

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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FOR THE YEAR ENDED 31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Saudi Public Transport Company (the "Company") – A Saudi Joint Stock Company – and its Subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of property, plant and equipment</p> <p>The property, plant and equipment of the Group represent a significant part of the total assets, 44% of the total assets of the Group for an amount of SR 1,352 million. It include property, plant, equipment, buses and trucks.</p> <p>The carrying values of these assets are reviewed annually by management for potential indicators of impairment. For assets where such indicators exist, management performs detailed impairment reviews, taking into account, the impact of revenue assumptions and technical factors which may affect the expected remaining useful lives and carrying value of the assets.</p> <p>As part of the Group process to review the indication of impairment of its assets, the management considers internal and external factors, such as the following:</p> <ul style="list-style-type: none"> • observable indications that the asset's values have significantly declined • significant changes with an adverse effect on the Group, in the technological, market, economic or legal environment in which the Group operates • evidence is available of obsolescence or physical damage of the assets 	<p>The procedures we performed included, among others, the following:</p> <ul style="list-style-type: none"> • Assessed the design and effectiveness of the management's process to determine whether impairment indications exist or not. • Obtained and reviewed the management report that relates to the assessment of impairment of the Group's assets. • Reviewed the assets' inspection reports that are prepared by the Group's Technical Department, to assess the physical condition of the assets. • Reviewed internal reports (including Board of Directors minutes of meetings) to consider any future plans for the assets. • Reviewed the operating profit and loss statement for each operating segment during the year. • Evaluated the objectivity, independence and expertise of the external appraisal firms, including the appropriateness of the information and assumptions used in the valuations, where these have been used by the external appraisal firms. • Analyzed the results of the valuation process and the factors that determine the valuations were discussed with the Group's Management and the accredited independent valuer.

INDEPENDENT AUDITOR'S REPORT (continued)

To the shareholders of Saudi Public Transport Company

(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none"> significant changes with an adverse effect to the assets, which include the assets becoming idle, plans to discontinue its operation and plans to dispose of an asset reassessment of the useful lives of the assets operating loss of the assets <p>The assessment of annual impairment can involve a significant degree of management judgement in determining the key assumptions such as expected revenue levels.</p> <p>We considered this as a key audit matter, since the assessment of impairment indicators requires a significant degree of judgment by management in considering external and internal factors. Also, the potential impairment, if exists, could have material impact to the consolidated financial position and results of operation of the Group.</p> <p><i>Refer to Note 2 to the consolidated financial statements for the accounting policy that relate to impairment of non-financial assets, Note 3 for significant accounting estimates and judgements and Note 11 for the disclosure of property, plant and equipment.</i></p>	

INDEPENDENT AUDITOR'S REPORT (continued)
To the shareholders of Saudi Public Transport Company
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>As at 31 December 2018, the Group's operating revenue was SR 1,455 million. Passenger and cargo sales are recognized as revenue when the related transportation service is provided. As an advance collected against future transportation services, the value of the sales for which the related transportation service has not yet been provided at the end of the reporting period is recorded as unearned transportation revenue in the consolidated statement of financial position.</p> <p>The Group has selected to early adopt IFRS 15. The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met: a) the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date; b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or c) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.</p> <p>For performance obligations where one of the conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied. When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.</p>	<p>Our audit procedures to assess revenue recognition included the following:</p> <ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of management's processes for automated controls and key application controls which govern revenue recognition, including access controls, controls over program changes, interfaces between different systems and key manual internal controls over revenue recognition; • performing analytical procedures on revenue and unearned transportation revenue by developing an expectation for each type of revenue using independent inputs and information generated from the Group's IT systems and comparing such expectations with recorded revenue; • inspecting underlying documentation for any journal entries which were considered to be material or met other specified risk-based criteria on a sample basis; • Inspecting the key terms and conditions of contracts with major customers on a sample basis to assess if there were any terms and conditions that may have affected the accounting treatment of the contracts revenue.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>We identified revenue recognition as a key audit matter because it requires the management to exercise judgement over the appropriateness of the accounting treatment for each individual part of the contract or arrangement.</p> <p><i>Refer to Note 2 to the consolidated financial statements for the accounting policy that relates to revenue, Note 3 for significant accounting estimates and judgements and Note 4 for the disclosure of revenues.</i></p>	

Other information included in The Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2018 annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2018 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young

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

Riyadh: 5 Rajab 1440H
(12 March 2019)



