

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

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

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2019

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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 (the "Group") as at 31 March 2019 and the related interim condensed consolidated statements of income and comprehensive income, changes in equity and cash flows for the three 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 interim condensed consolidated financial statements in accordance with International Accounting Standard (34), "Interim Financial Reporting" ("IAS 34") 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.

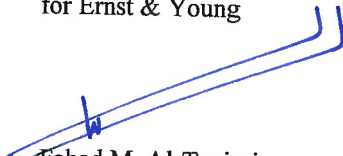
Scope of Review:

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" 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") endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young


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



Riyadh: 25 Sha'aban 1440H
(30 April 2019)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the three months period ended 31 March 2019

	<i>Note</i>	2019 SAR'000 (Unaudited)	2018 SAR'000 (Unaudited)
Revenue	4	411,058	234,179
Cost of revenue		(415,358)	(231,138)
Gross (loss) profit		(4,300)	3,041
Selling and distribution expenses		(5,924)	(5,868)
Administrative expenses		(22,278)	(16,939)
Operating loss		(32,502)	(19,766)
Share of profit from joint venture	11	25,912	18,669
Share of profit from an associate	11	25	-
Finance income	21	427	1,760
Finance costs	17	(6,723)	(3,374)
Other income	5	6,083	3,709
(Loss) income before zakat and income tax		(6,778)	998
Zakat and income tax	6	(3,915)	(5,318)
Loss for the period		(10,693)	(4,320)
Loss for the period attributable to:			
-Equity holders of the parent company		(10,995)	(4,856)
-Non-controlling interests		302	536
		(10,693)	(4,320)
Loss per share (in Saudi Riyals):			
Basic and diluted, from the loss for the period attributable to equity holders of the parent company	7	(0.09)	(0.04)

The attached notes from 1 to 27 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 COMPREHENSIVE INCOME
For the three months period ended 31 March 2019

	<i>Note</i>	2019 SAR'000 (Unaudited)	2018 SAR'000 (Unaudited)
Loss for the period		(10,693)	(4,320)
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	18	4,982	1,282
- Net cumulative change in fair value of investments classified as fair value through other comprehensive income "FVOCI"	12	10,317	11,311
Total other comprehensive income for the period		15,299	12,593
Total comprehensive income for the period		4,606	8,273
Total comprehensive income for the period attributable to:			
Equity holders of the parent company		4,304	7,737
Non-controlling interests		302	536
		4,606	8,273

The attached notes from 1 to 27 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 31 March 2019

	<i>Note</i>	31 March 2019	31 December 2018
		SAR'000	SAR'000
		(Unaudited)	(Audited)
Assets			
Non-current assets			
Property, plant and equipment	8	1,315,510	1,352,013
Intangible assets	9	102,363	63,277
Investment properties	10	307,122	307,122
Due from a related party – non-current portion	21	27,979	27,939
Investment in an associate and joint venture	11	140,548	114,636
Investments in equity instruments designated as at FVOCI	12	86,836	77,869
Unbilled receivable – non-current portion	13	579,376	338,164
Other non-current assets		6,737	6,942
Total non-current assets		2,566,471	2,287,962
Current assets			
Inventories		42,455	41,847
Trade receivables, unbilled receivables and other receivables	13	336,804	354,272
Due from a related party – current portion	21	47,640	47,091
Prepayments and other current assets		127,162	120,392
Cash and cash equivalents		163,787	241,848
		717,848	805,450
Assets held for sale		-	14,000
Total current assets		717,848	819,450
Total assets		3,284,319	3,107,412
Equity and liabilities			
Equity			
Issued capital	14	1,250,000	1,250,000
Statutory reserve	15	179,939	179,939
Consensual reserve	16	42,730	42,730
Investments revaluation reserve	12	(8,185)	(18,502)
Retained earnings		124,549	130,562
Equity attributable to equity holders of the parent company		1,589,033	1,584,729
Non-controlling interests		8,342	8,040
Total equity		1,597,375	1,592,769
Non-current liabilities			
Murabaha financing – non-current portion	17	137,422	164,749
Lease liabilities – non-current portion	2-4	9,198	-
Employees' defined benefits obligation	18	131,339	157,488
Advance from a customer – non-current portion		437,215	420,609
Deferred revenue - non-current portion	20	7,425	7,682
Total non-current liabilities		722,599	750,528
Current liabilities			
Murabaha financing – current portion	17	155,036	180,706
Murabaha financing – short term	17	384,967	49,995
Lease liabilities – current portion	2-4	3,165	-
Trade and other payables		241,837	322,577
Due to non-controlling interests of the subsidiary	21	5,892	13,448
Accrued expenses and other liabilities		111,691	125,055
Deferred revenue - current portion	20	16,123	14,008
Advance from a customer – current portion	19	22,291	38,897
Zakat and income tax payable	6	23,343	19,429
Total current liabilities		964,345	764,115
Total liabilities		1,686,944	1,514,643
Total equity and liabilities		3,284,319	3,107,412

The attached notes from 1 to 27 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 three months period ended 31 March 2019

