of the following conditions:
 - In the principal market for the asset or liability, or the most advantageous market for the asset or liability in the absence of a principal market the company should be able to handle through the most advantageous market.
- When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
 - The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
 - Management believes that its estimates and judgments are reasonable and adequate.

3) Significant Accounting Policies

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

The accounting policies used in the preparation of financial statements for the year ended December 31, 2017 is the International Accounting Standards as approved by the Saudi Organization for Certified Public Accountants, which came into force in Saudi Arabia on January 1, 2017. was applied international standard requirements for the preparation of IFRS 1 "adoption of international standards for the preparation of financial reports for the first time" when preparing these financial statements and is the date of the Company's transition to international standards for financial reporting (IFRS) on 1 January 2016. and The following is a statement of significant accounting policies adopted:

Aldrees Petroleum and Transport Services Company

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2017

(a) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes financing and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financing and receivables

financing and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition financing and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash in bank

Cash in bank comprise cash balances and call deposits with maturities of three months or less from the acquisition date.

Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: Trade and other payables, dividends payables, accruals, due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(ii) Share capital – ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

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(b) Property and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other expense" in the statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in statement of comprehensive income as incurred.

(iii) Depreciation

Items of property and equipment are depreciated on a straight-line basis in statement of income over the estimated useful lives of each component. Land is not depreciated.

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Leasehold improvements are amortized over the shorter of the estimated useful life or term of the lease, Whichever is shorter.

The depreciations rate of property and equipment for the current and previous year are as follows:

	<u>Depreciation rate</u>
Buildings	3
Leasehold improvements	Shorter of contract term or useful life
Machinery and equipment	10
Furniture & fixture	10
Trucks	7,14 with 20% Scrap value
Vehicles	15-25
Computers	12,5-25
Tools	12-20

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

(c) Projects under construction

Projects under construction are carried at cost, and when the project is ready for use, it is transferred to its own item of property and equipment.

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(d) Revenue recognition

Revenue from sales is recognized when the goods are delivered and the services rendered to the customers. Revenue from the sale of the goods is recognized when all of the following conditions are met:

- The significant risks and rewards of ownership have been transferred to the customer.
- the Company no longer retains the ownership of the goods as an ongoing administrative intervention There is no continuing management involvement with the goods.
- The economic benefits associated with the sale are likely to flow.
- The associated costs and possible return of goods can be measured reliably.

Rental income is recognized on a straight line basis over the term of the lease, And other income is recognized when earned.

(e) Accounts receivable

Accounts receivable are stated at original invoice amount less appropriate allowance for any doubtful trade accounts receivable, An estimate for allowance for doubtful trade accounts receivable is made when collection of the full amount is doubtful, Bad debts are written off as incurred.

(f) Accrued income

Accrued income comprise of revenue earned for services provided and goods delivered but not yet billed as at the financial position date.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined based on the weighted average principle, and includes expenditure incurred in acquiring the inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Offsetting

Financial liabilities are set off against financial assets, and the net amount is shown in the consolidated financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

(i) Provisions

A provision is recognized if, as a result of a past event, the 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.

(j) Prepaid expenses

Prepaid expenses represent amounts paid in advance for renting petrol stations, offices, employees housing and other services, Prepaid expenses are amortized, using the straight line method, over the period of the related contracts.

(k) Deferred costs

Deferred costs represent key money paid for renting new petrol stations in the Kingdom of Saudi Arabia, Deferred costs are amortized, using the straight line method, over the period of the contracts.

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(l) Investment in jointly controlled entity

A joint venture is contractual arrangements whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control, Joint venture arrangements that involve the establishment of a separate entity in which each party has an interest are referred to as "jointly controlled entities", The Company applies the equity method of accounting for its interests in jointly controlled entities.

Under the equity method, the interest in the jointly controlled entity is carried in the financial position at cost as adjusted by post-incorporation changes in the Company's share of the net assets of the jointly controlled entity, less any impairment in the value of individual investment.

(m) Trade payable and accrued expenses

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

(n) Unearned revenue

Unearned revenue represents advances received against prepaid petrol cards issued by the Company that have not been utilized by customers at the financial position date and unearned rental income received in advance.

(o) Zakat

Zakat is provided on accrual basis in accordance with the Regulations of the General Authority for Zakat and Income ("DZIT") in the Kingdom of Saudi Arabia, The zakat provision is charged to the statement of comprehensive income, Any differences resulting from the final assessments are recorded in the year of their finalization.

(p) Employees' end of service indemnities

Provision for employees' end of service benefits is deducted from their periods of service at the financial position date. Provision for employees' end of service benefits is made according to the expected unit method in accordance with IAS 19 Employee Benefits, taking into account Saudi Labor Law. The provision is recognized based on the present value of the defined benefit obligation.

The present value of the defined benefit obligation is calculated using assumptions for the average annual salary increase ratio, the average work period of employees and an appropriate discount rate. The probabilities used are calculated on a constant basis for each period and reflect the best management estimates. The discount rate is determined based on the best available market returns estimates available at the reporting date.