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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	2018 SR'000	2017 SR'000
Revenues	4	1,455,453	1,127,530
Cost of revenues	5	<u>(1,283,520)</u>	<u>(955,998)</u>
Gross profit		171,933	171,532
Selling and distribution expenses	6	(33,570)	(32,258)
Administrative expenses	7	(117,774)	(100,925)
Impairment loss for assets held for sale	20	<u>(27,478)</u>	<u>-</u>
(Loss) operating income		(6,889)	38,349
Share of profit of joint venture	14	42,781	43,314
Share of loss of an associate	14	(8,295)	-
Finance income	19,30	3,673	9,273
Finance costs	24	(20,228)	(19,146)
Other income	8	<u>24,686</u>	<u>22,120</u>
Income before zakat and income tax		35,728	93,910
Zakat and income tax	9	<u>(12,795)</u>	<u>(12,173)</u>
Income for the year		<u>22,933</u>	<u>81,737</u>
Income for the year attributable to:			
- Equity holders of the parent company		20,415	78,910
- Non-controlling interests		<u>2,518</u>	<u>2,827</u>
		<u>22,933</u>	<u>81,737</u>
Earnings per share (in Saudi Riyals):			
Basic and diluted, from the income for the year attributable to equity holders of the parent company	10	0.16	0.63

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 SR'000	2017 SR'000
Income for the year		<u>22,933</u>	<u>81,737</u>
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to the consolidated statement of income in subsequent periods:</i>			
Re-measurement gains (losses) on defined benefits liability	25	291	(2,933)
Net cumulative change in fair value of investments classified as fair value through other comprehensive income "FVOCI"	15	<u>6,830</u>	<u>3,177</u>
Total other comprehensive income for the year		<u>7,121</u>	<u>244</u>
Total comprehensive income for the year		<u><u>30,054</u></u>	<u><u>81,981</u></u>
Total comprehensive income for the year attributable to:			
Equity holders of the parent company		27,536	79,154
Non-controlling interests		<u>2,518</u>	<u>2,827</u>
		<u><u>30,054</u></u>	<u><u>81,981</u></u>

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018 SR'000	31 December 2017 SR'000
Assets			
Non-current assets			
Property, plant and equipment	11	1,352,013	1,395,901
Intangible assets	12	63,277	24,060
Investment properties	13	307,122	307,122
Due from a related party – non-current portion	30	27,939	20,040
Investments in associates and a joint venture	14	114,636	71,855
Investments in equity instruments designated as at FVOCI	15	77,869	117,729
Unbilled receivable – non-current portion	17	338,164	-
Other non-current assets		6,942	7,760
Total non-current assets		2,287,962	1,944,467
Current assets			
Inventories	16	41,847	48,213
Trade receivables, unbilled receivables and other receivables	17	354,272	254,836
Due from a related party – current portion	30	47,091	52,497
Prepayments and other current assets	18	120,392	34,364
Cash and cash equivalents	19	241,848	574,285
		805,450	964,195
Assets held for sale	20	14,000	-
Total current assets		819,450	964,195
Total assets		3,107,412	2,908,662
Equity and liabilities			
Equity			
Issued capital	21	1,250,000	1,250,000
Statutory reserve	22	179,939	177,897
Consensual reserve	23	42,730	42,730
Investments revaluation reserve	15	(18,502)	(26,982)
Retained earnings		130,562	176,048
Equity attributable to equity holders of the parent company		1,584,729	1,619,693
Non-controlling interests	32	8,040	5,522
Total equity		1,592,769	1,625,215
Non-current liabilities			
Murabaha financing – non-current portion	24	164,749	171,575
Employees' defined benefits obligation	25	157,488	152,417
Advance from a customer – non-current portion	26	420,609	449,421
Deferred revenues - non-current portion	27	7,682	5,024
Total non-current liabilities		750,528	778,437
Current liabilities			
Murabaha financing - current portion	24	180,706	186,574
Murabaha financing – short term	24	49,995	-
Trade and other payables	28	322,577	159,026
Due to non-controlling interests of the subsidiary	30	13,448	4,879
Accrued expenses and other liabilities	29	125,055	114,302
Deferred revenues - current portion	27	14,008	12,589
Advance from a customer – current portion	26	38,897	10,085
Zakat and income tax payable	9	19,429	17,555
Total current liabilities		764,115	505,010
Total liabilities		1,514,643	1,283,447
Total equity and liabilities		3,107,412	2,908,662