	<i>Attributed to equity holders of the parent company</i>					<i>Non - controlling interests SAR'000</i>	<i>Total equity SAR'000</i>	
	<i>Issued capital SAR'000</i>	<i>Statutory reserve SAR'000</i>	<i>Consensual reserve SAR'000</i>	<i>Investments revaluation reserve SAR'000</i>	<i>Retained earnings SAR'000</i>			<i>Total SAR'000</i>
31 December 2018 (Audited)	1,250,000	179,939	42,730	(18,502)	130,562	1,584,729	8,040	1,592,769
(Loss) Income for the period	-	-	-	-	(10,995)	(10,995)	302	(10,693)
Other comprehensive income for the period	-	-	-	10,317	4,982	15,299	-	15,299
Total comprehensive income (loss)	-	-	-	10,317	(6,013)	4,304	302	4,606
At 31 March 2019 (Unaudited)	1,250,000	179,939	42,730	(8,185)	124,549	1,589,033	8,342	1,597,375
	<i>Issued capital SAR'000</i>	<i>Statutory reserve SAR'000</i>	<i>Consensual reserve SAR'000</i>	<i>Investments revaluation reserve SAR'000</i>	<i>Retained earnings SAR'000</i>	<i>Total SAR'000</i>	<i>Non- controlling interests SAR'000</i>	<i>Total Equity SAR'000</i>
31 December 2017 (Audited)	1,250,000	177,897	42,730	(26,982)	176,048	1,619,693	5,522	1,625,215
(Loss) Income for the period	-	-	-	-	(4,856)	(4,856)	536	(4,320)
Other comprehensive income for the period	-	-	-	11,311	1,282	12,593	-	12,593
Total comprehensive income (loss)	-	-	-	11,311	(3,574)	7,737	536	8,273
At 31 March 2018 (Unaudited)	1,250,000	177,897	42,730	(15,671)	172,474	1,627,430	6,058	1,633,488

The attached notes from 1 to 27 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 CASH FLOWS

For the three months period ended 31 March 2019

	Note	2019 SAR'000 (Unaudited)	2018 SAR'000 (Unaudited)
OPERATING ACTIVITIES			
(Loss) income before zakat and income tax		(6,778)	998
<i>Adjustments to reconcile income before zakat to net cash flows:</i>			
Depreciation and amortization	9,8	45,773	47,361
Allowance for slow moving inventories		500	500
Share of profit of a joint venture	11	(25,912)	(18,669)
Share of profit of an associate	11	(25)	-
Amortisation of deferred revenue	20	(268)	(90)
Finance costs	17	6,723	3,374
Finance income	21	(427)	(1,760)
Changes to employee's defined benefit liabilities	18	3,383	6,762
Gain on disposal of property, plant and equipment	8	(4,417)	-
		<u>18,552</u>	<u>38,476</u>
<i>Working capital adjustments:</i>			
Inventories, net		(1,108)	(2,707)
Trade receivables, unbilled receivables and other receivables	13	(223,744)	(29,714)
Amounts due from a related party	21	(589)	(677)
Prepayments and other current assets		(6,770)	(13,062)
Other non-current assets		204	204
Trade and other payables		(80,740)	53,957
Due to non-controlling interests of the subsidiary	21	(7,556)	9,456
Accrued expenses and other liabilities		(13,364)	(13,637)
Deferred revenue	20	2,125	2,941
Cash from operations		<u>(312,990)</u>	<u>45,237</u>
Employees' benefits paid	18	(24,549)	(1,910)
Net cash flows (used in) from operating activities		<u>(337,539)</u>	<u>43,327</u>
INVESTING ACTIVITIES			
Movement in investments in equity instruments designated as at FVOCI	12	1,350	52,601
Investment in an associate	11	-	(3,600)
Proceeds from sale of assets held for sale		13,500	-
Proceeds from sale of property, plant and equipment	8	7,205	-
Purchase of property, plant and equipment and intangible assets	8,9	(35,912)	(70,834)
Net cash flows used in investing activities		<u>(13,857)</u>	<u>(21,833)</u>
FINANCING ACTIVITIES			
Proceeds from Murabaha financing	17	334,972	61,229
Repayment of Murabaha financing	17	(59,582)	(51,382)
Repayment of lease liability contracts	2-4	(2,055)	-
Net cash flows from financing activities		<u>273,335</u>	<u>9,847</u>
Net (decrease) increase in cash and cash equivalents		(78,061)	31,341
Cash and cash equivalents at 1 January		<u>241,848</u>	<u>574,285</u>
Cash and cash equivalents at 31 March		<u>163,787</u>	<u>605,626</u>
SIGNIFICANT NON-CASH TRANSACTIONS:			
Re-measurement gains on defined benefits liability	18	4,982	1,282
Initial recognition of right-of-use assets	2-4	15,155	-
Net income (loss) in fair value of investments in equity instruments designated as FVOCI	12	<u>10,317</u>	<u>11,311</u>

The attached notes from 1 to 27 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

For the three months period ended 31 March 2019

1 CORPORATE INFORMATION

Saudi Public Transport Company (the "Company", "SAPTCO", or "the Parent") is a Saudi Joint Stock Company, whose shares are publicly traded on the Saudi Stock Exchange, registered in Riyadh and formed under the Royal Decree No. M/11, dated 7 Rabi Awal 1399H (corresponding to 5 February 1979). 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 address is 242 Prince Abdulaziz Bin Mosaed Bin Jlewi (Dabab Street), Assulaymaniyeh, P.O. Box 10667 ALRiyadh 11443, United Kingdom of Saudi Arabia.