Changes in accounting policies due to revision of IAS 19

The amendments to IAS 19 resulted in changes in accounting for defined benefit plans and end of service benefits. The material changes are related to the accounting changes in the defined plan's commitments and assets. The amendments require recognition of changes in the specific liability for fair value and recognition and recognition of all accounting gains and losses directly through comprehensive income in order to reflect the net recognized asset or liability of the company in the statement of financial position.

Accordingly, the provision for end of service indemnity has been adjusted retroactively to SR 17,021,254.

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

The main assumptions used for actuarial valuation were as follows:

Employee turn over	Slow
Increase salary	4%
Discount rate of cash flow	3.5%

(q) Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the income for the year should be transferred to the statutory reserve, The Company may resolve to discontinue such transfers when the total reserve equals 30% of the capital, the reserve is not available for dividend distribution.

(r) Finance income and finance costs

Finance income comprises interest income from deposits at banks. Interest income is recognized as it accrues, using the effective interest method.

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Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(s) Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. At financial position date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rates prevailing on that date. Gains and losses arising on settlement and translation of foreign currency transactions are recognized in the statement of comprehensive income.

(t) Impairment

(i) Financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against financing and receivable. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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(u) Expenses

Expenses incurred by the Company consist of administrative and general expenses, operating expenses and selling and marketing expenses. Sales costs are charged at full cost of materials, direct labor and indirect costs. Other direct and indirect expenses relating to management that are not related to the production function are classified as administrative and general expenses. Joint expenses are distributed, if necessary, between administrative and general expenses and operating expenses on a consistent basis. The accrual principle is applied in charging the financial period with administrative and general expenses. Sales and marketing expenses consist mainly of costs incurred in marketing the Company's products and services.

(v) Operating lease payments / received

Lease incentives received are recognized in the statement of profit or loss and other comprehensive income as an integral part of the total lease expenses. Payments made under operating leases are recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Increase in rent, which is considered to be due to inflation, is regarded as contingent rent and is recognized in the year in which they occur. Difference between rentals on the straight-line basis and contracted rentals are recognized as "accrued lease rentals" as an asset or a liability, as the case may be.

(w) Segmental reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Group carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

(x) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments and improvements to standards and interpretations are effective for annual periods beginning on or after January 1, 2017, and have not been applied in preparing these financial statements. Management is still in the process of assessing the potential impacts of the application of the new standards. As set out below.

New standards

- IFRS 9 Financial Instruments (effective from 1 January 2018).

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity for the effect of applying IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

- Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Financing as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9.

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- Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, financing and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that, due to the unsecured nature of its financing and receivables, the loss allowance will increase by 570,755.

• IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018).

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016.

- Sale of goods

For contracts with customers in which the sale of equipment is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to adopt IFRS 15, the Group is considering the following:

- Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognizes revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception and updated thereafter.

- Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. Also, extended disclosures are expected as a result of the significant judgement made when assessing the contracts where the Group has concluded that: it acts as an agent instead of a principal, there is a significant financing component, and service-type warranties are provided. In addition, as required by IFRS 15, the Group will disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. In 2017 the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

• IFRS 16 Leases (effective from 1 January 2019).

Amendments

- IFRS 2 Classification and Measurement of Share-Based Payments (effective from 1 January 2018 with early application permitted).
- IFRS 10 and IAS 28 Sale or Contribution to Assets discloses to investors in associates or joint ventures.
- IAS 40, "Interpretation of Transfers of Assets to and from Consumer Property" (effective from 1 January 2018).

Improvements

- Annual Improvements to IFRS 2014–2016 cycle, And amendments in (IFRS 1) (effective 1 January 2018).
- The company expect to apply the above standards and interpretations (improvements) in the financial statements as of the date stated in the standard with no significant impact on the financial statements of the company.
- The Company expects to apply the above standards and interpretations (improvements) in the financial statements by the date stated in the Standard with no significant impact on the Company's financial statements.