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributed to equity holders of the parent company							
	Issued capital	Statutory reserve	Consensual reserve	Investments revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
As at 31 December 2017	1,250,000	177,897	42,730	(26,982)	176,048	1,619,693	5,522	1,625,215
Income for the year	-	-	-	-	20,415	20,415	2,518	22,933
Other comprehensive income for the year	-	-	-	6,830	291	7,121	-	7,121
Total comprehensive income	-	-	-	6,830	20,706	27,536	2,518	30,054
Transfer to statutory reserve	-	2,042	-	-	(2,042)	-	-	-
Dividends (Note 36)	-	-	-	-	(62,500)	(62,500)	-	(62,500)
Transfer of investment revaluation reserve (Note 15)	-	-	-	1,650	(1,650)	-	-	-
At 31 December 2018	1,250,000	179,939	42,730	(18,502)	130,562	1,584,729	8,040	1,592,769
	Issued capital	Statutory reserve	Consensual reserve	Investments revaluation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
As at 1 January 2017	1,250,000	170,006	42,730	(30,159)	170,462	1,603,039	2,695	1,605,734
Income for the year	-	-	-	-	78,910	78,910	2,827	81,737
Other comprehensive income for the year	-	-	-	3,177	(2,933)	244	-	244
Total comprehensive income	-	-	-	3,177	75,977	79,154	2,827	81,981
Transfer to statutory reserve	-	7,891	-	-	(7,891)	-	-	-
Dividends (Note 36)	-	-	-	-	(62,500)	(62,500)	-	(62,500)
At 31 December 2017	1,250,000	177,897	42,730	(26,982)	176,048	1,619,693	5,522	1,625,215

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 SR'000	2017 SR'000
OPERATING ACTIVITIES			
Income before zakat and tax		35,728	93,910
<i>Adjustments to reconcile income before zakat to net cash flows:</i>			
Depreciation and amortization	11,12	193,742	188,337
Impairment of trade and other receivables	18,17	2,068	-
Impairment of assets held for sale	20	27,478	-
Allowance for impairment of slow-moving inventories	16	2,285	-
Share of profit of a joint venture	14	(42,781)	(43,314)
Share of loss of an associate	14	8,295	-
Amortization of deferred revenues	27	(396)	(417)
Finance costs	24	818	1,336
Finance income	30	(3,673)	(2,315)
Employee's defined benefits obligation	25	18,132	15,437
Gains on sale of property, plant and equipment	11	(9,423)	(3,152)
		<u>232,273</u>	<u>249,822</u>
<i>Working capital adjustments:</i>			
Inventories, net	16	4,081	1,672
Trade receivables, unbilled receivables and other receivables	17	(439,029)	(63,816)
Amounts due from a related party	30	(2,493)	(585)
Prepayments and other current assets	18	(86,667)	598
Trade and other payables	28	163,551	(17,390)
Due to non-controlling interests of the subsidiary	30	5,953	(20,036)
Accrued expenses and other liabilities	29	6,320	15,627
Due to a related party		2,616	-
Deferred revenues	27	8,146	3,397
Cash flows from operations		<u>(105,249)</u>	<u>169,289</u>
Zakat and income tax paid	9	(10,921)	(11,913)
Employees' benefits paid	25	(12,770)	(11,338)
Net cash flows (used in) from operating activities		<u>(128,940)</u>	<u>146,038</u>
INVESTING ACTIVITIES			
Investments in Murabaha deposits		-	101,492
Investment in an associate		(3,600)	-
Proceeds from sale of assets held for sale		7,914	-
Movement in investments in equity instruments designated as at FVOCI	15	39,860	-
Proceeds from sale of property, plant and equipment	11	46,919	17,507
Purchase of intangible assets	11,12	(45,021)	-
Purchase of property, plant and equipment	11	(224,369)	(405,797)
Net cash flows used in investing activities		<u>(178,297)</u>	<u>(286,798)</u>
FINANCING ACTIVITIES			
Proceeds from Murabaha financing	24	248,093	285,913
Repayment of Murabaha financing	24	(210,793)	(175,655)
Dividends paid	36	(62,500)	(62,500)
Net cash flows (used in) from financing activities		<u>(25,200)</u>	<u>47,758</u>
Net decrease in cash and cash equivalents		<u>(332,437)</u>	<u>(93,002)</u>
Cash and cash equivalents at 1 January		574,285	667,287
Cash and cash equivalents at 31 December	19	<u>241,848</u>	<u>574,285</u>
SIGNIFICANT NON-CASH TRANSACTIONS:			
Gains (losses) due to re-measurement of employees' defined benefits liabilities	25	291	(2,933)
Change in fair value of investments in equity instruments designated as FVOCI	15	<u>6,830</u>	<u>3,177</u>

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

1. CORPORATE INFORMATION

Saudi Public Transport Company (the "Company", "SAPTCO", or the "Parent Company") is a Saudi Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia ("KSA") and formed under the Royal Decree No. M/11 dated on 7 Rabi Al-Awwal 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 issued on 5 Ramadan 1399H (corresponding to 29 July 1979). The Parent Company's registered office is located at 242, Prince Abdulaziz Ibn Musaid Ibn Al-Jalawi St. (Al-Dabab St.), Al Sulimaniyah, P.O.Box 10667, Riyadh 11443, Kingdom of Saudi Arabia.