The Company is engaged in passenger land transport both intra and inter-city throughout the Kingdom and outside the Kingdom, 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, organizing 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 in its 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 in its 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), for a period of five years starting 1 Rajab 1437H (corresponding to 8 April 2016), and 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 has invested in the following subsidiary which is included in these interim condensed consolidated financial statements:

Subsidiary	Year of incorporation	Ownership interest		Principal Activity	Country of Incorporation
		31 March 2019	31 December 2018		
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, the 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).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the three months period ended 31 March 2019

1 CORPORATE INFORMATION (continued)

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

Investment in an associate and joint venture	Relationship	Ownership interest		Principal Activity	Country of Incorporation
		31 March 2019	31 December 2018		
Saudi Bahraini Transport Company*	Associate	40%	40%	Transportation activities	Kingdom of Saudi Arabia
Capital Metro Company	Associate	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 have been prepared in accordance with 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 annual financial statements.

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for 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.

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

2-2 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Saudi Public Transport Company and its Subsidiary
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the three months period ended 31 March 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 BASIS OF CONSOLIDATION (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Statement of income and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2-3 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 Group's annual consolidated financial statements for the year ended 31 December 2018, and are explained in note (2) to the consolidated financial statement as of 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies, for the first time; IFRS (16) Leases as required by ("IAS 34"), the nature and effect of these changes are disclosed in note (2-4) below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

2-4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

a) IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/ (decrease)) is as follows:

	SAR '000
Assets	
Right-of-use assets	15,155
Prepayments and other current assets	(1,397)
Total assets	13,758
Liabilities	
Lease liability	13,758
Total adjustment on equity	-

Saudi Public Transport Company and its Subsidiary
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the three months period ended 31 March 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2-4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

a) IFRS 16 Leases (continued)

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items lands, bus stops, offices and trade centers. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in interim condensed consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application amounted to 5.23%.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Based on the foregoing, as at 1 January 2019:

- Right-of -use assets of SAR 15.2 million were recognised and presented within property, plant and equipment.
- Lease liabilities of SAR 13.7 million and presented separately in the interim condensed consolidated financial position.
- Prepayments of SAR 1.39 million related to previous operating leases were derecognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	SAR '000
Operating lease commitments as at 31 December 2018	20,207
Less: Commitments relating to short-term leases	(4,000)
Operating lease commitments as at 31 December 2018, net	16,207
Weighted average incremental borrowing rate as at 1 January 2019	5.23%
Lease liabilities as at 1 January 2019	13,758

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the three months period ended 31 March 2019

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2-4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

a) IFRS 16 Leases (continued)

Summary of new accounting policies (continued)

Right-of-use assets

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

Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value, which are those assets that do not achieve the capitalization threshold and is considered immaterial to the interim condensed statement of financial position as a whole. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Amounts recognised in the interim condensed consolidated statements of financial position and income

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2-4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

a) IFRS 16 Leases (continued)

Amounts recognised in the interim condensed consolidated statements of financial position and income (continued)

	Right-of-use assets SAR'000	Lease liabilities SAR'000
As at 1 January 2019	15,155	14,233
Additions	-	-
Depreciation expenses	(963)	-
Interest expenses	-	185
Prepayments	-	(2,055)
As at 31 March 2019	<u>14,192</u>	<u>12,363</u>

The Group recognised rent expense from short-term leases of SAR 3.3 million for the three months period ended 31 March 2019, and interest expenses recognised within finance cost within the interim condensed consolidated statement of income.

b) Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Estimation uncertainty and assumptions

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for impairment

The group reviews its trade receivables at each reporting date to assess whether an allowance for bad and doubtful debts should be recorded in the interim condensed consolidated statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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 a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

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3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Revenue recognition

The application of IFRS 15 has required management to make the following judgements:

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the agreements entered into with the customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

In addition, the application of IFRS 15 has resulted in the following estimation process:

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include the time elapsed for services contracts.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a Discounted Cash Flow ("DCF") model, if applicable. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

End of service benefit plans

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the interim condensed consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

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3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Contingent liabilities

As disclosed in note (24) to these interim condensed consolidated financial statements, the Group is exposed to various contingent liabilities in the normal course of business. Management evaluates the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the interim condensed consolidated financial statements where, based on the managements' evaluation, a present obligation has been established.

Economic useful lives of property, plant, equipment and intangible assets

The Group's management determines the estimated useful lives of its property, plant, and equipment and intangibles for calculating depreciation/amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group periodically reviews estimated useful lives and the depreciation/amortisation method to ensure that the method and period of depreciation/amortisation are consistent with the expected pattern of economic benefits from these assets.

4 REVENUE

	For the three months ended 31 March	
	2019	2018
	SAR'000	SAR'000
	(Unaudited)	(Unaudited)
Revenue from King Abdulaziz Project for public transportation in Riyadh	215,183	28,494
Passenger transport	127,508	140,823
Revenue from contracts and leasing	54,207	60,142
Government subsidy revenue (*)	14,160	4,720
	411,058	234,179

(*) During the year 2018, Arriyadh Development Authority (Implementation and projects center) and Saudi Public Transport Company (Operator) agreed to implement the alternative bus service in Riyadh as an alternative service provided by the existing local buses in the city Riyadh for a period of two years, including the provision of materials, equipment and workers and all matters necessary for technical and practical 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 amount of the annual support amount (SAR 36,505,676) is disbursed in equal monthly installments.

During the year 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 and workers and all matters necessary technically and practically to implement 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 support amount (SAR 20,132,728) is disbursed in equal monthly installments.

