

**Saudi Public Transport Company and its Subsidiary
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020

Saudi Public Transport Company and its Subsidiary
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REVIEW REPORT
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Shareholders' of Saudi Public Transport Company
(A Saudi Joint Stock Company)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Public Transport Company (the "Company") – A Saudi Joint Stock Company – and its Subsidiary (collectively referred to as the "Group") as at 30 June 2020 and the related interim condensed consolidated statements of changes in equity and cash flows for the three and six month periods ended 30 June , and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (34), "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated 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" that is endorsed in the Kingdom of Saudi Arabia. A review of 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. (354)



Riyadh: 1 Muharram 1442H
(20 August 2020)

Saudi Public Transport Company and its Subsidiary
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three and six months period ended 30 June 2020

	Note	For the three month period ended 30 June		For the six month period ended 30 June	
		2020 SAR'000 (Unaudited)	2019 SAR'000 (Unaudited)	2020 SAR'000 (Unaudited)	2019 SAR'000 (Unaudited)
Revenue	3	122,746	428,866	542,802	839,924
Cost of revenue		(205,636)	(399,376)	(621,901)	(812,263)
Gross (loss) profit		(82,890)	29,490	(79,099)	27,661
Selling and distribution expenses		(6,986)	(9,167)	(14,966)	(15,091)
Administrative expenses		(23,817)	(22,343)	(46,994)	(47,092)
Operating loss		(113,693)	(2,020)	(141,059)	(34,522)
Share of (loss) profit from joint venture	15	(12,362)	2,038	(16,621)	27,950
Share of (loss) profit from an associate		(479)	(70)	395	(45)
Finance income	10	1,346	161	2,464	588
Finance costs	8	(12,709)	(9,240)	(20,652)	(15,963)
Other income	4	1,296	1,653	2,330	7,736
Loss before zakat and income tax		(136,601)	(7,478)	(173,143)	(14,256)
Zakat and income tax	5	(3,734)	(2,380)	(7,130)	(6,295)
Loss for the period		(140,335)	(9,858)	(180,273)	(20,551)
Loss for the period attributable to:					
-Equity holders of the parent company		(138,635)	(9,225)	(178,617)	(20,220)
-Non-controlling interests		(1,700)	(633)	(1,656)	(331)
		(140,335)	(9,858)	(180,273)	(20,551)
Loss per share (in Saudi Riyals):					
Basic and diluted, from the loss for the period attributable to equity holders of the parent company		(1.11)	(0.07)	(1.43)	(0.16)

Saudi Public Transport Company and its Subsidiary
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six months period ended 30 June 2020

	For the three month period ended 30 June		For the six month period ended 30 June	
	2020	2019	2020	2019
<i>Note</i>	SAR'000	SAR'000	SAR'000	SAR'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	(140,335)	(9,858)	(180,273)	(20,551)
Other comprehensive income				
<i>Other comprehensive (loss) income not to be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>				
- Re-measurement gains on defined benefits liability	-	-	-	4,982
- Net movement in fair value of investments classified at fair value through other comprehensive income "FVOCI"	9,365	531	(7,953)	10,848
Total other comprehensive (loss) income for the period	9,365	531	(7,953)	15,830
Total comprehensive loss for the period	(130,970)	(9,327)	(188,226)	(4,721)
Total comprehensive loss for the period attributable to:				
Equity holders of the parent company	(130,639)	(8,694)	(186,570)	(4,390)
Non-controlling interests	(331)	(633)	(1,656)	(331)
	(130,970)	(9,327)	(188,226)	(4,721)