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4) PROPERTY AND EQUIPMENT

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

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

	Land SR	Buildings SR	Leasehold improvements SR	Machinery and equipment SR	Trucks and vehicles SR	Computers SR	Tools SR	Furniture and fixtures SR	Work in progress SR	Total 2017 SR	Total 2016 SR
Cost:											
At the beginning of the year	157,510,995	124,023,043	162,107,302	37,228,439	676,224,345	12,468,925	10,865,261	16,655,538	58,507,951	1,255,591,799	1,126,764,241
Additions	7,252,500	6,287,220	75,937,012	4,624,975	97,191,445	790,457	878,221	1,719,488	116,396,263	311,077,581	141,616,470
Disposals	-	(144,146)	(3,714,668)	(535,558)	(902,832)	(10,033)	(62,031)	(42,116)	-	(5,411,384)	(12,788,912)
Transfers	-	26,934,169	89,569,278	2,059,920	3,066,513	-	419,518	610,968	(122,660,366)	-	-
At the end of the year	164,763,495	157,100,286	323,898,924	43,377,776	775,579,471	13,249,349	12,100,969	18,943,878	52,243,848	1,561,257,996	1,255,591,799
Depreciation:											
At the beginning of the year	-	26,814,173	67,803,603	26,366,508	297,631,992	10,819,447	8,959,080	11,142,497	-	449,537,300	390,381,623
Charge for the year	-	4,709,094	23,067,046	3,204,501	44,870,973	514,206	845,696	1,624,050	-	78,835,566	68,217,996
Disposals	-	(57,433)	(2,604,708)	(412,454)	(834,556)	(3,440)	(56,813)	(25,121)	-	(3,994,525)	(9,062,319)
At the end of the year	-	31,465,834	88,265,941	29,158,555	341,668,409	11,330,213	9,747,963	12,741,426	-	524,378,341	449,537,300
Net book value:											
At 31 December 2017	164,763,495	125,634,452	235,632,983	14,219,221	433,911,062	1,919,136	2,353,006	6,202,452	52,243,848	1,036,879,655	
At 31 December 2016 “Restated”	157,510,995	97,208,870	94,303,699	10,861,931	378,592,353	1,649,478	1,906,181	5,513,041	58,507,951		806,054,499
At 1 January 2016 “Restated”	152,290,995	99,444,220	49,160,843	12,497,066	400,749,317	2,384,427	1,895,844	5,442,928	12,516,978		736,382,618

Work in progress at 31 December 2017 and 2016 represents cost incurred in connection with buildings and leasehold improvements of fuel stations and workshops, which is not finished yet.

Depreciation expenses allocated to cost of revenue is SR 73,036,051 (2016: SR 62,611,559) and to general and administrative expenses SR 5,799,515 (2016: SR 5,606,437).

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5) DEFERRED COSTS

	<i>31 December 2017</i> SR	<i>31 December 2016</i> "Restated" SR	<i>1 January 2016</i> "Restated" SR
Cost:			
At the beginning of the year	38,625,645	39,574,580	40,249,772
Additions	3,814,330	1,702,940	6,519,057
Written off (*)	(2,379,414)	(2,651,875)	(7,194,249)
At the end of the year	40,060,561	38,625,645	39,574,580
Amortization:			
At the beginning of the year	21,588,017	18,164,403	18,502,709
Charge for the year	6,231,741	6,075,489	6,855,943
Written off (*)	(2,240,134)	(2,651,875)	(7,194,249)
At the end of the year	25,579,624	21,588,017	18,164,403
Net book value	14,480,937	17,037,628	21,410,177

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

6) INVESTMENTS

- A. On 21 Safar 1434 (corresponding to 3 January 2013), the Company has signed a joint venture (JV) agreement with Bertschi AG, an entity incorporated in Switzerland, to establish a jointly controlled entity namely Aldrees Bertschi for logistic services. On 22 March 2015, the Company and co-venture have made a contribution of SR 500,000 each towards the establishment of the jointly controlled entity.

The apparent balance in the balance sheet for the period ended 31 December 2017 with an amount of SR 4,144,121 (2016: 3,335,901) for Al Drees Bertschi AG, the Swiss company.

The following is the movement in the investments account.

	<i>Total</i>	<i>Total</i>	<i>Total</i>
	<i>31 December 2017</i> SR	<i>31 December 2016</i> "Restated" SR	<i>1 January 2016</i> "Restated" SR
At the beginning of the year	1,822,737	500,000	500,000
Investment gain	488,915	1,322,737	-
At the end of the year	2,311,652	1,822,737	500,000

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7) OTHER ASSETS

	<i>31 December 2017</i> SR	<i>31 December 2016</i> "Restated" SR	<i>1 January 2016</i> "Restated" SR
Advance payments to suppliers	21,441,665	75,703,763	18,455,123
Receivables from employees	12,613,487	10,890,562	9,734,674
Rent receivables	-	-	4,905,212
Miscellaneous	3,749,211	2,830,563	1,363,955
	<u>37,804,363</u>	<u>89,424,888</u>	<u>34,458,964</u>

8) PREPAID EXPENSES

	<i>31 December 2017</i> SR	<i>31 December 2016</i> "Restated" SR	<i>1 January 2016</i> "Restated" SR
Prepaid rent	165,101,496	165,575,592	143,720,650
Others	38,964,088	33,479,132	30,446,152
	<u>204,065,584</u>	<u>199,054,724</u>	<u>174,166,802</u>

9) INVENTORY, NET

	<i>31 December 2017</i> SR	<i>31 December 2016</i> "Restated" SR	<i>1 January 2016</i> "Restated" SR
Fuel	29,266,753	29,497,803	23,762,344
Spare parts, lubricants and filters	9,745,055	15,010,990	6,921,811
	<u>39,011,808</u>	<u>44,508,793</u>	<u>30,684,155</u>
Provision for slow moving and obsolete inventory	(541,861)	(541,861)	(1,490,155)
	<u>38,469,947</u>	<u>43,966,932</u>	<u>29,194,000</u>