The principal activities of the Company in passenger's buses transport both intra and inter-city throughout and outside the Kingdom of Saudi Arabia, as well as transfer of non-postal parcels, cargo, school transport, teachers transport, car rental and private transport, operating and maintaining of trains, metros, motor vehicles and trucks, organising tours, transporting pilgrims and visitors inside and outside of the Kingdom of Saudi Arabia and importing spare parts and chemical detergents of vehicles.

A Royal Decree No. (M/48) dated 22 Thul-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 Al-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-Ula 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) approval for 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 Thul-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 Thul-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 shall then disclose the implications of the terms and conditions of the franchise contract signed between the Government and the Company in light of the option to be adopted by the competent authorities after the end of the franchise period.

On 24 Jumada Al-Ula 1438H (corresponding to 21 February 2017), the Company's By-Laws was amended in order to comply with the requirements of the new Company's law and other changes (Notes 22,23).

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

Subsidiary	Year of incorporation	Ownership interest		Principal Activity	Country of Incorporation
		31 December 2018	31 December 2017		
Public Transportation Company ("PTC")	2014	80%	80%	Executing King Abdulaziz Project for Public Transport in Riyadh	Kingdom of Saudi Arabia

Public Transportation Company ("PTC") is a Limited Liability Company registered in Riyadh, the Kingdom of Saudi Arabia under commercial registration number 1010429250 dated 8 Rabi'e Al-Awwal 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 (SAGIA) No. 10608351147347 dated on 8 Thul-Qadah 1435H (corresponding to 4 September 2014).

Saudi Public Transport Company and its Subsidiary
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2018

1 CORPORATE INFORMATION (continued)

The Company has also the following investments in an associate and a joint venture.

Investment in an associate and a joint venture	Relationship	% of shareholding		Principal Activity	Country of Incorporation
		31 December 2018	31 December 2017		
Saudi Bahraini Transport Company*	Associate	40%	40%	Transportation activities	Kingdom of Saudi Arabia
Capital Metro Company Limited	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

BASIS OF PREPARATION

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

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

These 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.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2018. 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 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.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

Investment in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associates or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
 - Held primarily for the purpose of trading.
 - Expected to be realised within twelve months after the reporting period,
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
 - It is held primarily for the purpose of trading.
 - It is due to be settled within twelve months after the reporting period,
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Revenue recognition

IFRS 15 "Revenue from Contracts with Customers" was issued in May 2014 (corresponding to Rajab 1435H) and is effective for annual period commencing on or after 1 January 2018 (corresponding to 14 Rabi' e Al-Thani 1439H), with early adoption permitted. The Group has elected to early adopt IFRS 15 from its transition date, 1 January 2016.

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

IFRS 15 establishes a new five-step, model that will apply to revenue arising from contracts with customers as below:

Revenue from contracts with customers

- Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- a) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
- b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

a) Rendering of services

The Group is involved in providing transportation services inside and outside Kingdom of Saudi Arabia, as well as performing related services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on the standalone selling price basis between the different services.

Some tickets are not used for travel and cannot be refunded. This is often referred to as tickets breakage. If the Group expects to be entitled to breakage, then the estimated amount is recognised as revenue, to the extent it is highly probable that there will be no significant revenue reversal. However, if the Group cannot estimate this breakage with sufficient confidence that there will be no significant revenue reversal, then any related revenue is recognised only when the likelihood of the customer exercising its remaining rights becomes remote.

Revenue is recognised when services are rendered to the customers. Rent is recognised on straight line basis over the terms of respective agreements. Other income is recognised when earned.

The Group also provides a number of ancillary services either as part of ticket fare or at an extra charge e.g. extra baggage, WIFI services, meal arrangements, etc. The Group determines that these ancillary services are not distinct from the transportation services and hence accounts for its transportation services as a single performance obligation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

The Group also sells tickets on behalf of other companies through its stations. The Group has concluded that it acts as an agent in respect of such sales. Accordingly, revenue is recognised only to the extent of Group's commission on such sale.

