

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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIOD
ENDED SEPTEMBER 30, 2021
TOGETHER WITH REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL
STATEMENTS





Crowe

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


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

CONDENSED INTERIM FINANCIAL STATEMENTS
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FINANCIAL STATEMENTS

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Amro Mahmoud Abouelmaaty Siam
FM



Hamad Mohammad Aldrees
Chairman



Eng. Abdulelah Saad Aldrees
CEO



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

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

Introduction:


We have reviewed the accompanying condensed interim statement of financial position of **ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY** (the "Company") as at 30 September 2021, and the related condensed interim statement of comprehensive income for the three and nine-month periods ended 30 September 2021, and the condensed interim statements of changes in shareholders' equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.


Scope of Review:

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

Conclusion:

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


AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants


Abdullah M. AlAzem
License No. 335

11 Rabi' I 1443H (October 17, 2021)
Riyadh, Kingdom of Saudi Arabia

Audit, Tax & consultants

Salman B. AlSudairy
License No. 283

Musab AlShaikh
License No. 658

Abdullah M. AlAzem
License No. 335

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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021

(All amounts in Saudi Riyals)

	Note	30 September 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
NON CURRENT ASSETS			
Property and equipment, net	4	1,280,424,234	1,177,529,614
Right-of-use assets, net	5-1	2,900,528,950	2,540,574,784
Deferred costs, net		18,524,072	11,829,844
Investment in joint ventures	6	13,697,651	10,305,404
TOTAL NON CURRENT ASSETS		4,213,174,907	3,740,239,646
CURRENT ASSETS			
Due from a related party	8	2,124,261	1,954,722
Investment at fair value through profit or loss	7	5,909,909	20,294,200
Other assets		166,985,502	51,236,622
Prepaid expenses		120,623,957	107,319,599
Inventories, net		103,171,347	67,725,589
Accrued income		33,432,101	22,099,087
Trade accounts receivable, net		476,053,239	374,924,311
Cash and cash equivalents		257,031,328	76,958,955
TOTAL CURRENT ASSETS		1,165,331,644	722,513,085
TOTAL ASSETS		5,378,506,551	4,462,752,731
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	10	750,000,000	600,000,000
Statutory reserve		77,669,693	77,669,693
Retained earnings		127,531,576	214,812,678
TOTAL SHAREHOLDERS' EQUITY		955,201,269	892,482,371
LIABILITIES			
NON CURRENT LIABILITES			
Long term loans	9	56,767,857	76,428,572
Non-current portion of lease liabilities	5-2	2,489,297,924	2,170,995,781
Employees' defined benefits liabilities		79,657,928	74,439,791
TOTAL NON CURRENT LIABILITIES		2,625,723,709	2,321,864,144
CURRENT LIABILITIES			
Provision for zakat payable	12	8,353,098	7,976,316
Current portion of lease liabilities	5-2	332,676,161	281,314,846
Accrued expenses and other liabilities		333,880,070	321,169,733
Due to a related party	8	1,938,673	1,621,479
Trade payables		892,662,142	505,799,530
Current portion of long term loans	9	33,071,429	52,776,493
Short term loans	9	195,000,000	77,747,819
TOTAL CURRENT LIABILITIES		1,797,581,573	1,248,406,216
TOTAL LIABILITIES		4,423,305,282	3,570,270,360
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,378,506,551	4,462,752,731

The accompany from (1) to (21) are integrated part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021
 (All amounts in Saudi Riyals)