10) ACCRUED REVENUE

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

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11) TRADE ACCOUNTS RECEIVABLE, NET

	<i>31 December 2017</i> SR	<i>31 December 2016</i> "Restated" SR	<i>1 January 2016</i> "Restated" SR
Trade accounts receivable	365,175,278	305,432,766	210,920,971
Allowance for doubtful trade accounts receivable	(1,895,079)	(1,900,764)	(2,476,570)
	<u>363,280,199</u>	<u>303,532,002</u>	<u>208,444,401</u>

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

Movements in the allowance for doubtful trade accounts receivable were as follows:

At 1 January	1,900,764	2,476,570	1,444,242
Provision for the year	857,250	302,931	1,540,607
Recovery during the year	(862,935)	(878,737)	(508,279)
At 31 December	<u>1,895,079</u>	<u>1,900,764</u>	<u>2,476,570</u>

12) SHARE CAPITAL

The Company's share capital at 31 December 2017 amounted to SR 500 million (2016: SR 400 million) consisting of 50 million (2016: 40 million) fully paid and issued share of SR 10 each.

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13) FINANCING

In the normal course of business, the Company has obtained Islamic long term and short term facilities from various local commercial banks amounting to SR 2,380 million (2016: SR 1,725 million). These facilities include advances in the current account, short term and long term tawarruq financing, notes payable, letters of guarantee against the advance payments and contract performance. The Company has unutilized facilities amounting to SR 1,061 million (2016: SR 705 million). The following is the details of financing as of 31 December:

a) Short term financing outstanding were amounting to SR 338,000,000 (31 December 2016: SR 208,171,017) (1 January 2016 SR 125,000,000).

b) Long term financing consist of the following:

Bank	Type of facilities	Facility amount in SR			Utilized amount in SR			Outstanding Balance in SR			Purpose	Repayment frequency	Repayment	
		<u>31 December 2017</u>	<u>31 December 2016 "Restated"</u>	<u>1 January 2016 "Restated"</u>	<u>31 December 2017</u>	<u>31 December 2016 "Restated"</u>	<u>1 January 2016 "Restated"</u>	<u>31 December 2017</u>	<u>31 December 2016 "Restated"</u>	<u>1 January 2016 "Restated"</u>			<u>Starting date</u>	<u>Ending date</u>
Riyad	Revolving long term tawarruq financing	150,000,000	120,000,000	90,000,000	88,000,000	73,532,000	73,532,000	88,000,000	803,107	8,743,119	Finance the operations	Monthly	30 March 2013	7 January 2020
Samba Financial Group	Revolving Long term tawarruq financing	100,000,000	100,000,000	100,000,000	-	45,352,500	45,352,500	2,368,437	12,420,625	25,500,156	Finance the working capital and acquisition of property and equipment	Quarterly	29 September 2013	17 June 2018
Al Bilad Bank	Revolving long term tawarruq financing	150,000,000	97,000,000	115,000,000	22,000,000	97,000,000	115,000,000	41,413,534	81,976,613	110,215,194	Acquisition of trucks and fuel stations	Monthly	4 July 2012	17 August 2020
National Commercial Bank	long term tawarruq financing	125,000,000	-	30,000,000	120,000,000	-	18,000,000	120,000,000	-	₹,000,000	Acquisition of trucks	Quarterly	15 April 2017	15 February 2020
Gulf International Bank	Long term tawarruq loan	-	-	75,000,000	-	-	26,657,850	-	-	750,000	Finance the working capital and acquisition of property and equipment	Quarterly/ Monthly	17 September 2013	7 April 2016
		<u>525,000,000</u>	<u>317,000,000</u>	<u>410,000,000</u>	<u>230,000,000</u>	<u>215,884,500</u>	<u>278,542,350</u>	<u>251,781,971</u>	<u>95,200,345</u>	<u>148,208,469</u>				

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

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

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

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14) Employees' end of service indemnities:

The movement for end of service indemnity for the year ended 31 December is as follows:

	31 December 2017 SR	31 December 2016 "Restated" SR	1 January 2016 "Restated" SR
At 1 January	55,302,247	52,493,375	29,227,606
Provided during the year	9,315,962	7,607,713	12,603,996
Effect of re-measurement of end of service indemnities (note 29)	1,207,352	1,870,530	17,021,254
Drawings during the year	-	-	(2,014,467)
Payments during the year	(12,368,560)	(6,669,371)	(4,345,014)
At 31 December	53,457,001	55,302,247	52,493,375

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

The main assumptions used for actuarial valuation were as follows:

Employee turn over	Slow
Increase salary	4%
Discount rate of cash flow	3.5%

15) ZAKAT

a) The zakat charge consists of:

	31 December 2017 SR	31 December 2016 "Restated" SR	1 January 2016 "Restated" SR
Provision for the year	1,940,193	2,522,824	3,867,853
Adjustment for previous years	-	-	1,282,147
Charge for the year	1,940,193	2,522,824	5,150,000

b) The calculation of zakat base is as follows:

	31 December 2017 SR	31 December 2016 "Restated" SR	1 January 2016 "Restated" SR
Shareholders' equity —			
beginning of the year	633,725,496	642,994,486	580,359,792
Employees' end of service indemnities and allowances	45,370,627	49,151,043	54,271,961
Long term financing /			
Credit balances	251,781,971	107,144,815	148,208,469
Zakatable income for the year	77,607,727	103,118,781	154,714,133
Deductions:			
Book value of long term assets, net	(1,062,928,384)	(834,220,372)	(748,308,533)
Dividends and Board of Directors' remunerations	(41,400,000)	(81,400,000)	(81,400,000)
Zakat base	(95,842,563)	(13,211,247)	107,845,822

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

Zakat charge has been computed for the year ended 31 December 2017 and 2016 based on Zakat able income.

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15) ZAKAT (continued)

c) Movements in provision during the year

The movement in zakat provision for the years ended 31 December 2017 and 2016 is as follows:

	<i>31 December 2017</i> SR	<i>31 December 2016</i> "Restated" SR	<i>1 January 2016</i> "Restated" SR
At the beginning of the year	5,504,370	4,217,815	2,880,608
Provided during the year	1,940,193	2,522,824	5,150,000
Payments during the year	(2,858,494)	(1,236,269)	(3,812,793)
At end of the year	<u>4,586,069</u>	<u>5,504,370</u>	<u>4,217,815</u>

Status of assessments

The Company has filed its zakat declaration for all years up to 31 December 2016. The assessments have been finalized with the General Authority of Zakat and Income Tax (the "DZIT") for all years up to 31 December 2007. The DZIT has raised an assessment amounting to SR 7 million for the years ended 31 December 2008, 2009 and 2010. The Company has contested against the assessment with the DZIT. The management believes that the final outcome of the assessment will be in the company favour, which comply with the zakat advisory opinion, and accordingly, the Company has not provided for any potential additional liability, which might arise from the assessment and also from potential assessment of open years in these financial statements. The assessments for the years ended 31 December 2011 to 2016 have not been raised by the DZIT, as yet.

16) ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>31 December 2017</i> SR	<i>31 December 2016</i> "Restated" SR	<i>1 January 2016</i> "Restated" SR
Unearned revenue	118,020,421	101,598,130	90,956,417
Accrued expenses	44,846,824	37,474,098	37,946,643
Advances from customers	48,856,810	48,729,791	7,198,257
	<u>211,724,055</u>	<u>187,802,019</u>	<u>136,101,317</u>

17) TRADE PAYABLES

	<i>31 December 2017</i> SR	<i>31 December 2016</i> "Restated" SR	<i>1 January 2016</i> "Restated" SR
Saudi Arabian Oil Company ("Aramco")	229,038,044	330,005,808	134,458,063
Other trade payables	39,959,463	21,255,396	17,564,823
	<u>268,997,507</u>	<u>351,261,204</u>	<u>152,022,886</u>

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18) SELLING AND MARKETING EXPENSES

	2017 SR	2016 "Restated" SR
Commissions, bonus and sales incentives	5,966,782	6,128,648
Advertising and publicity	809,253	2,839,511
	<u>6,776,035</u>	<u>8,968,159</u>

19) GENERAL AND ADMINISTRATIVE EXPENSES

	2017 SR	2016 "Restated" SR
Employees' salaries and benefits	73,173,453	71,162,489
Depreciation (note 4)	5,799,515	5,606,437
Rent	2,821,627	3,003,589
Maintenance	2,199,212	2,489,282
Utilities	1,779,037	2,045,087
Printing and stationery	1,460,868	2,108,498
Travel expense	1,385,820	1,555,390
Professional fees	1,079,014	1,147,370
Insurance	654,131	691,241
Saudi Stock Market expenses ("Tadawul")	635,770	317,500
Governmental expenses	359,357	535,144
Donations for social services	349,048	667,296
Other	3,095,815	2,623,835
	<u>94,792,667</u>	<u>93,953,158</u>

Employees' salaries and benefits referred to above include an amount of SR 13,8 million for the year ended 31 December 2017 (2016: SR 14,7 million), which represents the salaries and benefits of the Company's key executives and Board of Directors' attendance fees which were approved by the Company's Board of Directors.