The attached notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

Saudi Public Transport Company and its Subsidiary
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	30 June 2020	31 December 2019
<i>Note</i>	SAR'000	SAR'000
	(Unaudited)	(Audited)
Assets		
Non-current assets		
Property, plant and equipment and right of use assets	6 1,178,993	1,257,377
Intangible assets	7 448,493	345,955
Investment properties	307,122	307,122
Amounts due from a related party – non-current portion	10 52,520	67,145
Investment in associates and a joint venture	121,720	138,352
Investments in equity instruments designated as at FVOCI	12 80,906	90,101
Unbilled receivables – non-current portion	708,272	1,032,945
Other non-current assets	4,897	5,306
Total non-current assets	2,902,923	3,244,303
Current assets		
Inventories	30,176	30,752
Trade receivables, unbilled receivables and other receivables	969,441	307,545
Amounts due from a related party – current portion	10 51,409	35,587
Prepayments and other current assets	98,649	139,185
Cash and cash equivalents	248,228	338,438
Total current assets	1,397,903	851,507
Total assets	4,300,826	4,095,810
Equity and liabilities		
Equity		
Issued capital	1,250,000	1,250,000
Statutory reserve	183,471	183,471
Consensual reserve	42,730	42,730
Investment revaluation reserve	(14,448)	(6,495)
(Accumulated losses) retained earnings	(14,816)	163,801
Equity attributable to equity holders of the parent company	1,446,937	1,633,507
Non-controlling interests	4,984	6,640
Total equity	1,451,921	1,640,147
Non-current liabilities		
Murabaha financing – non-current portion	8 288,228	336,663
Lease liabilities – non-current portion	7,007	8,529
Employees' defined benefits obligation	145,773	137,516
Advance from a customer – non-current portion	9 838,737	959,078
Deferred revenue - non-current portion	6,126	6,639
Total non-current liabilities	1,285,871	1,448,425
Current liabilities		
Murabaha financing – current portion	8 254,740	84,209
Lease liabilities – current portion	1,296	1,779
Murabaha financing – short term	8 496,974	339,181
Trade and other payables	426,559	345,156
Due to non-controlling interests of the subsidiary	10 24,843	12,118
Accrued expenses and other liabilities	137,180	129,595
Deferred revenue - current portion	15,623	16,852
Advance from a customer – current portion	9 169,242	48,901
Zakat and income tax payable	5 36,577	29,447
Total current liabilities	1,563,034	1,007,238
Total liabilities	2,848,905	2,455,663
Total equity and liabilities	4,300,826	4,095,810

The attached notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

Saudi Public Transport Company and its Subsidiary
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2020

	<i>Attributed to equity holders of the parent company</i>					<i>Non - controlling interests'</i> SAR'000	<i>Total equity</i> SAR'000	
	<i>Issued capital</i> SAR'000	<i>Statutory reserve</i> SAR'000	<i>Consensual reserve</i> SAR'000	<i>Investment revaluation reserve</i> SAR'000	<i>(Accumulated losses) retained earnings</i> SAR'000			<i>Total</i> SAR'000
31 December 2019 (Audited)	1,250,000	183,471	42,730	(6,495)	163,801	1,633,507	1,640,147	
Loss for the period	-	-	-	-	(178,617)	(178,617)	(180,273)	
Other comprehensive loss for the period	-	-	-	(7,953)	-	(7,953)	(7,953)	
Total comprehensive loss	-	-	-	(7,953)	(178,617)	(186,570)	(188,226)	
At 30 June 2020 (Unaudited)	1,250,000	183,471	42,730	(14,448)	(14,816)	1,446,937	1,451,921	
	<i>Issued capital</i> SAR'000	<i>Statutory reserve</i> SAR'000	<i>Consensual reserve</i> SAR'000	<i>Investments revaluation reserve</i> SAR'000	<i>Retained earnings</i> SAR'000	<i>Total</i> SAR'000	<i>Non- controlling interests</i> SAR'000	<i>Total Equity</i> SAR'000
31 December 2018 (Audited)	1,250,000	179,939	42,730	(18,502)	130,562	1,584,729	8,040	1,592,769
Loss for the period	-	-	-	-	(20,220)	(20,220)	(331)	(20,551)
Other comprehensive income for the period	-	-	-	10,848	4,982	15,830	-	15,830
Total comprehensive (loss) income	-	-	-	10,848	(15,238)	(4,390)	(331)	(4,721)
At 30 June 2019 (Unaudited)	1,250,000	179,939	42,730	(7,654)	115,324	1,580,339	7,709	1,588,048

The attached notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

Saudi Public Transport Company and its Subsidiary
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2020