	Note	For the three months period ended		For the nine months period ended	
		30 September 2021	30 September 2020	30 September 2021	30 September 2020
Revenue		2,556,381,019	1,300,259,436	6,489,231,625	3,477,351,429
Cost of revenue		(2,438,500,992)	(1,211,765,104)	(6,166,484,353)	(3,258,107,399)
GROSS PROFIT FOR THE PERIOD		117,880,027	88,494,332	322,747,272	219,244,030
EXPENSES					
Selling and marketing		(1,110,078)	(722,629)	(2,992,219)	(2,352,973)
General and administration		(43,692,351)	(25,510,268)	(120,009,426)	(95,607,128)
INCOME FROM OPERATIONS		73,077,598	62,261,435	199,745,627	121,283,929
Financial charges		(26,052,312)	(25,916,342)	(78,508,645)	(57,142,087)
Company share in gains of investment in joint venture		759,082	1,299,879	3,392,247	3,759,500
Profit/ (losses) from investment at fair value through profit and loss		762,147	440,200	1,379,924	(903,327)
Other income, net		268,207	219,749	964,745	18,404,097
INCOME BEFORE ZAKAT ESTIMATED FOR THE PERIOD		48,814,722	38,304,921	126,973,898	85,402,112
Zakat estimate		(1,410,000)	(1,410,000)	(4,255,000)	(3,836,701)
NET INCOME FOR THE PERIOD		47,404,722	36,894,921	122,718,898	81,565,411
Total comprehensive income for the period		47,404,722	36,894,921	122,718,898	81,565,411
Earnings per share from:					
Income from operations	13	0.97	0.83	2.66	1.62
Net income	13	0.63	0.49	1.64	1.09

The accompany from (1) to (21) are integrated part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY
 FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021
 (All amounts in Saudi Riyals)

	<i>Share Capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2020	600,000,000	65,561,411	209,205,213	874,766,624
Dividends	-	-	(90,000,000)	(90,000,000)
Board of directors' remunerations	-	-	(3,275,000)	(3,275,000)
Total comprehensive income for the period	-	-	81,565,411	81,565,411
Balance at 30 September 2020 (Unaudited)	<u>600,000,000</u>	<u>65,561,411</u>	<u>197,495,624</u>	<u>863,057,035</u>
Balance at 1 January 2021	600,000,000	77,669,693	214,812,678	892,482,371
Capital Increase (Note 10)	150,000,000	-	(150,000,000)	-
Dividends (Note 11)	-	-	(60,000,000)	(60,000,000)
Total comprehensive income for the period	-	-	122,718,898	122,718,898
Balance at 30 September 2021 (Unaudited)	<u>750,000,000</u>	<u>77,669,693</u>	<u>127,531,576</u>	<u>955,201,269</u>






The accompany from (1) to (21) are integrated part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021
 (All amounts in Saudi Riyals)

	<i>30 September 2021</i> <i>(Unaudited)</i>	<i>30 September 2020</i> <i>(Unaudited)</i>
OPERATING ACTIVITIES		
Income before zakat estimated	126,973,898	85,402,112
Adjustment for:		
Depreciation	84,374,753	74,826,647
Depreciation of right of use asset	200,742,718	135,246,259
Company share in gains of investment in joint venture	(3,392,247)	(3,759,500)
Refund of provisions	-	(17,407,451)
(Gain) /Loss from investment at fair value through profit or loss	(1,379,924)	903,327
Amortization of deferred costs	1,500,508	1,944,155
loss on sale of property and equipment	733,374	198,938
Provision for employees' defined benefits	13,265,413	13,630,720
	<u>422,818,493</u>	<u>290,985,207</u>
Changes in operating assets and liabilities:		
Trade accounts receivable	(101,128,928)	(87,201,510)
Accrued income	(11,333,014)	(10,761,990)
Inventories	(35,445,758)	970,372
Prepaid expenses	(13,304,358)	(37,125,915)
Other assets	(115,748,880)	(12,082,625)
Net change in related parties	147,655	1,421,526
Trade payables	386,862,612	242,585,574
Accrued expenses and other liabilities	12,710,337	14,507,304
Cash from operations	<u>545,578,159</u>	<u>403,297,943</u>
Employees' defined benefits paid	(8,047,276)	(7,878,878)
Zakat paid	(3,878,218)	(10,100,550)
Net cash from operating activities	<u>533,652,665</u>	<u>385,318,515</u>
INVESTING ACTIVITIES		
Purchase investments at fair value through profit and loss	(80,000,000)	-
Cash In portfolio – investments at fair value through profit or loss	95,764,215	-
Deferred costs	(8,194,736)	(1,965,108)
Purchase of property and equipment	(193,004,938)	(144,055,902)
Proceeds from sale of property and equipment	5,002,191	14,784,530
Net cash used in investing activities	<u>(180,433,268)</u>	<u>(131,236,480)</u>
FINANCING ACTIVITIES		
Proceeds from short term loans	2,092,000,000	2,867,000,000
Repayment of short term loans	(1,974,747,819)	(2,976,773,186)
Proceeds from long term loans	-	72,000,000
Repayment of long term loans	(39,365,779)	(63,571,240)
Net change in lease liabilities	(191,033,426)	(88,925,738)
Dividends paid	(60,000,000)	(90,000,000)
Board of directors' remunerations	-	(3,275,000)
Net cash used in financing activities	<u>(173,147,024)</u>	<u>(283,545,164)</u>
CHANGE IN CASH AND CASH EQUIVALENTS BALANCES	<u>180,072,373</u>	<u>(29,463,129)</u>
CASH AND CASH EQUIVALENTS BALANCES, AT BEGINNING OF PERIOD	<u>76,958,955</u>	<u>98,147,083</u>
CASH AND CASH EQUIVALENTS BALANCES, END OF PERIOD	<u>257,031,328</u>	<u>68,683,954</u>
Non cash item:		
Capital increase	<u>150,000,000</u>	-