Management believes that there are no unfulfilled terms or potential commitments related to this support.

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5 OTHER INCOME

	For the three months ended 31 March	
	2019 SAR'000 (Unaudited)	2018 SAR'000 (Unaudited)
Gains on sale of property, plant and equipment	4,417	-
Rental income	633	1,044
Supplier's penalties	297	309
Advertisement for intra-city transportation	99	420
Gain on sale of scrape	32	132
Support from the human resources fund	-	489
Other income	605	1,315
	6,083	3,709

6 ZAKAT AND INCOME TAX

A) Zakat

Charge for the period

Zakat charge for the period is SAR 3,83 million (31 March 2018: SAR 5,19 million).

Movement in provision during the period/year

The movement in zakat provision is as follows:

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
At beginning of the period/year	18,982	17,045
Provided during the period/year	3,830	12,347
Paid during the period/year	-	(10,410)
At the end of the period/year	22,812	18,982

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 2017 and received required zakat certificates up to 2017. 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, and finalized its zakat position for all years up to 2012. The final assessments for the years 2013 to 2017 have not yet been raised by the GAZT.

B) Income Tax

Charge for the period

Income tax charge for the period is SAR 84,000 (31 March 2018: SAR 129,000).

Movement in income tax provision during the period/year

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
At beginning of the period/year	447	510
Provided during the period/year	84	448
Paid during the period/year	-	(511)
At the end of the period/year	531	447

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6 ZAKAT AND INCOME TAX (continued)

B) Income Tax (continued)

Income tax pertains to the subsidiary company, Tax expense is recognized on the basis of the management's best estimate of the weighted average annual income tax rate for the full financial year applicable to the income for the period before tax. The zakat and income tax returns for the subsidiary for all years up to 2017 have been filed with the General Authority of Zakat and Tax ("GAZT"). However, assessments have not yet been raised by the GAZT.

7 LOSS PER SHARE

Basic and diluted losses per share (LPS) is calculated by dividing the losses for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The following table reflects the losses and share data used in the basic and diluted LPS computations:

	For the three months ended 31 March	
	2019	2018
	SAR'000	SAR'000
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent for basic earnings	<u>(10,995)</u>	<u>(4,856)</u>

	31 March 2019	31 March 2018
Weighted average number of ordinary shares for basic EPS	125,000,000	125,000,000

	For the three months ended 31 March	
	2019	2018
	SAR	SAR
	(Unaudited)	(Unaudited)
Basic and diluted loss per share	(0.09)	(0.04)

8 PROPERTY, PLANT AND EQUIPMENT

	31 March 2019	31 December 2018
	SAR'000	SAR'000
	(Unaudited)	(Audited)
Property, plant and equipment	1,273,255	1,315,195
Projects and buses in progress	28,063	36,818
Right-of-use assets (note 2-4)	14,192	-
	<u>1,315,510</u>	<u>1,352,013</u>

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8 PROPERTY, PLANT AND EQUIPMENT (continued)

PROJECTS AND BUSES IN PROGRESS

Projects and buses in progress includes advances placed with vendors and suppliers in respect of construction/improvements in relation to buildings, furniture, buses and other office equipment. Movement in the projects under construction during the period/year was as follows:

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
At the beginning of the period/year	36,818	38,250
Additions during the period/year	2,555	21,751
Transfers of property, plant and equipment during the period/year	(3,070)	(15,674)
Transfers of intangible assets during the period/year (note 9)	(8,240)	(7,509)
At the end of the period/year	28,063	36,818

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8 PROPERTY, PLANT AND EQUIPMENT (continued)

	Lands SR'000	Buildings SR'000	Buses, trucks and trailers SR'000	Furniture and fixtures SR'000	Motor vehicles SR'000	Plant and equipment SR'000	Total SR'000
Cost							
Balance as at 31 December 2017 (Audited)	90,264	516,498	2,323,489	18,202	75,048	92,494	3,115,995
Additions during the year	-	254	201,454	303	3,365	3,318	208,694
Transfers during the year	-	8,403	247	103	6,127	794	15,674
Assets held for sale transferred	-	-	(185,202)	-	-	-	(185,202)
Disposals during the year	-	-	(457,471)	-	(1,295)	-	(458,766)
Balance as at 31 December 2018 (Audited)	90,264	525,155	1,882,517	18,608	83,245	96,606	2,696,395
Additions during the period	-	190	246	102	233	117	888
Transfers during the period	-	-	-	-	-	3,070	3,070
Disposals during the period	-	-	-	-	(20,290)	-	(20,290)
Balance as at 31 March 2019 (Unaudited)	90,264	525,345	1,882,763	18,710	63,188	99,793	2,680,063
Accumulated depreciation							
Balance as at 31 December 2017 (Audited)	-	346,534	1,297,353	10,650	53,904	49,895	1,758,336
Depreciation during the year	-	12,890	155,764	1,606	10,225	7,453	187,938
Disposals during the year	-	-	(427,968)	-	(1,295)	-	(429,263)
Transfers during the year	-	-	(2,986)	-	2,986	-	-
Assets held for sale transferred	-	-	(135,811)	-	-	-	(135,811)
Balance as at 31 December 2018 (Audited)	-	359,424	886,352	12,256	65,820	57,348	1,381,200
Depreciation during the period	-	3,078	36,267	393	1,558	1,815	43,111
Disposals during the period	-	-	-	-	(17,503)	-	(17,503)
Balance as at 31 March 2019 (Unaudited)	-	362,502	922,619	12,649	49,875	59,163	1,406,808
Net book values							
As at 31 March 2019 (Unaudited)	90,264	162,843	960,144	6,061	13,313	40,630	1,273,255
As at 31 December 2018 (Audited)	90,264	165,731	996,165	6,352	17,425	39,258	1,315,195