	Note	2020 SAR'000 (Unaudited)	2019 SAR'000 (Unaudited)
OPERATING ACTIVITIES			
Loss before zakat and income tax		(173,143)	(14,256)
<i>Adjustments to reconcile income before zakat to net cash flows:</i>			
Depreciation and amortization		92,321	91,645
Impairment of trade, unbilled, and other receivables		8,347	-
Allowance for slow moving inventories		1,000	1,000
Share of loss (gain) of a joint venture		16,621	(27,950)
Share of (profit) loss of an associate		(395)	45
Deffered revenue amortization		(772)	(537)
Finance costs	8	20,652	15,963
Finance income	10	(2,464)	(588)
Changes in employee's defined benefit liabilities		11,029	7,965
Gain on disposal of property, plant and equipment	6	(13)	(4,417)
		<u>(26,817)</u>	<u>68,870</u>
<i>Working capital adjustments:</i>			
Inventories, net		(424)	(3,263)
Trade receivables, unbilled receivables and other receivables		(339,258)	(420,158)
Amounts due from a related party	10	210	(201)
Prepayments and other current assets		40,536	(13,460)
Other non-current assets		409	409
Trade and other payables		81,403	(130,075)
Amounts due to non-controlling interests of the subsidiary	10	28,776	(4,836)
Accrued expenses and other liabilities		(8,060)	(6,071)
Deferred revenue		(970)	7,453
Cash used in operations		<u>(224,195)</u>	<u>(501,332)</u>
Zakat and income tax paid		-	(2,050)
Defined benefits obligation paid to employees		<u>(3,589)</u>	<u>(30,820)</u>
Net cash flows used in operating activities		<u>(227,784)</u>	<u>(534,202)</u>
INVESTING ACTIVITIES			
Movement in investments in equity instruments designated as at FVOCI		9,195	220
Proceeds from finance income		991	-
Proceeds from sale of assets held for sale	6	-	13,500
Proceeds from sale of property, plant and equipment	6	14	7,205
Purchase of property, plant and equipment and intangible assets	6&7	<u>(116,476)</u>	<u>(78,206)</u>
Net cash flows used in investing activities		<u>(106,276)</u>	<u>(57,281)</u>
FINANCING ACTIVITIES			
Proceeds from Murabaha financing	8	571,821	621,326
Repayment of Murabaha financing	8	<u>(325,783)</u>	<u>(114,825)</u>
Repayment of lease liability		<u>(2,188)</u>	<u>(3,708)</u>
Net cash flows from financing activities		<u>243,850</u>	<u>502,793</u>
Net decrease in cash and cash equivalents		<u>(90,210)</u>	<u>(88,690)</u>
Cash and cash equivalents at 1 January		<u>338,438</u>	<u>241,848</u>
Cash and cash equivalents at 30 June		<u>248,228</u>	<u>153,158</u>
SIGNIFICANT NON-CASH TRANSACTIONS:			
Re-measurement gains on defined benefits liability		-	4,982
Initial recognition of right-of-use assets		-	15,155
Net movement in fair value of equity investments as at FVOCI		<u>(7,953)</u>	<u>10,848</u>

The attached notes from 1 to 17 form an integral part of these interim condensed consolidated financial statements.

Saudi Public Transport Company and its Subsidiary
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

1 CORPORATE INFORMATION

Saudi Public Transport Company (the "Company", "SAPTCO", or the "Parent") is a Saudi Joint Stock Company, registered in Riyadh, the Kingdom of Saudi Arabia formed under the Royal Decree No. M/11, dated 7 Rabi Awal 1399H (corresponding to 5 February 1979), whose shares are publicly traded on the Saudi Stock Exchange. The formation was declared pursuant to the resolution of his Excellency, The Minister of Commerce, No. 254 dated 14 Sha'aban 1399H (corresponding to 9 July 1979). The Company operates under commercial registration number 1010024335 dated 5 Ramadan 1399H (corresponding to 29 July 1979). The Company's head office's address is Al-Nakheel neighborhood, Al-Takhasusi Street, Building No. 7995, P.O. Box 10667 Riyadh 11443, KSA.

The Company is engaged in passenger land transport both intra and inter-city throughout the country, and outside the Kingdom of Saudi Arabia, as well as transfer of non-postal parcels, cargo, school transport, teachers transport, car rental and sand and gravel transport. The Company is also engaged in operating and maintaining of trains, metros, motor vehicles and trucks, organising tours, transporting pilgrims and visitors in and out of the Kingdom of Saudi Arabia and importing spare parts and chemical detergents of vehicles.

Royal Decree No. (M/48) dated 22 Dhul-Hijjah 1399H (corresponding to 12 November 1979) was issued to grant Saudi Public Transport Company a franchise contract whereby the Company commits to transport passengers on public roads network both intra and inter-city throughout the Kingdom of Saudi Arabia for a period of fifteen Hijri years.

The Council of Ministers' resolution No. (57) issued on 1 Jumada Thani 1414H (corresponding to 15 November 1993) approved the renewal of the franchise contract for a period of fifteen years starting from 1 Rajab 1414H. On 21 Jumada Al-Awal 1429H (corresponding to 26 May 2008), the contract was renewed for another renewable five-year period starting from 1 Rajab 1429H (corresponding to 4 July 2008).