The Group generates revenue from the following revenue streams:

- passenger transport
- transportation of cargo
- revenue sharing arrangements with international transport companies
- sales through government agencies
- Service concession arrangements with third parties

Revenue over time is recognised for each performance obligation by measuring progress towards satisfying the performance obligation. Any non-cash revenue is measured at its fair value, which, if cannot be reasonably estimated, is measured with reference to stand-alone selling price of goods or services promised to the customers in exchange for the consideration.

A contract modification exists when the parties to a contract approve a modification that creates new or changes existing rights and obligations of the parties to the contract. Revenue recognition under the existing contract is continued until the contract modification is approved.

b) Revenue from passenger transport

Revenue from passenger transport mainly includes cash collected from passengers at the time of purchase of tickets and is recognised based on the utilisation of tickets by passengers. A deferred revenue is recognised for tickets purchased in advance till the date of travel or expiry of tickets.

c) Revenue from transportation of cargo

Revenue is recognised at a point in time by reference to the satisfaction of performance obligation of the Group towards its customers. i.e. delivery of cargo to the designated location. Accordingly, revenue is recognised based on receipt of acknowledgement certificate of successful delivery of cargo at designated premises.

The cost of rebates and/or discounts provided to the customers is taken into account at the time of recognising revenue and revenue is recognised net of these variable considerations. The Group includes the variable considerations in the transaction price at the Group's best estimate. The estimated amount is recognised as revenue, to the extent it is highly probable that there will be no significant revenue reversal.

d) Revenue sharing arrangements with international companies

The Group has entered into revenue sharing contracts with International transport companies. Under this contract, the total combined revenue of the Group and the other Company earned during the month is shared equally between both the parties in accordance with respective contract terms. Any excess/short revenue booked earlier is adjusted on the date of settlement.

e) Sales through agencies

The Group acts as a principal in these arrangements. Accordingly, revenue is recognised on gross basis i.e., amount charged to the ultimate customer. The commission charged by the agencies is accounted for as expenses.

f) Service concession arrangement

The subsidiary Public Transportation Company ("PTC", "Operator") entered into a contract with Al Riyadh Development Authority ("ADA", "Grantor") on 20 November 2014 for executing King Abdul-Aziz Project for public transport in Riyadh. The contract period is twelve years. Under the arrangement, PTC will procure buses, construct depots, and manage operations (i.e. running of buses - transporting public in various transport lines) and management of transport lines for ADA. The contract is divided into two phases, i.e., mobilisation phase and operational phase. At the end of the concession period, the whole infrastructure along with other assets will become the property of the Grantor and the Group will have no further involvement in its operation or maintenance requirements. The rights of the Grantor to terminate the agreement include poor performance by the Operator and in the event of a material breach in the terms of the agreement.

Based on the arrangement with ADA, PTC has an unconditional right to receive cash during the mobilisation and operational period and it does not have any right to use the infrastructure to recover cash from public. The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash from the Grantor for the construction or upgrade services provided. Such financial assets are measured at fair value on initial recognition and classified as loans and receivables.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

f) Service concession arrangement (continued)

PTC does not recognise public service infrastructure (i.e. assets under the infrastructure) as its property, plant and equipment as PTC is considered to have a right of access rather than a right of use. Accordingly, expenses incurred during mobilisation period on existing or updated infrastructure are expensed out.

During the mobilisation phase, revenue is accounted for based on satisfaction of respective performance obligations within the contract. Revenue under the mobilisation phase is recognised using input method by applying a reasonable margin to the cost incurred upon satisfaction of related performance obligation.

In the operation phase, revenue under transportation services is recognised based on kilometers travelled as considered in the price chart. For other performance obligation under operation phase, revenue is recorded based on satisfaction of respective performance obligations within the contract.

g) Finance income

Finance income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of income.

h) Dividends distribution

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyal, which is also the parent company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Zakat

Zakat is provided for in accordance with the regulations of General Authority for Zakat and Tax (the "GAZT") in KSA. The provision for zakat is charged to consolidated statement of income. Any differences between the provision and the final assessment is recorded when the final assessment is approved.

Income tax

Non-Saudi based owners of the Group are subject to corporate income tax in the Kingdom of Saudi Arabia based on their share of the results, which is included as a current period expense in the consolidated statement of income.

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable income or loss; and

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date. Deferred tax relating to items outside the consolidated statement of income is recognised outside the consolidated statement of income. Deferred tax items are recognised in correlation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Withholding taxes

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required by Saudi Arabian Income tax Law.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

<u>Asset categories</u>	<u>Useful lives</u>
Buildings and buildings improvements	3-33 years
Buses, trucks and trailers	6 to 12 years
Plant and equipment	2 to 20 years
Furniture and fixtures	3 to 10 years
Motor vehicles	3 to 6 years

No depreciation is charged on land.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Project under construction is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalised on the related assets. This includes the cost of contractors, materials, services and capital advances.