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8 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation for the period allocated as follows:

	For the three months ended 31 March	
	2019	2018
	SAR'000	SAR'000
	(Unaudited)	(Unaudited)
Cost of revenues	42,438	45,712
Administrative expenses	673	727
	43,111	46,439

9 INTANGIBLE ASSETS

	31 March 2019	31 December 2018
	SAR'000	SAR'000
	(Unaudited)	(Audited)
Software and licenses (A)	38,733	32,116
Other intangible assets (B)	63,630	31,161
	102,363	63,277

(A) Software and licenses

Cost

	SAR'000
Balance as at 31 December 2017 (Audited)	50,499
Additions	6,351
Transfers from projects and buses in progress (note 8)	7,509
Balance as at 31 December 2018 (Audited)	64,359
Transfers from projects and buses in progress (note 8)	8,240
Balance as at 31 March 2019 (Unaudited)	72,599

Accumulated amortization

Balance as at 31 December 2017 (Audited)	26,439
Additions	5,804
Balance as at 31 December 2018 (Audited)	32,243
Additions	1,623
Balance as at 31 March 2019 (Unaudited)	33,866

Net book values

As at 31 March 2019 (Unaudited)	38,733
As at 31 December 2018 (Audited)	32,116

Amortization for the period allocated as follows:

	For the three months ended 31 March	
	2019	2018
	SAR'000	SAR'000
	(Unaudited)	(Unaudited)
Cost of revenues	1,105	727
Administrative expenses	518	195
	1,623	922

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9 INTANGIBLE ASSETS (continued)

(B) Other intangible assets

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

10 INVESTMENT PROPERTIES

The Group's investment properties consist of lands in the Kingdom of Saudi Arabia amounting to SAR 307.12 million as at 31 March 2019 and 31 December 2018. Management has intentions to hold these properties for the purposes of capital appreciation and these properties are carried at cost less impairment losses, if any.

The fair value of investment property was determined by accredited independent property valuers. Some lands were valued by "Olaat Valuation Company" license number (1210000397), and other lands were valued by "Bussma Company & Partner" license number (1210000448), having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provides the fair value of the Group's investment property portfolio on an annual basis or as and when required by management. The recent fair valuation was performed as at 31 December 2018, and they have determined the fair value to be SAR 415 million.

The fair values of the aforementioned investment properties were determined using the market approach which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets and adjusted to reflect differences on size, location, frontage/visibility, view and utilisation (Level 3 - Significant unobservable inputs).

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

11 INVESTMENT IN ASSOCIATES AND A JOINT VENTURE

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
Interest in joint venture (A)	140,548	114,636
Interest in an associate CAMCO (B)	-	-
Interest in an associate Saudi Bahraini Transport Company (C)	-	-
	<u>140,548</u>	<u>114,636</u>

(A) Movement in the investment in joint venture during the period/year was as follows:

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
At the beginning of the period/year	114,636	71,855
Share of profits for the period/year	25,912	42,781
At the end of the period/year	<u>140,548</u>	<u>114,636</u>

Saudi Emirates Integrated Transport Group ("SEITCO") is a joint venture in which the Group has joint control and a 50% ownership interest. SEITCO is engaged in providing transport activities to various education institutes within the Kingdom of Saudi Arabia. In accordance with the articles of association of SEITCO, the Group and the other investor in the joint venture have agreed to distribute profits after deduction of statutory reserves in proportion of their capital structure which is currently at 50% each respectively.

The Group's interest in SEITCO is accounted for using the equity method in the interim condensed consolidated financial statements based on SEITCO's financial statements.

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11 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURE (continued)

(B) Movement in the investment in an associate during the period/year was as follows:

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
At the beginning of the period/year	(4,695)	-
Investment during the period/year	-	3,600
Share of profits (loss) for the period/year	25	(8,295)
At the end of the period/year	<u>(4,670)</u>	<u>(4,695)</u>

On 2 Rabea Al Awal 1439H (corresponding to 20 November 2017), the Saudi Public Transport Company decided to enter as a new partner in Capital Metro Company Limited (CAMCO) through an acquisition of 3,600 new shares issued by CAMCO amounting of SAR 3,600 thousand 20% of the company's capital. The contribution to the Company's capital was fulfilled on 24 Rabi Thani 1439H (corresponding to 11 January 2018)

CAMCO is an associate and was established in accordance with the Saudi Regulations with a capital of SAR 18 million divided into 18,000 shares, each of which is SAR 1,000. The purpose of the company is for the purpose of construction work and maintenance of roads.

The Group accounts for its investment in CAMCO using the equity method. CAMCO has not started its operations yet.

The negative investment has been classified in current liabilities as provision against loss in an associate under accrued expenses as the Company has guaranteed the obligation of the associated company.