The Council of Ministers' resolution No. (254) issued on 24 Rajab 1434H (corresponding to 3 June 2013) approved the extension of the franchise contract signed between the government and Saudi Public Transport Company (SAPTCO), whereby the Company is committed to carry passengers by buses within and between cities in the Kingdom for a period of three years starting 1 Rajab 1434H (corresponding to 11 May 2013). The concerned governmental authorities shall have the right during that period to partially reduce the spatial coverage of the franchise contract based on the phases of issuing new tender for providing public transportation between the cities inside the Kingdom of Saudi Arabia.

On 29 Dhul-Hijja 1436H (corresponding to 12 October 2015), the Council of Ministers approved the extension of the franchise contract, signed between the government and Saudi Public Transport Company (SAPTCO) by virtue of the Royal Decree (No. M/48 dated 23 Dhul-Hijjah 1399H corresponding to 13 November 1979), for a period of five years starting 1 Rajab 1437H (corresponding to 8 April 2016), without giving the Company or any other company any competitive advantage when issuing tenders for providing public transportation services between the cities of the Kingdom. The Company will disclose the effects of the lease liability, and the terms and conditions of the contract signed between the Government and the Company in the light of the option, which will be approved by the relevant parties, after the franchise contract term ends.

The Company has invested in the following subsidiary, which is included in these interim condensed consolidated financial statements:

Subsidiary	Year of incorporation	Shareholding %		Principal Activity	Country of Incorporation
		30 June 2020	31 December 2019		
Public Transport Company ("PTC")	2014	80%	80%	Executing King Abdulaziz Project for Public Transport in Riyadh	Kingdom of Saudi Arabia

Public Transport Company ("PTC") is a limited liability Company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration number 1010429250, dated 8 Rabi ul Awal 1436H (corresponding to 31 December 2014). The Company is engaged in importing, operating and maintaining of buses in Riyadh according to license issued by the Saudi Arabian General Investment Authority Numbered 10608351147347 dated 8 Dhul-Qadah 1435H (corresponding to 4 September 2014).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2020

1 CORPORATE INFORMATION (continued)

The Company has also the following investments in associates and joint venture:

Investment in associates and joint venture	Relationship	Shareholding %		Principal Activity	Country of Incorporation
		30 June 2020	31 December 2019		
Saudi Bahraini Transport Company*	Associate	40%	40%	Transportation activities	Kingdom of Saudi Arabia
Capital Metro Company	Associate	20%	20%	Road construction works and maintenance	Kingdom of Saudi Arabia
Saudi Emirates Integrated Transport Company	Joint Venture	50%	50%	Educational transportation services	Kingdom of Saudi Arabia

*The Saudi Bahraini Transport Company is under liquidation since 31 December 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

These interim condensed consolidated financial statements, for the three and six month periods ended 30 June 2020, have been prepared in accordance with the International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for equity investments classified as 'Fair Value through Other Comprehensive Income', which are measured at fair value, and defined benefit obligation, which is recognised at the present value of future obligations under the Projected Unit Credit method.

Although the interim period is considered an integral part of the entire financial year, the results of the interim period may not be a fair indicator of the operating results of the entire year.

These interim condensed consolidated financial statements are presented in Saudi Riyals, which is also the Group's functional currency. All amounts have been rounded to the nearest thousand ("SR '000"), unless otherwise indicated.

2-2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, and are explained in note (2) to the consolidated financial statement for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020, if any. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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3 REVENUE

	For the three month period ended 30 June		For the six month period ended 30 June	
	2020 SR'000 (Unaudited)	2019 SR'000 (Unaudited)	2020 SR'000 (Unaudited)	2019 SR'000 (Unaudited)
Revenues from concession arrangements for the from King Abdulaziz Project for public transportation in Riyadh	94,720	187,002	332,106	402,185
Revenue from passenger transport	16,438	171,034	128,982	298,542
Revenue from specialised services	11,588	56,671	62,532	110,878
Government subsidy revenue (*)	-	14,159	19,182	28,319
	122,746	428,866	542,802	839,924

(*) During 2018, the Royal Commission for Riyadh (“Commission’s Projects and Planning Center”) and Saudi Public Transport Company (SAPTCO) (“Operator”) agreed to implement the alternative bus service in Riyadh as an alternative service provided by the existing local buses in the Riyadh city for two years, including the provision of materials, equipment, workers and any matters technically and practically required for the implementation of the project.

The operation start date is 11 Jumada Althani 1439H (corresponding to February 27, 2018) for transport on service runways and stop points in Riyadh city, which is to be determined by approval of the Public Transport Authority. The total of the annual support amount (SR 36,505,676) is disbursed in equal monthly installments. During March 2020, the Group agreed with the Royal Commission for Riyadh to continue to implementing the project on a monthly basis of SR 6.5 million, where King Abdulaziz Project for Public Transport has not started yet. Due to the suspension of transportation during the period, the Group did not record the support revenues until the end of the discussions with the Authority to determine the duration of the extension and the amount of support for the period. The discussions are still in process up to the reporting date for determining the extension period.