The accompany from (1) to (21) are integrated part of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021 (All amounts in Saudi Riyals)

1) ORGANISATION AND ACTIVITIES

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

The Company's objectives as per its commercial registration, include retail and wholesale trading of fuel, lubricants, catering services and the transportation of goods using highways in the Kingdom of Saudi Arabia in accordance with license number 11/00001327, establishment of vehicle workshops and car washes and acquisition of land to construct buildings for sale or lease for the interest of the Company and construction, managing, operating and renting take away centres for hot and cold beverages and food.

2) BASIS OF PREPARATION

(a) Statement of compliance:

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Company's last annual Financial Statements as at and for the year ended 31 December 2020. They do not include all of the information required for a complete set of IFRS Financial Statements however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since December 31, 2020.

The Capital Market Authority issued the decision of the Board of Commissioners on (15) Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the assets of property and equipment, investment properties and intangible assets when adopting the IFRS for a period of 3 years begin from the date of adoption of the International Financial Reporting Standards. On December 31, 2019, it was extended until the financial periods of the year beginning on January 1, 2022, and continue to comply with the requirements for disclosure of IFRS adopted in the Kingdom of Saudi Arabia, which require disclosure of fair value.

The company's current liabilities are in excess of current assets by SR 632,249,929. However, the management and board of directors assumed that the company have the ability to continue as a going concern. It is their assessment that the company will generate sufficient profits and cash flows to meet ongoing liabilities and scheduled repayments. These condensed interim financial statements have been accordingly prepared on a going concern basis.

(b) Basis of measurement:

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021
(All amounts in Saudi Riyals)

2) BASIS OF PREPARATION (continued)

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

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

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and are the same policies applied in the company's annual financial statements for the year ended December 31, 2020.

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

New standards and amendments to standards and interpretations

No new standards have been issued, however, a number of amendments to the standards are in effect as of January 1, 2021, which have been explained in the company's annual financial statements, but have no material impact on the Company's condensed interim financial statements.

4) PROPERTY AND EQUIPMENT, NET

During the nine months period ended September 30, 2021, the Company addition to property and equipment were SR 193,004,938 (SR 144,055,902 September 30, 2020).

During the nine month period ended September 30, 2021, the Company disposed of property and equipment with a net book value of SR 5,735,565 (September 30, 2020: SR 14,983,468), which resulted in losses /Gain on sale of property and equipment for the nine month period on 30 September 2021 amounting to SR 733,374 (September 30, 2020: SR 198,938).