Investment properties

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured initially at cost including transaction costs less any accumulated depreciation and any accumulated impairment losses.

Depreciation is charged on straight-line bases over the estimated useful lives. No depreciation is charged on land.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of income in the year of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Software

Intangible assets are carried at the historical cost less accumulated amortisation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Amortisation is charged to the statement of income, using the straight-line method to allocate the costs of the related assets less their residual values over the following estimated economic useful lives:

Software	10 years
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Borrowing costs

General and specific borrowing and murabaha financing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred in the consolidated statement of profit or loss.

Financial instruments

The Group has early adopted IFRS 9, *Financial Instruments* with a date of initial application of 1 January 2016 on a full retrospective transitional approach taking into consideration the exemption allowing it not to restate comparative information for prior year periods with respect to the changes resulting from the measurement of financial assets and financial liabilities.

IFRS 9 introduces requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and provides a new hedge accounting model. IFRS 9 requires all recognised financial assets to be measured at amortised cost or fair value in subsequent accounting periods following initial recognition.

Recognition

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the financial instrument.

Classification

From 1 January 2016, the Group classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value, either through other comprehensive income ("FVOCI") or through profit or loss ("FVTPL"); and ii) those to be measured at amortised cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortised cost unless they are designated as those to be measured subsequently at fair value through profit or loss (FVTPL). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Group reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Saudi Public Transport Company and its Subsidiary
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Group has implemented the following classifications:

Financial Statement Line	IFRS Classification
Investments in equity instruments designated as FVOCI	Fair Value through Other Comprehensive Income
Investments in Murabaha deposits	Amortised cost
Trade receivables, unbilled receivables, and other receivable	Amortised cost
Cash and cash equivalents	Amortised cost
Due from a related party	Amortised cost
Murabaha financing	Amortised cost
Trade and other payables	Amortised cost
Due to non-controlling interests of the subsidiary	Amortised cost

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the consolidated statement of income.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and profit on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through statement of comprehensive income (irrevocable election at the time of recognition).

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

Impairment

The Group assesses all information available, including on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward looking information.

For equity instruments measured at FVOCI, impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value in OCI and for debt instruments measured at FVOCI, impairment gains or losses are recognised in consolidated statement of income.

For trade and other receivable, due from related parties and cash and cash equivalent only, the Group recognises expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; rather, the Group recognises a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments. The probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Group measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Financial liabilities

Borrowings and Murabaha financing are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings and Murabaha financing are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of income over the period of the borrowings using the effective interest method.

Borrowings and Murabaha financing are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of income as other income or finance costs.

Borrowings and Murabaha financing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade payables and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured. Trade payables and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial guarantee contracts

The Group has given guarantees for indebtedness of its subsidiary and joint venture. As financial guarantees provided by the Group are for the subsidiary and joint venture, the Group does not charge any premium/commission in respect of these guarantees. Under IFRS 9, the Group is required to initially measure these guarantees at fair value. The fair value has been determined based on market data for similar nature of guarantee contracts. The fair value of financial guarantee on initial recognition reflects the life time expected credit losses at that time.

On the date of transition to IFRS, the Group has opted for deemed cost exemption in relation to its investments in associate and joint venture. Accordingly, any resulting gain / loss arising due to fair valuation of guarantees issued on behalf of group companies has been adjusted from retained earnings. Commission income on such group guarantees is amortised over the tenure of such guarantees.

Interest free loans to Group Companies

Loans to group companies at low or no interest are initially measured at their fair values. The present value of the future cash flows of these loans is discounted at a market interest rate - and the interest income is recognised subsequently under the effective interest rate method. Any difference between the amount lent and the fair value of the instrument on initial recognition is recognised as a gain or a loss unless it qualifies for recognition as an asset or a liability.

Saudi Public Transport Company and its Subsidiary
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 31 December 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are measured at the lower of cost and net realisable value with due allowance for any obsolete or slow moving items. Cost is determined using the weighted average method.

Cost includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Impairment of non-financial assets

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

Dividends

The Group recognises a liability to make cash or non-cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group.