(C) Balance of the investment in an associate during the period/year was as follows:

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
At the beginning of the period/year	7,459	7,459
Less: provision for impairment of investment	(7,459)	(7,459)
At the end of the period/year	<u>-</u>	<u>-</u>

The Group has a 40% interest in Saudi Bahraini Transport Company, a limited liability Company registered in the Kingdom of Saudi Arabia. The Group's interest in the associate is accounted for using the equity method in the consolidated financial statements. The audited financial statement for the associate have not issued since 2014 to 2017 until the date of preparing the interim condensed consolidated financial statements. On 31 December 2015, the Partner's Extraordinary General Assembly of Saudi Bahraini Transport Company agreed on dissolving and liquidation of the Company and nominating a liquidator. Accordingly, a provision has been made for the investment in full, as the Group is unable to estimate the recoverable amount of this investment.

12 INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AS FVOCI

Investments classified as fair value through other comprehensive income "FVOCI" include financial assets that are invested in equity shares of companies. The Group considers these investments to be strategic in nature. Fair values of these quoted securities are determined by reference to published price quotations in an active market.

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
At the beginning of the period / year	77,869	117,729
Additions	-	5,754
Disposal	(1,350)	(52,444)
Movements due to changes in fair value	10,317	6,830
At the end of the period/year	<u>86,836</u>	<u>77,869</u>

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12 INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AS FVOCI (continued)

Movement in fair values of equity instruments during the period/year

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
At the beginning of the period/year	(18,502)	(26,982)
Change in fair value	10,317	6,830
Transfer of realized loss from investment revaluation reserve to retained earnings	-	1,650
At the end of the period/year	<u>(8,185)</u>	<u>(18,502)</u>

13 TRADE RECEIVABLES, UNBILLED RECEIVABLES AND OTHER RECEIVABLES

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
Trade receivables:		
Government and quasi government institutions	124,544	113,435
Private sector	45,526	71,674
Total trade receivable	<u>170,070</u>	<u>185,109</u>
Less: allowance for impairment	<u>(32,333)</u>	<u>(32,333)</u>
Trade receivable, net	137,737	152,776
Unbilled receivables – current portion	195,859	195,880
Employees receivables	3,208	5,616
Trade and other receivables, net	<u>336,804</u>	<u>354,272</u>
Unbilled receivables – non-current portion	<u>579,376</u>	<u>338,164</u>

The Group's receivables are generally non-interest bearing and are recovered within 90 days. On 31 March 2019, trade receivables with an initial carrying amount of SAR 32.3 million SR (31 December 2018: SAR 32.3 million) were impaired and are fully provided.

Movement in allowance for impairment as follows:

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
At the beginning of the period/year	32,333	32,801
Charge for the period/year	-	1,429
Written off for the period/year	-	(1,897)
At the end of the period/year	<u>32,333</u>	<u>32,333</u>

14 ISSUED CAPITAL

The Group's share capital at 31 March 2019 amounted to SAR 1,250 million (31 December 2018 SAR 1,250 million), consisting of 125 million (31 December 2018: 125 million, fully paid and issued shares of SAR 10 each).

15 STATUTORY RESERVE

In accordance with Saudi Arabian Companies law and Company's By-Laws, the Group must transfer 10% of its net income in each year to the statutory reserve. As per the Company's By-Laws, the Company may resolve to discontinue such transfers when the reserve equals 30% of the capital. The reserve is not available for distribution.

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16 CONSENSUAL RESERVE

In accordance with the Company's By-Laws, the Company shall transfer 5% from the net income for the year to the consensual reserve until this reserve equals 25% of the share capital. This reserve may be used for purposes authorized by the Board of Directors. Board of Directors did not suggest this transfer during 2017.

17 MURABAHA FINANCING

A) Long-term loan

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
Murabaha financing	292,458	345,455
Less: Current portion	(155,036)	(180,706)
Non-current portion	137,422	164,749

The Company has entered into borrowing arrangements with banks for Murabaha facilities. These loans have been availed during the period from 2013 to 2018 with an overall maturity of three to five years from the date of loan agreement and are secured by promissory notes bearing prevailing commission rates in the market. The Group has obtained these loans in order to finance its procurement of buses.

B) Short-term loan

During the year 2018, the subsidiary obtained credit facilities from a local commercial bank amounted to SAR 49.9 million in the form of a Murabaha loan to financing bus purchase, during the current period the subsidiary also obtained credit facilities from a local commercial bank amounted to SAR 385 million in the form of a Murabaha loan to financing bus purchase. These facilities are secured by note. The loan agreement was signed on 20 May 2018.

18 EMPLOYEES' TERMINATION BENEFITS – DEFINED BENEFIT PLAN

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
Opening balance - present value of defined benefit obligation at the beginning of the period/year	157,488	152,417
Current service cost during the period/year	1,804	12,656
Benefits paid during the period/year	(24,549)	(12,770)
Interest cost during the period/year	1,578	5,476
Re-measurement of defined benefit obligation during the period/year	(4,982)	(291)
Closing balance - present value of defined benefit obligation during the period/year	131,339	157,488

Employee benefit expenses

	For the three months ended 31 March	
	2019 SAR'000 (Unaudited)	2018 SAR'000 (Unaudited)
Current service cost	1,804	5,342
Interest cost on benefit obligation	1,579	1,420
Total benefit expenses	3,383	6,762

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18 EMPLOYEES' TERMINATION BENEFITS – DEFINED BENEFIT PLAN (continued)

Re-measurement (gains) losses recognised in other comprehensive income:

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
Re-measurement (gains) losses on defined benefit obligation:		
Financial assumptions	4,808	4,177
Demographic assumptions	-	-
Experience adjustments	(9,790)	(4,468)
Total re-measurement recognised in other comprehensive income	(4,982)	(291)

Defined benefit obligation

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
Non-current - end of service benefits	131,339	157,563
Current - other employee benefits	37,881	40,533
Total employee benefit obligation	169,220	198,096

The significant assumptions used in determining end of service benefits are shown below:

Key Actuarial assumptions

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
Financial assumptions:		
- Discount rate for present value of defined benefit obligation	4.20%	4.35%
- Discount rate for expenses in the consolidated income statement	3.75%	3.75%
- Salary increase rate	3.00%	3.50%
- Withdrawal rate	Moderate	Moderate
Demographic assumptions:		
- Retirement age	60 years	60 years
- Withdrawal rates:		
A) Service up to 6 years	10.50%	10.50%
B) Service from 7 to 25 years	7.50%	7.50%
C) Service more than 25 years	3%	3%

The mortality rate used is the Group's reinsurance mortality rate. The average rate for the next year is 0.36%.

19 ADVANCE PAYMENT FROM A CUSTOMER

During the year 2015, Public Transportation Company received an amount of SAR 471 million as an advance payment for executing King Abdulaziz project for buses public transport in Riyadh. The advance payment represents 6% of the total contract value.

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20 DEFERRED REVENUE

	31 March 2019 SAR'000 (Unaudited)	31 December 2018 SAR'000 (Audited)
Passengers unearned ticket revenues	14,665	12,594
Deferred capital income	8,466	8,734
Deferred guarantee commission	417	362
	23,548	21,690
Current	16,123	14,008
Non-current	7,425	7,682
	23,548	21,690

21 RELATED PARTY TRANSACTIONS AND BALANCES

		Finance income* SR'000	Investment SR'000	Share in earnings SR'000	Purchase of buses SR'000	Services provided SR'000	Buses Rentals SR'000	Amounts owed from related parties SR'000
Joint ventures:								
Saudi Emirates Intergrated Transport Company (SEETCO)	31 March 2019 (Unaudited)	40	-	25,912	-	549	-	75,619
	31 December 2018 (Audited)	502	-	42,781	761	1,977	(4,781)	75,030
Associate:								
Capital Metro Company Ltd (CAMCO)	31 March 2019 (Unaudited)	-	-	25	-	-	-	-
	31 December 2018 (Audited)	-	3,600	(8,295)	-	-	-	-
Due to non-controlling interests of the subsidiary:								
RATP Development (a French company)	31 March 2019 (Unaudited)	-	-	-	-	3,503	-	3,051
	31 December 2018 (Audited)	-	-	-	-	8,156	-	10,832
RATP Dev Saudi Arabia LLC	31 March 2019 (Unaudited)	-	-	-	-	7,795	-	2,841
	31 December 2018 (Audited)	-	-	-	-	32,584	-	2,616
Total amounts due to non-controlling interests of the subsidiary	31 March 2019 (Unaudited)	-	-	-	-	-	-	5,982
	31 December 2018 (Audited)	-	-	-	-	-	-	13,448

Subsidiary, associate and joint venture (continued)

*During 2014, the Company has funded the operations of the Saudi Emirates Integrated Transport Co., Ltd. ("SEITCO") with an amount of SAR 30 million. This amount is not subject to any interest and is repayable within four years effective from July 2015 SEITCO has paid SAR 1.9 million. During the year, the partners agreed to reschedule the payments starting from January 2020. These loans are recorded at fair value based on market rate of interest. The unwinding effect of income on such loans has been taken to the consolidated statement of income.

In addition, during 2016, the Company has provided an additional finance amounting to SAR 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.

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21 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Group

	For the three months ended 31 March	
	2019 SAR'000 (Unaudited)	2018 SAR'000 (Unaudited)
<i>Transactions with key management personnel</i>		
Board and committees expenses, rewards and allowances	487	523
Compensation of key management personnel of the Group (*)	2,662	2,473

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

	For the three months ended 31 March	
	2019 SAR'000 (Unaudited)	2018 SAR'000 (Unaudited)
Short-term employee benefits		
Post-employment benefits	2,540	2,356
	122	117
Total compensation paid to key management personnel	2,662	2,473

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

22 SEGMENT INFORMATION

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 inter and intra city transport inside and outside the Kingdom of Saudi Arabia, as well as international transport services. It also includes the cargo operations. This is considered the major segment of the Group.

Contracts and leasing - 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 Group, which is engaged in execution of King Abdul-Aziz Project for Public Transport in Riyadh, as stated in note (1).

Head Office - Includes the Head Quarter of the Group, 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 criteria for presenting the revenues and expenses for the segments.

The activities of the Group and its subsidiaries 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.

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22 SEGMENT INFORMATION (continued)

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 net income and is measured consistently with the interim condensed consolidated statement of income in the interim condensed consolidated financial statements.

The Group has no significant customer that contributes 10% or more except some governmental agencies in which in aggregate more than 10% to the revenue of the Group at the periods ended 31 March 2019 and 2018 respectively.

Group revenues are affected by seasons with high operating rates, these seasons are in the period of Hajj and the summer leaves and the holy month of Ramadan and public holidays.