During the nine month period ended September 30, 2021, depreciation expense of property and equipment amounted to SR 84,374,753 (SR 74,826,647 for the nine month ended September 30, 2020)

**Aldrees Petroleum and Transport Services Company
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021
(All amounts in Saudi Riyals)

5) RIGHT OF USE ASSETS, NET

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

	30 September 2021 (Unaudited)		31 December 2020 (audited)	
	Depreciation	Balance	Depreciation	Balance
Land	255,967	269,737	1,103,952	214,065
Building	200,486,751	2,900,259,213	198,110,113	2,540,360,719
Total right of use	200,742,718	2,900,528,950	199,214,065	2,540,574,784

Additions to the right to use assets during the period ended September 30, 2021: SR 618 million (September 30, 2020: SR 808 million)

5/2 Lease Liabilities

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

	As at 30 September 2021 (Unaudited)	As at 31 December 2020 (Audited)
Non-current portion of lease liabilities	2,489,297,924	2,170,995,781
Current portion of lease liabilities	332,676,161	281,314,846
Total lease liabilities	2,821,974,085	2,452,310,627

The total interest expense on lease liabilities recognized during the period ended September 30, 2021: SR 71.7 million (30 September 2020: SR 43.7 million).

Expenses related to short-term and low-value lease contracts amounted to SR 26.5 million, SR 29 million respectively.

6) INVESTMENT IN JOINT VENTURES

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

The following is the movement in the investments account.

	As at 30 September 2021 (Unaudited)	As at 31 December 2020 (Audited)
At the beginning of the period / year	10,305,404	5,778,342
Investment gain of the period / year	3,392,247	4,527,062
At the end of period / year	13,697,651	10,305,404

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021**

(All amounts in Saudi Riyals)

7) INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments classified at fair value include through profit or loss on financial assets invested in shares traded

	<i>As at 30 September 2021 (Unaudited)</i>	<i>As at 31 December 2020 (Audited)</i>
Alkhair capital Murabaha fund (Quoted equity shares)	5,909,909	-
Al-Khair Capital Fund (Aramco)	-	20,294,200
	<u>5,909,909</u>	<u>20,294,200</u>

The investment was classified as an investment at fair value through profit or loss. Because the company's management keeps it for short-term sale, with unrealized profits or losses included in the revaluation of the net asset value of the fund in the statement of profit or loss.

8) RELATED PARTIES

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

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

The following are the most important transactions with related parties:

<u>Nature of the transaction</u>	<i>30 September 2021 (Unaudited)</i>	<i>31 December 2020 (Audited)</i>
Purchase of machinery, equipment and spare parts	4,142,796	4,354,392
Rental expenses (depreciation of the right to use the assets)	1,952,771	2,655,431
Interest-free financing	2,124,261	1,954,722

The balances of related parties are as follows:

	<i>As at 30 September 2021 (Unaudited)</i>	<i>As at 31 December 2020 (Audited)</i>
<u>Due from a related party:</u>		
Aldrees Bertschi	<u>2,124,261</u>	<u>1,954,722</u>
<u>Due to related party:</u>		
Al - Drees for Industry and Trading	<u>1,938,673</u>	<u>1,621,479</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021 (All amounts in Saudi Riyals)

9) LOANS

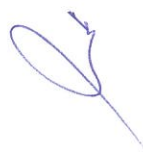
In the normal course of business, the Company has obtained Islamic long term and short term facilities from various local commercial banks as of September 30, 2021 amounting to SR 3,790 million (31 December 2020: SR 2,780 million). These facilities include advances in the current account, short term and long-term Tawarruq loans, notes payable, letters of guarantee against the advance payments and contracts performance. The Company has unutilized facilities amounting as at 30 September 2021 SR 1,405 million (31 December 2020: SR 1,309 million). The following is the details of outstanding balance as of:

- a) Short-term loans outstanding as at September 30, 2021 amounted to SR 195,000,000 (31 December 2020: SR 77,747,819).
- b) Long term loans consist of the following:

Bank	Type of facilities	Facility amount in SR			Utilized amount in SR		Outstanding Balance in SR		Purpose	Repayment frequency	Repayment	
		30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020	Starting date			Ending date	
Riyadh Bank	Revolving long term tawarruq financing	50,000,000	50,000,000	44,961,599	50,000,000	-	19,705,065	Finance the operations	Monthly	30 Mar 2013	23 Aug 2021	
Samba Financial Group	Revolving Long term tawarruq financing	75,000,000	75,000,000	13,285,714	72,000,000	61,714,286	72,000,000	Finance the working capital and acquisition of property and equipment	Quarterly	06 Jun 2020	19 May 2024	
Al Bilad Bank	Revolving long term tawarruq financing	38,000,000	37,500,000	6,750,000	50,000,000	28,125,000	37,500,000	Acquisition of trucks and fuel stations	Monthly	12 Dec 2019	12 Dec 2023	
		163,000,000	162,500,000	64,997,313	172,000,000	89,839,286	129,205,065					

The above facilities bear finance charges at SIBOR plus agreed margins and are secured by promissory notes issued by the Company.

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





Aldrees Petroleum and Transport Services Company
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021
(All amounts in Saudi Riyals)

10) SHARE CAPITAL

The Company's share capital at 30 September 2021 amounted to SR 750 million (31 December 2020: SR 600 million) of 75 million shares (2020: 60 million shares) fully paid with a nominal value of SR 10 per share.

On Ramadan 02, 1442 AH (corresponding to April 14, 2021), the shareholders approved the increase of the company's capital from 600 million Saudi riyals to 750 million Saudi riyals by issuing one free share for every 4 shares held.

11) DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATIONS

The general assembly in its meeting on 02 Ramadan 1442H (corresponding to 14 April 2021) has approved to distribute cash dividends amounting to SR 60 million representing SR 1 per share and to disburse remunerations for the Company's Board of Directors amounting to SR 3.5 million.

12) PROVISION FOR ZAKAT PAYBLE

Status of assessment

The Company has filed its zakat declaration for all years up to 31 December 2020. The assessments have been finalized with the Zakat, tax and customs Authority (the "ZATCA") for all years up to 31 December 2018.

The assessments for the year ended December 31, 2019 & 2020 have not been raised by the Zakat, tax and customs Authority, yet.

13) EARNINGS PER SHARE

Earnings per share attributable to income from operations and net income was calculated by dividing income from operations and net income for the period by the weighted average number of outstanding shares of 75 million as of 30 September 2021 (30 September 2020: 75 million shares).

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

14) COMMITMENTS AND CONTINGENCIES

At 30 September 2021, the Company has outstanding contingent liabilities in the form of letters of guarantee amounting to SR 2,100 million (31 December 2020: SR 1,263.8 million).

In addition, the company has capital commitments as of 30 September 2021 amounting to SR 56.1 million (31 December 2020: SR 74 million).

15) SEGMENTAL INFORMATION

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

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

- Petroleum Service Segment
- Transport Services Segment

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15) SEGMENTAL INFORMATION (continued)

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

	<i>Petroleum service</i>	<i>Transport Services</i>	<i>Intercompany eliminations</i>	<i>Total</i>
<u><i>As of 30 September 2021 – unaudited</i></u>				
Total assets	4,874,610,649	689,513,264	(185,617,362)	5,378,506,551
Total liabilities	4,276,794,364	332,128,280	(185,617,362)	4,423,305,282
Revenue	6,325,169,662	240,517,595	(76,455,632)	6,489,231,625
Cost of Revenue	6,059,914,691	183,025,294	(76,455,632)	6,166,484,353
Gross profit	265,254,971	57,492,301	-	322,747,272
Depreciation and amortization	49,392,754	36,482,507	-	85,875,261
Income from operations	179,797,067	19,948,560	-	199,745,627
Net income for the period	103,111,627	19,607,271	-	122,718,898
Deferred cost additions	8,194,736	-	-	8,194,736
Capital expenditure additions	132,524,519	60,480,419	-	193,004,938
<u><i>Total assets and Liabilities</i></u>				
<u><i>As of 31 December 2020 - audited</i></u>				
Total assets	3,905,669,300	610,939,340	(53,855,909)	4,462,752,731
Total liabilities	3,355,964,642	268,161,627	(53,855,909)	3,570,270,360
<u><i>As of 30 September 2020 - unaudited</i></u>				
Revenue	3,319,922,821	221,254,055	(63,825,447)	3,477,351,429
Cost of Revenue	3,144,108,563	177,824,283	(63,825,447)	3,258,107,399
Gross profit	175,814,258	43,429,772	-	219,244,030
Depreciation and amortization	41,246,229	35,524,573	-	76,770,802
Income from operations	115,226,431	6,057,498	-	121,283,929
Net income for the period	77,524,203	4,041,208	-	81,565,411
Deferred cost additions	1,965,108	-	-	1,965,108
Capital expenditure additions	104,417,479	39,638,423	-	144,055,902