During 2018, Jeddah Municipality and SAPTCO agreed to implement the alternative bus service project in Jeddah for a period of five years, including the provision of materials, equipment, workers and all matters technically and practically required for implementing the project.

The operation start date is 11 Jumada Althani 1439H (corresponding to February 27, 2018) for transport on service runways and stop points in Jeddah city, which is to be determined by approval of the Public Transport Authority. The total amount of the annual subsidy (SR 20,132,728) is to be disbursed in equal monthly installments. Due to the suspension of transportation during the period, the Group has not recorded support revenue for the period.

Management believes that there are no unfulfilled terms or contingent liabilities related to this subsidy.

4 OTHER INCOME

	For the three month period ended 30 June		For the six month period ended 30 June	
	2020 SR'000 (Unaudited)	2019 SR'000 (Unaudited)	2020 SR'000 (Unaudited)	2019 SR'000 (Unaudited)
Income from renting drivers	590	-	590	-
Suppliers’ penalties	242	222	483	519
Rental income	32	688	287	1,321
Gain on sale of scrap	163	73	256	105
Advertising revenue on intra-city transportation buses	-	-	220	99
Gain of sale of property, plant and equipment	-	-	13	4,417
Other income	269	670	481	1,275
	1,296	1,653	2,330	7,736

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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5 ZAKAT AND INCOME TAX

A) Zakat

Zakat has been calculated based on Zakat base for the Company and its subsidiary separately. The Company has filed zakat returns for the years 2005 to 2018 and received required zakat certificates up to 2018. The General Authority for Zakat and Tax ("GAZT") has issued its zakat assessments for the Company up to 2012. The Company has paid the zakat payable under the amended assessment for 2012.

On 17 September 2019, the GAZT has issued its zakat assessments for the Company from 2013 to 2018, with total zakat differences of SR 5.2 million requested to be paid to GAZT. The Company has agreed to this assessment and paid the amount during 2019 and the Company ended its zakat status for all years until 2018.

B) Income Tax

The zakat and income tax returns for the subsidiary for all years up to 2018 have been filed with the GAZT. Assessments have not yet been raised by the GAZT.

6 PROPERTY, PLANT, EQUIPMENT AND RIGHT-OF-USE ASSETS

	30 June 2020 SR'000 (Unaudited)	31 December 2019 SR'000 (Audited)
Property, plant, equipment and right-of-use assets	1,152,662	1,235,249
Projects and buses in progress	26,331	22,128
	1,178,993	1,257,377

During the six month period ended 30 June 2020, the Group has added property, plant and equipment with a cost of SR 4.5 million (30 June 2019: SR 2.7 million).

During the six month period ended 30 June 2020, the Group has disposed property, plant and equipment with a net book value amounting to SR 1 thousand (30 June 2019: SR 2.8 million), which resulted in gains from the sale of property, plant and equipment for the six month periods ended 30 June 2020 amounting to SR 13 thousand (for the six-month period ended 30 June 2019: SR 4.4 million).

7 INTANGIBLE ASSETS

	30 June 2020 SR'000 (Unaudited)	31 December 2019 SR'000 (Audited)
Software and licenses	36,997	36,135
Other intangible assets (A)	411,496	309,820
	448,493	345,955

(A) Other intangible assets

The intangible assets represent the subsidiary's right in the residual value of the project's buses and garages after the completion of the project. As per the project contract, the grantor has an option to purchase these buses and garages at their net book value. If this option is not exercised, the subsidiary has the right to retain these buses and garages.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

8 MURABAHA FINANCING

A) Long-term Murabaha financing

	30 June 2020 SAR'000 (Unaudited)	31 December 2019 SAR'000 (Audited)
Murabaha financing	542,968	420,872
Less: Current portion	(254,740)	(84,209)
Non-current portion	288,228	336,663

The Group has entered into borrowing arrangements with banks to obtain Murabaha facilities. These loans have been availed during 2017 to 2019 and have a maturity of three to five years from the date of the loan agreement and are secured by promissory notes bearing prevailing commission rates. The Group has obtained these loans in order to finance the procurement of buses.

B) Short-term Murabaha financing

During the first quarter from the current year, the Company obtained short-term credit facilities from local banks amounted to SR 70 million in the form of a Murabaha loan to finance its operations. In addition, during the current quarter, the Subsidiary has obtained short-term credit facilities from local banks amounted to SR 403 million to finance the procurement of buses.