The following selected financial data for these segments is as follows:

Three months ended 31 March 2019 (Unaudited)	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total revenues (note 4)	141,033	54,842	-	215,183	411,058	-	411,058
Cost of revenue	(132,124)	(81,580)	-	(207,388)	(421,092)	5,734	(415,358)
Gross profit (loss)	8,909	(26,738)	-	7,795	(10,034)	5,734	(4,300)
Finance income	-	-	427	-	427	-	427
Finance costs	-	-	(2,492)	(4,231)	(6,723)	-	(6,723)
Share of profit of joint venture	-	-	25,912	-	25,912	-	25,912
Share of profit of associate	-	-	25	-	25	-	25
(Loss) profit before zakat and income tax	(1,536)	(29,428)	21,668	1,929	(7,367)	588	(6,778)
Three months ended 31 March 2018 (Unaudited)	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total revenues (note 4)	144,484	61,201	-	28,494	234,179	-	234,179
Cost of revenue	(141,629)	(70,404)	-	(23,984)	(236,017)	4,879	(231,138)
Gross (loss) profit	2,855	(9,203)	-	4,510	(1,838)	4,879	3,041
Finance income	-	-	771	989	1,760	-	1,760
Finance costs	-	-	(2,461)	(913)	(3,374)	-	(3,374)
Share of profit of joint venture	-	-	18,669	-	18,669	-	18,669
Share of profit of associate	-	-	-	-	-	-	-
(Loss) profit before zakat and income tax	(11,559)	(16,302)	25,712	3,323	1,174	(176)	998

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22 SEGMENT INFORMATION (continued)

<i>At 31 March 2019 (Unaudited)</i>	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total assets	600,574	891,695	845,200	962,520	3,299,989	(10,670)	3,284,319
Total liabilities	252,009	337,435	158,333	944,959	1,692,736	(6,453)	1,686,283
Other information:							
Property, machinery and equipment, net (Note 8)	466,130	755,538	91,441	2,401	1,315,510	-	1,315,510
Investments in an associate and a joint venture (Note 11)	-	-	149,767	-	149,767	(9,219)	140,548
<i>At 1 December 2018 (Audited)</i>	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total assets	753,999	847,608	819,876	705,422	3,126,905	(19,493)	3,107,412
Total liabilities	363,042	291,018	181,312	687,576	1,522,948	(8,305)	1,514,643
Other information:							
Property, machinery and equipment, net (Note 8)	573,084	686,878	90,264	1,787	1,352,013	-	1,352,013
Investments in an associate and a joint venture (Note 11)	-	-	125,825	-	125,825	(11,189)	114,636

23 FINANCIAL INSTRUMENTS - FAIR VALUES

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

The management assessed 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 assessed that the carrying value of fixed and variable rate of Murabaha financing and term loans 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 values 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.

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23 FINANCIAL INSTRUMENTS - FAIR VALUES (continued)

Fair value hierarchy

31 March 2019 (Unaudited)	Carrying value SAR'000	Level 1 SAR'000	Level 2 SAR'000	Level 3 SAR'000	Fair value total SAR'000
Measured at fair value:					
Investments in equity instruments designated as at FVOCI	86,836	86,836	-	-	86,836
31 December 2018 (Audited)					
Measured at fair value:					
Investments in equity instruments designated as at FVOCI	77,869	77,869	-	-	77,869

There were no transfers between levels of fair value measurements in 2019 and 2018. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

24 CAPITAL COMMITMENTS AND CONTINGENCIES

A) Contingencies

As at 31 March 2019, the Group's bankers have issued, on its behalf during the normal course of business, guarantees and acceptances limited to SAR 904.27 million (31 December 2018: SAR 912.79 million).

B) Capital commitments

The Group also has capital commitments of SAR 83 million to purchase 200 new buses and are expected to be delivered during the year 2019.

C) The Group has contingent liabilities from time to time relating to certain disputed matters, including claims against and against contractors, litigation and arbitration proceedings involving a variety of issues. Where these potential obligations arose in the normal course of business. No significant commitments are expected 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 finalized and agreed with the Grantor. Management believes the outcome of these discussions will be, to a large extent, in favor of the company.

25 DIVIDENDS

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

The Ordinary General Assembly approved in its meeting held on 28 Jumada Althani 1438H (Corresponding to 29 March 2018) the Board of Directors' recommendation to distribute cash dividends amounting SAR 62.5 million (SR 0.50 per share) for the financial year 2017 and the payment of Board of Directors' remuneration of SAR 1.8 million.

26 VOLUNTARY END OF SERVICE BENEFITS

During the current period, a total amount of SAR 19.4 million was paid in relation to the voluntary end of service benefits of 371 employees, in addition to the allowance made as end of service indemnities, where the employees voluntarily accepted the benefits of the end of service offers based on the Company's approved strategic plan (2019-2023), which includes carrying out strategic transformation through several strategic initiatives and determining the optimal human resources.

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26 VOLUNTARY END OF SERVICE BENEFITS (continued)

During the period, expenses amounting to SAR 19.4 million were recognised in the interim condensed consolidated statement of income, distributed as follows: SAR 18.2 million recognised as cost of revenues, and SAR 1.2 million recognised as administrative expenses.

The Company's strategic plan includes implementation of several initiatives that are expected to result in positive outcomes in the upcoming periods. The strategic plan consists of carrying out the Company's strategic transformation programs, and developing structures, plans and initiatives to reduce general expenses and develop operating business units, enabling the Company to achieve its operational and investments objectives.

27 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorized to issue by the Board of Directors on 25 Sha'aban 1440H (corresponding to 30 April 2019).