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16) FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Commission rate risk

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

Risk management framework

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

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

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

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

Credit risk

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

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

	Requested value	
	As of 30 September 2021	As of 31 December 2020
Trade accounts receivable, net	476,053,239	374,924,311
Investments at fair value through profit or loss	5,909,909	20,294,200
Cash and cash equivalents	257,031,328	76,958,955
Accrued income	33,432,101	22,099,087
Other assets	166,985,502	51,236,622
Due from related parties	2,124,261	1,954,722
	<u>941,536,340</u>	<u>547,467,897</u>

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16) FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

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

30 September 2021

(Unaudited)

	Carrying Amount	Contractual Cash Flows	Less than a year	More than a year
Loans	284,839,286	(284,839,286)	(228,071,429)	(56,767,857)
Lease Liabilities	2,821,974,085	(2,821,974,085)	(332,676,161)	(2,489,297,924)
Trade payables	892,662,142	(892,662,142)	(892,662,142)	-
Due to related party	1,938,673	(1,938,673)	(1,938,673)	-
Accrued expenses and other liabilities	333,880,070	(333,880,070)	(333,880,070)	-
Zakat payable	8,353,098	(8,353,098)	(8,353,098)	-
Employees' defined benefits liabilities	79,657,928	(79,657,928)	-	(79,657,928)
	<u>4,423,305,282</u>	<u>(4,423,305,282)</u>	<u>(1,797,581,573)</u>	<u>(2,625,723,709)</u>

31 December 2020

(Audited)

Loans	206,952,884	(206,952,884)	(130,524,312)	(76,428,572)
Lease Liabilities	2,452,310,627	(2,452,310,627)	(281,314,846)	(2,170,995,781)
Trade payables	505,799,530	(505,799,530)	(505,799,530)	-
Due to related party	1,621,479	(1,621,479)	(1,621,479)	-
Accrued expenses and other liabilities	321,169,733	(321,169,733)	(321,169,733)	-
Zakat payable	7,976,316	(7,976,316)	(7,976,316)	-
Employees' defined benefits liabilities	74,439,791	(74,439,791)	-	(74,439,791)
	<u>3,570,270,360</u>	<u>(3,570,270,360)</u>	<u>(1,248,406,216)</u>	<u>(2,321,864,144)</u>

Commission rate risk

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

Currency risk

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

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16) FINANCIAL RISK MANAGEMENT (continued)

Fair Value

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

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

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

17) IMPORTANT MATTERS

Impact of Covid-19 on the financial statements for the period ending September 30, 2021

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

- Impairment of non-financial assets

The Company has considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19 regard to property and equipment. As for the right to use, the Company has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities as at 31 December 2020 of SAR 50,6 million. The effect of this reduction has been recorded in the statement of profit or loss for the year ending on December 31, 2020.

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

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

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17) IMPORTANT MATTERS (continued)

- Commitments and contingent liabilities

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

- Going concern

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, this condensed interim financial statement has been appropriately prepared on a going concern basis.

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

18) INTERIM RESULTS

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

19) EVENT AFTER THE REPORTING PERIOD

The management believes there are no material subsequent events for the period ending on September 30, 2021 which may have a significant impact on the Company's interim condensed statement of financial position as shown in these condensed interim financial statements.

20) COMPARATIVE FIGURES

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

21) APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by the Board of Directors on 11 Rabi I, 1443 H (corresponding to October 17, 2021).