20) OTHER INCOME, NET

	2017 SR	2016 "Restated" SR
(Losses) from disposal of property and equipment	(507,058)	(1,456,857)
Sales of scrap	3,051,435	3,452,050
	<u>2,544,377</u>	<u>1,995,193</u>

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21) RELATED PARTIES TRANSACTIONS AND BALANCES

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

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

The significant transactions for the year ended 31 December are as follows:

<i>Nature of transaction</i>	<i>31 December 2017 SR</i>	<i>31 December 2016 "Restated" SR</i>	<i>1 January 2016 "Restated" SR</i>
Purchase of machinery, equipment and spare parts	16,433,196	6,447,932	6,266,954
Rent expenses	2,197,025	2,200,000	2,900,000
Non-interest bearing funding	4,144,121	3,335,901	3,370,329

The related party balances for the year ended 31 December are as follows:

	<i>31 December 2017 SR</i>	<i>31 December 2016 "Restated" SR</i>	<i>1 January 2016 "Restated" SR</i>
Prepaid rent:			
Mr. Hamad Mohammad Aldrees	789,456	789,452	789,448
Mr. Abdul Mohsin Mohammad Aldrees	166,667	166,667	166,668
Seven Orbits Company for Trading	502,619	371,782	50,103
	1,458,742	1,327,901	1,006,219
Due from a related party			
Aldrees Bertschi	4,144,121	3,335,901	3,370,329
Due to a related party:			
Aldrees Industrial and Trading Company	5,855,808	4,279,772	1,577,694

22) EARNINGS PER SHARE

Earnings per share attributable to income from operations and net comprehensive income was calculated by dividing income from operations and net comprehensive income for the period by the weighted average number of outstanding shares of 50 million as of 31 December 2017.

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

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23) DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

The general assembly in its meeting on 13 Jumada al-Thani 1438H (corresponding to 12 March 2017) has approved to distribute cash dividends amounting to SR 40 million representing SR 1 per share representing 10% of the Company's share capital before increase and to disburse remunerations for the Company's Board of Directors amounting to SR 1.4 million.

24) COMMITMENTS AND CONTINGENCIES

- a) At 31 December 2017, the Company had outstanding contingent liabilities in the form of letters of guarantee amounting to SR 729,2 million (2016: SR 712,2 million).
- b) In addition, the company has capital commitments as of 31 December 2017 amounting to SR 100,4 million (2016: SR 134,4 million).
- c) The rent expense against operating leases for the year ended 31 December 2017 amounted to SR 247,4 million (2016: SR 231.7 million) and is included in the cost of revenue.

The Company has revocable commitments under these operating leases as follows:

	2017 SR	2016 "Restated" SR
Within one year	145,465,420	149,570,420
More than one year	1,394,371,318	1,288,076,318
	<u>1,539,836,738</u>	<u>1,437,646,738</u>

25) SEGMENTAL INFORMATION

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

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

- Petroleum Services Segment
- Transport Services Segment

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25) SEGMENTAL INFORMATION (continued)

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

	<i>Petroleum services</i> SR	<i>Transport services</i> SR	<i>Intercompany elimination</i> SR	<i>Total</i> SR
<i>As of 31 December 2017</i>				
Total assets	1,172,234,992	671,807,107	(53,875,330)	1,790,166,769
Total liabilities	808,457,985	379,819,756	(53,875,330)	1,134,402,411
Revenue	3,250,641,183	236,154,620	(77,197,773)	3,409,598,030
Gross profit	131,134,505	51,702,468	-	182,836,973
Depreciation and amortization	37,207,016	47,860,291	-	85,067,307
Income from operations	69,252,095	12,016,176	-	81,268,271
Total comprehensive income	56,426,793	7,012,069	-	63,438,862
Deferred cost additions	3,814,330	-	-	3,814,330
Capital expenditure additions	198,691,595	112,385,986	-	311,077,581
<i>As of 31 December 2016 "Restated"</i>				
Total assets	1,003,117,888	658,665,825	(120,537,243)	1,541,246,470
Total liabilities	663,118,714	364,939,503	(120,537,243)	907,520,974
Revenue	3,292,182,366	250,547,848	(81,380,912)	3,461,349,302
Gross profit	140,407,708	66,979,155	-	207,386,863
Depreciation and amortization	29,047,897	45,245,588	-	74,293,485
Income from operations	78,301,275	26,164,271	-	104,465,546
Total comprehensive income	71,208,058	17,944,206	-	89,152,264
Deferred cost additions	1,702,940	-	-	1,702,940
Capital expenditure additions	112,744,875	28,871,595	-	141,616,470

26) SUBSEQUENT EVENTS

The Company's Board of Directors in their meeting held on 30 Rabi Thani 1439H (corresponding to 17 January 2018) recommended the following:

- 1) distribution of cash dividends of SR 1 per share totalling SR 50 million representing 10% of the Company's share capital.
- 2) payment of remunerations to the Company's Board of Directors amounting to SR 1.4 million for the year ended 31 December 2017.

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

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27) FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Commission rate risk

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

Risk management framework

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

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

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

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

Credit risk

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

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the financial position date at 31 December was as follows:

<i>In Saudi Riyal</i>	Requested value	
	2017	2016 "Restated"
Trade accounts receivable, net	363,280,199	303,532,002
Cash at banks	46,083,128	38,602,469
Accrued income	42,647,183	38,414,690
Other assets	37,804,363	89,424,888
Due from related parties	4,144,121	3,335,901
	493,958,994	473,309,950

Liquidity risk

It is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value, The Company manages its liquidity risk by ensuring that Islamic bank facilities are available, The terms and conditions of the facilities are disclosed in note (13), The Company's terms of sales require amounts to be paid either on cash on delivery or on terms basis, Trade payables are normally settled within 60 days of the date of purchase.