During the second quarter of the current year, the Company obtained short-term credit facilities from local banks amounted to SR 80 million in the form of a Murabaha loan to finance its operations.

9 ADVANCE PAYMENT FROM A CUSTOMER

During 2015, the Subsidiary received an amount of SR 471 million as an advance payment for executing King Abdulaziz Project for Public Transport in Riyadh. The advance payment represents 6% of the total contract value. During 2019, the Subsidiary received an amount of SR 550 million as a second advance payment for executing the Project. The second advance payment represents 7% of the total contract value.

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10. RELATED PARTY TRANSACTIONS AND BALANCES

		Finance income	Share in profits (losses)	Purchase of buses	Services provided	Balance
		SR'000	SR'000	SR'000	SR'000	SR'000
Amounts due from related parties:						
Joint venture:						
	30 June 2020					
Saudi Emirates Integrated Transport Company (SEETCO)*	(Unaudited)	987	(16,621)	-	416	103,929
	31 December 2019	361	17,415	33,626	4,859	102,732
	(Audited)					
Associate:						
	30 June 2020					
Capital Metro Company Ltd (CAMCO)	(Unaudited)	-	395	-	-	-
	31 December 2019	-	1,728	-	-	-
	(Audited)					
Amounts due to non-controlling interests of the subsidiary:						
	30 June 2020					
RATP Development (French company)	(Unaudited)	-	-	-	3,215	12,845
	31 December 2019	-	-	-	8,492	12,013
	(Audited)					
	30 June 2020					
RATP Dev Saudi Arabia LLC	(Unaudited)	-	-	-	22,544	11,998
	31 December 2019	-	-	-	40,465	105
	(Audited)					
Total amounts due to non-controlling interests of the subsidiary	30 June 2020					24,843
	31 December 2019	-	-	-	-	12,118
	(Audited)					

Joint venture

* During 2014, the Company has funded the operations of the Saudi Emirates Integrated Transport Co., Ltd. ("SEITCO") in an amount of SR 30 million. This amount is not subject to any interest and is repayable within four years effective from July 2015. SEITCO has paid SR 1.9 million. However, the partners agreed to reschedule the payments to be during 2020 and 2021. These loans are recorded at fair value based on prevailing market rate of interest, which resulted in an addition of the discount to the investment amount. The interest income on such loans has been taken to the interim condensed consolidated statement of income.

In addition, during 2016, the Company has provided two additional finances totaling to SR 40 million to finance the operation of transportation contracts to government schools. This amount doesn't carry any interest and it will be recovered upon receiving the accruals of SEITCO. Subsequently, the Company and SEITCO reached an agreement to schedule payment to specific payments during 2021 - 2023. Thus, these loans are recorded at fair value based on market rate of interest that resulted in an increase to the discounted amount of the investment. The financing income on this loan has been included in the interim condensed consolidated statement of income.

During 2019, the Company sold 350 buses to SEITCO for SR 32 million to be paid in annual installments. This process has been recorded at fair value based on market rate of interest that resulted in an addition of discount to the investment. The financing income on this loan has been included in the interim condensed consolidated statement of income.

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10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Group

	For the three month period ended 30 June		For the six month period ended 30 June	
	2020 SR'000 (Unaudited)	2019 SR'000 (Unaudited)	2020 SR'000 (Unaudited)	2019 SR'000 (Unaudited)
<i>Transactions with key management personnel</i>				
Board and committees' expenses, remunerations and allowances	521	512	1,088	999
Compensation of key management personnel of the Group (*)	4,705	4,328	9,744	6,990

(*) Compensations of key management personnel of the Group were as follows:

	For the three month period ended 30 June		For the six month period ended 30 June	
	2020 SR'000 (Unaudited)	2019 SR'000 (Unaudited)	2020 SR'000 (Unaudited)	2019 SR'000 (Unaudited)
Employees' short-term benefits	1,840	4,206	6,757	6,746
Post-employment benefits	2,865	122	2,987	244
Total compensation of key management personnel	4,705	4,328	9,744	6,990

The amounts disclosed in the above table are recognised as an expense for the period ended 30 June 2020, in respect of key management personnel.