As per the Companies Regulations of Saudi Arabia, final dividends are recognised as a liability at the time of their approval by the General Assembly. Dividends are recorded as and when approved by the Board of Directors. A corresponding amount is recognised directly in equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

The Group has defined benefit plans with General Organization for Social Insurance "GOSI" where the group and the employees contribute fixed percentage of their salary toward the retirement of its employees. The Group operates defined benefit plans, under the Saudi Arabian Labor Law based on employees' accumulated periods of service at the consolidated statements of financial position.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the year end in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date on which the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under "general and administrative expenses" in the consolidated statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- Net interest expense or income.

Government Grants

Government grants are recognized when there are reasonable assurances that the grant will be received, and that all the conditions pertaining thereto will be adhered to. When the government grant relates to an item of expenditure, it is recognized as revenue over the period to match the grant regularly with the costs to be compensated.

Assets held for sale

The Group classifies current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

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STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards, amendments to standards and interpretation, and standards issued and not yet effective

New standards, amendment to standards and interpretations

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

a. Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's financial statements

b. FRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation does not have any impact on the Group's financial statements.

c. Standards issued but not yet effective

Following are the new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; The Group has not early adopted these standards in preparing these consolidated financial statements.

a) IFRS 16 Leases

IFRS 16 introduces a single, on-statement of financial position lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including 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 is effective for periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the same election to all of its leases contracts. The Group plans to adopt IFRS 16 on 1 January 2019. The Group has not yet determined which transition approach to apply. As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

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

Under IFRS 9, a debt instrument can be measured at amortized 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 the 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.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the interim condensed financial statements of the Company.

Saudi Public Transport Company and its Subsidiary
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 31 December 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Use of estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. 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 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.

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 circumstance 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 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 31 December 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 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.

Contingent liabilities

As disclosed in Note 35 to these 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 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 31 December 2018

4 REVENUES

	2018 SR'000	2017 SR'000
Passenger transport	620,000	633,742
Revenue from King Abdulaziz Project for public transportation in Riyadh	403,646	76,730
Revenue from contracts and leasing	340,484	334,014
Government subsidy revenue (*)	47,199	-
Limo revenue	34,602	38,426
Transport cargo revenue	9,522	44,618
	<u>1,455,453</u>	<u>1,127,530</u>

(*) During the year, Ar-Riyadh Development Authority (Implementation and projects 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 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 (SR 36,505,676) is disbursed in equal monthly installments.

During the year, 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 (SR 20,132,728) is disbursed in equal monthly installments.

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

5 COST OF REVENUES

	2018 SR'000	2017 SR'000
Wages and salaries	415,968	409,808
Mobilization phase costs for King Abdulaziz Project for public transportation in Riyadh	349,020	35,517
Depreciation (Note 11)	185,318	180,877
Repairs and maintenance of buses	129,654	148,932
Contractual services	49,840	45,061
Visa and iqama fees	41,443	23,710
Rents	32,418	32,257
Property insurance expenses	24,794	15,276
Maintenance and general fees	21,248	24,229
Passenger services	11,797	20,641
Amortizations (Note 12)	4,037	3,678
Allowance for impairment of low-moving inventory	2,285	-
Other expenses	15,698	16,012
	<u>1,283,520</u>	<u>955,998</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 31 December 2018

6 SELLING AND DISTRIBUTION EXPENSES

	2018 SR'000	2017 SR'000
Domestic agents' commissions	24,877	24,437
International agents' commissions	2,681	3,624
Publicity and promotions	2,438	2,210
Allowance for impairment of trade receivable	2,000	-
Advertising	1,574	1,987
	<u>33,570</u>	<u>32,258</u>

7 ADMINISTRATIVE EXPENSES

	2018 SR'000	2017 SR'000
Wages and salaries	50,279	54,221
Management consultancy fees	24,358	10,764
Information technology services	22,290	12,302
Board and committees expenses, rewards and allowances (Note 30)	3,227	4,982
Depreciation (Note 11)	2,619	2,314
Rent	2,260	2,132
Internet and telephone expenses	2,087	3,636
Amortisation (Note 12)	1,767	1,468
Transportation and storage expenses	441	520
Maintenance expenses	111	1,870
Other expenses	8,335	6,716
	<u>117,774</u>	<u>100,925</u>

8 OTHER INCOME

	2018 SR'000	2017 SR'000
Gains on sale of property, plant and equipment	9,423	3,152
Recovery of written off accounts receivables	3,719	-
Rental income	3,550	4,007
Advertisement on intra-city transportation busses	2,001	1,855
Penalties on suppliers	1,240	1,734
Gains on sale of scrap	764	640
Settlement of insurance claims	731	7,671
Support from the Human Resources Development Fund	544	2,007
Other income	2,714	1,054
	<u>24,686</u>	<u>22,120</u>

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9 ZAKAT AND INCOME TAX

Zakat charge for the year

Zakat charge for the year is SR 12.3 million (31 December 2017: SR 11.6 million).