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

<u>December 31, 2017</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>Less than a year</u>	<u>More than a year</u>
Non-derivative financial liabilities				
financing	589,781,971	(589,781,971)	(417,996,861)	(171,785,110)
Trade payables	268,997,507	(268,997,507)	(268,997,507)	-
Due to related party	5,855,808	(5,855,808)	(5,855,808)	-
Accrued expenses and other liabilities	211,724,055	(211,724,055)	(211,724,055)	-
Zakat payable	4,586,069	(4,586,069)	(4,586,069)	-
Employees' end of service indemnities	53,457,001	(53,457,001)	-	(53,457,001)
	1,134,402,411	(1,134,402,411)	(909,160,300)	(225,242,111)

December 31, 2016
"Restated"

<u>In Saudi Riyal</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>Less than a year</u>	<u>More than a year</u>
financing	303,371,362	(303,371,362)	(269,130,313)	(34,241,049)
Trade payables	351,261,204	(351,261,204)	(351,261,204)	-
Due to related party	4,279,772	(4,279,772)	(4,279,772)	-
Accrued expenses and other liabilities	187,802,019	(187,802,019)	(187,802,019)	-
Zakat payable	5,504,370	(5,504,370)	(5,504,370)	-
Employees' end of service indemnities	55,302,247	(55,302,247)	-	(55,302,247)
	907,520,974	(907,520,974)	(817,977,678)	(89,543,296)

Commission rate risk

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

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

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

<i>Increase/(decrease) in basis points</i>	<i>Effect on income for the year</i>	
	2017	2016
	SR	SR
+5	(294,891)	(151,686)
+10	(589,782)	(303,372)
-5	294,891	151,686
-10	589,782	303,372

Currency risk

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

28) KEY SOURCES OF ESTIMATION UNCERTAINTY

Doubtful trade accounts receivable

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

At the balance sheet date, gross trade accounts receivable were SR 365,175,278 (2016: SR 305,432,766), and the allowance for doubtful trade accounts receivable was SR 1,895,079 (2016: SR 1,900,764). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

Impairment of inventories

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

Useful lives of property and equipment

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

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NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2017

29) EFFECT OF APPLYING IFRS TO PREPARE FINANCIAL STATEMENTS

The Company has adopted the International Financial Reporting Standards in the preparation of the financial statements as at 31 December 2017 as per the instructions of the Saudi Organization for Certified Public Accountants. The mandatory application of the International Financial Reporting Standards on 1 January 2017.

The Company has amended the financial statements as a result of changes in accounting policies. The restatement is consistent with IAS 1 Presentation of Financial Statements

29-1 Effects of IFRS adoption on the opening statement of financial position as at 1 January 2016

	Amounts previously reported (SOCPA) SR	Effect of transition to IFRS SR	Opening IFRS statement of financial position SR
ASSETS			
NON CURRENT ASSETS			
Property and equipment, net	736,382,618	-	736,382,618
Deferred costs, net	21,410,177	-	21,410,177
Investment in joint ventures	500,000	-	500,000
TOTAL NON CURRENT ASSETS	758,292,795	-	758,292,795
CURRENT ASSETS			
Due from a related party	3,370,329	-	3,370,329
Other assets	47,784,525	(13,325,561)	34,458,964
Prepaid expenses	174,166,802	-	174,166,802
Inventories, net	29,194,000	-	29,194,000
Accrued income	19,367,313	-	19,367,313
Trade accounts receivable, net	208,444,401	-	208,444,401
Banks balances	18,300,184	-	18,300,184
TOTAL CURRENT ASSETS	500,627,554	(13,325,561)	487,301,993
TOTAL ASSETS	1,258,920,349	(13,325,561)	1,245,594,788
SHAREHOLDERS' EQUITY			
Share capital	400,000,000	-	400,000,000
Statutory reserve	83,411,669	-	83,411,669
Retained earnings	159,582,817	(17,021,254)	142,561,563
TOTAL SHAREHOLDERS' EQUITY	642,994,486	(17,021,254)	625,973,232
LIABILITIES			
NON CURRENT LIABILITIES			
Long term financing	81,380,560	-	81,380,560
Employees' end of service indemnities	48,797,682	3,695,693	52,493,375
TOTAL NON CURRENT LIABILITIES	130,178,242	3,695,693	133,873,935
CURRENT LIABILITIES			
Zakat payable	4,217,815	-	4,217,815
Accrued expenses and other liabilities	136,101,317	-	136,101,317
Due to a related party	1,577,694	-	1,577,694
Trade payables	152,022,886	-	152,022,886
Current portion of long term financing	66,827,909	-	66,827,909
Short term financing	125,000,000	-	125,000,000
TOTAL CURRENT LIABILITIES	485,747,621	-	485,747,621
TOTAL LIABILITIES	615,925,863	3,695,693	619,621,556
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,258,920,349	(13,325,561)	1,245,594,788