11 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their operations and has the following reportable segments:

- *Passenger transport* - Includes scheduled transport services which incorporate between the cities of the Kingdom of Saudi Arabia and within it, as well as international transport services. It also includes the cargo operations and is considered the major segment of the Group.
- *Specialised services* - Incorporates transport services as per lease agreements entered into by the Group with third parties, whether government or non-government parties, inside or outside Kingdom of Saudi Arabia. It includes Limo services as well.
- *Public Transportation Project* - Includes the financial results for Public Transportation Company, which is engaged in execution of King Abdul-Aziz Project for Public Transport in Riyadh, as stated in note (1).
- *Head office* - Includes the headquarters of the Group, and financial information attributable to support unit activities.

These operating segments are identified based on internal reports that the entity regularly reviews in allocating resources to segments and in assessing their performance 'management approach'. The management approach is based on the way in which management organises the segments within the entity for making operating decisions and in assessing performance. The management of SAPTCO, at the end of every reporting period, reviews the above segments for quantitative thresholds as well as the criteria for presenting the revenues and expenses for each segment.

The activities of the Group and its subsidiary are primarily conducted in the Kingdom of Saudi Arabia.

Inter-segment and inter business units revenues are eliminated upon consolidation and reflected in the "adjustments and eliminations" column.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the condensed consolidated interim income statement and is measured similarly to the interim condensed consolidated interim income statement in the condensed consolidated interim financial statements.

The Group has no significant customer that contributes 10% or more to the revenue of the Group at the periods ended 30 June 2020 and 2019, respectively except certain governmental agencies that contribute in aggregate more than 10%.

The Group's revenues are affected by seasons with high operating rates; these seasons are the period of Hajj, the summer vacation, the holy month of Ramadan and public holidays.

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11 SEGMENT REPORTING (continued)

The selected financial information for these segments is as follows:

For the period ended				Public			Adjustments		
30 June 2020	Passenger	Specialised		Transportation	Total	and	Consolidated		
(Unaudited)	transport	services	Head office	Project	segments	eliminations	SR'000	SR'000	SR'000
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Total revenues (note 3)	148,164	62,532	-	332,106	542,802	-	542,802		
Cost of revenue	(183,327)	(134,948)	-	(318,777)	(637,052)	15,151	(621,901)		
Gross (loss) profit	(35,163)	(72,416)	-	13,329	(94,250)	15,151	(79,099)		
Loss before zakat and income tax	(43,680)	(114,078)	(14,290)	(7,658)	(179,706)	6,563	(173,143)		
For the period ended				Public			Adjustments		
30 June 2019	Passenger	Specialised		Transportation	Total segments	and	Consolidated		
(Unaudited)	transport	services	Head office	Project	SR'000	eliminations	SR'000	SR'000	SR'000
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Total revenues (note 3)	326,861	110,878	-	402,185	839,924	-	839,924		
Cost of revenue	(281,801)	(151,243)	-	(390,110)	(823,154)	10,891	(812,263)		
Gross profit (loss)	45,060	(40,365)	-	12,075	16,770	10,891	27,661		
Profit (loss) before zakat and income tax	25,241	(53,654)	10,574	(1,628)	(19,467)	5,211	(14,256)		
As at 30 June 2020				Public			Adjustments		
(Unaudited)	Passenger	Specialised		Transportation	Total segments	and	Consolidated		
	transport	services	Head office	Project	SR'000	eliminations	SR'000	SR'000	SR'000
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Total assets	454,439	816,095	1,008,122	2,058,809	4,337,465	(36,639)	4,300,826		
Total liabilities	220,365	277,461	333,912	2,063,400	2,895,138	(46,233)	2,848,905		
Other disclosures:									
Property, plant and equipment (note 6)	361,753	723,855	90,264	3,121	1,178,993	-	1,178,993		
Investments in associates and a joint venture	-	-	121,720	-	121,720	-	121,720		

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11 SEGMENT REPORTING (continued)

As at 31 December 2019 (Audited)	Passenger transport SR'000	Specialised services SR'000	Head office SR'000	Public Transportation Project SR'000	Total segments SR'000	Adjustments and eliminations SR'000	Consolidated SR'000
Total assets	490,476	868,921	999,983	1,753,553	4,112,933	(17,123)	4,095,810
Total liabilities	281,980	268,353	172,540	1,749,925	2,472,798	(17,135)	2,455,663
Other disclosures:							
Property, plant and equipment (note 6)	410,107	754,379	90,264	2,627	1,257,377		1,257,377
Investments in associates and a joint venture	-	-	135,333	-	135,333	3,019	138,352

12 FINANCIAL INSTRUMENTS - FAIR VALUE

The Group's financial instruments are composed of cash and cash equivalents, trade receivables, due from a related party, equity investments designated as at FVOCI, trade and other payables, and Murabaha financing.

The management determined that the fair values of cash and cash equivalents, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Management determined that the carrying value of Murabaha financing and term loans bearing fixed and variable rates approximates their fair values due to the fact that they bear interest rates that reflect current market interest rates for similar financing and loans. As a result, the value of the future discounted cash flows on those financing and loans are not significantly different from their current carrying values.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

Fair value hierarchy

30 June 2020 (Unaudited)	Carrying value SR'000	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total fair value SR'000
Measured at fair value:					
Investments in equity instruments designated as at FVOCI	80,906	80,906	-	-	80,906
31 December 2019 (Audited)					
Measured at fair value:					
Investments in equity instruments designated as at FVOCI	90,101	90,101	-	-	90,101

There were no transfers between the levels of fair value measurements at 30 June 2020 and 31 December 2019. No transfers between any levels of the fair value hierarchy took place in the comparative period.

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13 CAPITAL COMMITMENTS AND CONTINGENCIES

A) Contingencies

As at 30 June 2020, the Group's bankers have issued, on its behalf during the normal course of business, letters of guarantees, acceptance and credit limited to SR 2,054 million (31 December 2019: SR 1,450 million).

B) Capital commitments

The Group has capital commitments amounting to SR 83 million for the purchase of 448 new buses, which are expected to be delivered in August 2020.

C) The Group has contingent liabilities from time to time relating to certain disputed matters, including claims from and against contractors, litigations and arbitration proceedings involving a variety of issues. Where these potential obligations arose in the normal course of business. No significant commitments are expected to be incurred from these potential claims.

D) Modification to public transport project contract

The subsidiary's management is in discussions with the Al Riyadh Development Authority (the Grantor) regarding amendments to certain items (variation orders) received from the Authority on the contract of King Abdulaziz project for public transport in Riyadh, which will result in a change to performance obligations and estimated margin of each performance obligation when finalised and agreed with the Grantor. Discussions are still ongoing as of the date of approval of these interim consolidated financial statements. Management believes the outcome of these discussions will be, to a large extent, in favor of the Company.

14 DIVIDENDS

The Ordinary General Assembly approved, in its meeting held on 4 Ramadan 1441H (Corresponding to 27 April 2020), the Board of Directors' recommendation for not distributing cash dividends for the financial year 2019 and the payment of Board of Directors' remuneration of SR 1.8 million.

The Ordinary General Assembly approved, in its meeting held on 24 Sha'aban 1440H (Corresponding to 29 April 2019), the Board of Directors' recommendation for not distributing cash dividends for the financial year 2018 and the payment of Board of Directors' remuneration of SR 1.8 million.

15 IMPACT OF NOVEL CORONAVIRUS (COVID-19) OUTBREAK

A novel strain of coronavirus (COVID-19) was first identified at the end of December 2019, and in March 2020 was declared as a pandemic by the World Health Organization (WHO). COVID-19 continues to spread throughout in nearly all parts of the world, including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in cities which led to a slowdown of economic activities and shutdowns of many sectors at global and local levels. In addition, suspension of schools impacted the results of the Joint Venture for the period.

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

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an impact assessment on the overall Company's operations and business aspects including factors like travel restrictions, services demand, etc. and concluded that, as of the issuance date of these interim condensed consolidated financial statements, no significant changes are required to the judgements and key estimates. During the current period, the operations faced a gradual increase in transport services between cities and within cities. Due to social distancing controls, operational capacity reduces by 50% to meet the standards implemented by the authority, in addition to the continued suspension of passenger transport services for visit and Umrah, international transport services, Hajj and educational transport, which are among the main services provided by the company. Also, the administration has taken several measures to mitigate the effects of the pandemic, including taking advantage of some government agencies' initiatives to stimulate the private sector. The company has also made several initiatives to reduce employee costs and service contracts, and it is still working to monitor and rationalize expenses in a way that does not affect the company's operational ability. Also, the company's management evaluated the cash flow situation, including the available banking facilities, and the readiness of operational operations when fully permitted by the relevant authorities. Management expects the impact of the measures on its annual revenue to be a 50% decrease compared to last year. However, in light of the current lack of clarity, any future change in assumptions and estimates may result in a material adjustment to the carrying values of the assets or liabilities affected by this in future periods. Given the rapidly evolving situation and the accompanying uncertainty, management will continue to evaluate the resulting impact in accordance with future developments.

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16 COMPARATIVE FIGURES

Certain comparative figures for the previous period presented were reclassified in line with the classification for the current period.

17 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of the Company has approved the interim condensed consolidated financial statements during its meeting held on 1 Muharram 1442H (corresponding to 20 August 2020).