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29-2 Reconciliation on the statement of shareholders' equity as at 1 January 2016

	<i>As at 1 Jan 2016</i>
	<i>SR</i>
Total equity under SOCPA	642,994,486
Actuarial value of end of service benefits	(17,021,254)
Total adjustment to equity	(17,021,254)
Total equity under IFRS	625,973,232

29-3 Effects of IFRS adoption of statement of financial position as at 31 December 2016

	<i>Amounts previously reported (SOCPA)</i>	<i>Effect of transition to IFRS</i>	<i>Opening IFRS statement of financial position</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
ASSETS			
NON CURRENT ASSETS			
Property and equipment, net	806,054,499	-	806,054,499
Deferred costs, net	17,037,628	-	17,037,628
Investment in joint ventures	1,822,737	-	1,822,737
TOTAL NON CURRENT ASSETS	824,914,864	-	824,914,864
CURRENT ASSETS			
Due from a related party	3,335,901	-	3,335,901
Other assets	104,651,941	(15,227,053)	89,424,888
Prepaid expenses	199,054,724	-	199,054,724
Inventories, net	43,966,932	-	43,966,932
Accrued income	38,414,690	-	38,414,690
Trade accounts receivable, net	303,532,002	-	303,532,002
Banks balances	38,602,469	-	38,602,469
TOTAL CURRENT ASSETS	731,558,659	(15,227,053)	716,331,606
TOTAL ASSETS	1,556,473,523	(15,227,053)	1,541,246,470
SHAREHOLDERS' EQUITY			
Share capital	400,000,000	-	400,000,000
Statutory reserve	92,513,948	-	92,513,948
Retained earnings	160,103,332	(18,891,784)	141,211,548
TOTAL SHAREHOLDERS' EQUITY	652,617,280	(18,891,784)	633,725,496
LIABILITIES			
NON CURRENT LIABILITIES			
Long term financing	34,241,049	-	34,241,049
Employees' end of service indemnities	51,637,516	3,664,731	55,302,247
TOTAL NON CURRENT LIABILITIES	85,878,565	3,664,731	89,543,296
CURRENT LIABILITIES			
Zakat payable	5,504,370	-	5,504,370
Accrued expenses and other liabilities	187,802,019	-	187,802,019
Due to a related party	4,279,772	-	4,279,772
Trade payables	351,261,204	-	351,261,204
Current portion of long term financing	60,959,296	-	60,959,296
Short term financing	208,171,017	-	208,171,017
TOTAL CURRENT LIABILITIES	817,977,678	-	817,977,678
TOTAL LIABILITIES	903,856,243	3,664,731	907,520,974
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,556,473,523	(15,227,053)	1,541,246,470

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NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2017

29-4 Effects of IFRS adoption of statement of comprehensive income as at 31 December 2016

	<i>Amounts previously reported (SOCPA) SR</i>	<i>Effect of transition to IFRS SR</i>	<i>IFRS statement of financial position SR</i>
Revenue	3,461,349,302	-	3,461,349,302
Cost of revenue	(3,253,962,439)	-	(3,253,962,439)
GROSS PROFIT	207,386,863	-	207,386,863
EXPENSES			
Selling and marketing	(8,968,159)	-	(8,968,159)
General and administration	(93,953,158)	-	(93,953,158)
INCOME FROM OPERATIONS	104,465,546	-	104,465,546
Financial charges	(14,237,858)	-	(14,237,858)
Gains of joint venture	1,322,737	-	1,322,737
Other income, net	1,995,193	-	1,995,193
INCOME BEFORE ZAKAT	93,545,618	-	93,545,618
Zakat estimate	(2,522,824)	-	(2,522,824)
NET INCOME FOR THE PERIOD	91,022,794	-	91,022,794
OTHER COMPREHENSIVE INCOME:			
ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Re-measurement for employees' end of service indemnities	-	(1,870,530)	(1,870,530)
TOTAL COMPREHENSIVE INCOME	91,022,794	(1,870,530)	89,152,264

29-5 Reconciliation on the opening statement of shareholders' equity as at 31 December 2016

	<i>As at 31 Dec 2016 SR</i>
Total equity under SOCPA	652,617,280
Actuarial value of end of service benefits	(18,891,784)
Total adjustment to equity	(18,891,784)
Total equity under IFRS	633,725,496

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NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended December 31, 2017

29-6 Notes to the reconciliation

- a. Reclassification of end of service pre-payments to the end of service provision account as at 31 December 2016 and 31 December 2015 accordance with applying the presentation requirements of IAS 1 Presentation of Financial Statements.
- b. Liabilities for end-of-service benefits Accounting Standard No. 19 requires staff benefits to be assessed on an actuarial basis. The effect of change in shareholders' equity is SR 17,021,254 as at 31 December 2015 and for statement of comprehensive income as at 31 December 2016 is SR 1,870,530.

30) COMPARATIVE FIGURES

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

31) APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 4 Jamada Al Alwal 1439H (21 January 2018).