Movement in zakat provision during the year

The movement in zakat provision is as follows:

	31 December 2018 SR'000	31 December 2017 SR'000
At beginning of the year	17,045	17,295
Provided during the year	12,347	11,663
Paid during the year	(10,410)	(11,913)
At the end of the year	18,982	17,045

Status of assessment

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.

Income tax charge for the year

Income tax charge for the year is SR 448 Thousand (31 December 2017: SR 510 Thousand).

Movement in income tax provision during the year

	31 December 2018 SR'000	31 December 2017 SR'000
At beginning of the year	510	-
Provided during the year	448	510
Paid during the year	(511)	-
At the end of the year	447	510

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.

10 EARNING PER SHARE

Basic and diluted earning per share (EPS) is calculated by dividing the income for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2018 SR'000	2017 SR'000
Income attributable to ordinary equity holders of the parent for basic earnings	20,415	78,910
	2018	2017
Weighted average number of ordinary shares for basic EPS	125,000,000	125,000,000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 31 December 2018

10 EARNING PER SHARE (continued)

	2018	2017
	SR	SR
Basic and diluted earnings per share	0.16	0.63

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these consolidated financial statements.

11 PROPERTY, PLANT AND EQUIPMENT

	31 December 2018	31 December 2017
	SR'000	SR'000
Property, plant and equipment	1,315,195	1,357,651
Projects and buses in progress	36,818	38,250
	1,352,013	1,395,901

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 year was as follows:

	31 December 2018	31 December 2017
	SR'000	SR'000
At the beginning of the year	38,250	28,900
Additions during the year	21,751	24,847
Transfers during the year	(15,674)	-
Transfers of intangible assets during the year (Note 12)	(7,509)	(15,497)
At the end of the year	36,818	38,250

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11 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Lands</i> SR'000	<i>Buildings</i> SR'000	<i>Buses, trucks and trailers</i> SR'000	<i>Furniture and fixtures</i> SR'000	<i>Motor vehicles</i> SR'000	<i>Plant and equipment</i> SR'000	<i>Total</i> SR'000
<i>Cost</i>							
Balance as at 1 January 2017	36,264	505,185	2,578,178	16,697	67,825	80,416	3,284,565
Additions during the year	54,000	1,474	293,163	1,505	13,240	6,420	369,802
Transfers during the year	-	9,839	-	-	-	5,658	15,497
Disposals during the year	-	-	(547,852)	-	(6,017)	-	(553,869)
Balance as at 31 December 2017	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
Transfers of assets held for sale (Note 20)	-	-	(185,202)	-	-	-	(185,202)
Disposals during the year	-	-	(457,471)	-	(1,295)	-	(458,766)
Balance as at 31 December 2018	90,264	525,155	1,882,517	18,608	83,245	96,606	2,696,395
<i>Accumulated depreciation</i>							
Balance as at 1 January 2017	-	335,167	1,679,463	9,103	48,122	42,806	2,114,661
Depreciation during the year	-	11,367	153,152	1,547	10,035	7,089	183,190
Disposals during the year	-	-	(535,262)	-	(4,253)	-	(539,515)
Balance as at 31 December 2017	-	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	-	-
Transfers of assets held for sale (Note 20)	-	-	(135,811)	-	-	-	(135,811)
Balance as at 31 December 2018	-	359,424	886,352	12,256	65,820	57,348	1,381,200
<i>Net book values</i>							
As at 31 December 2018	90,264	165,731	996,165	6,352	17,425	39,258	1,315,195
As at 31 December 2017	90,264	169,964	1,026,136	7,552	21,144	42,599	1,357,659

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11 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation for the year is allocated as follows:

	2018 SR'000	2017 SR'000
Cost of revenues (Note 5)	185,318	180,877
Administrative expenses (Note 7)	2,619	2,314
	<u>187,937</u>	<u>183,191</u>

12 INTANGIBLE ASSETS

	2018 SR'000	2017 SR'000
Software and licenses (A)	32,116	24,060
Other intangible assets (B)	31,161	-
	<u>63,277</u>	<u>24,060</u>

(A) Software and licenses

	SR'000
<i>Cost</i>	
Balance as at 1 January 2017	39,352
Additions	11,147
Balance as at 31 December 2017	<u>50,499</u>
Additions	6,351
Transfers	7,509
Balance as at 31 December 2018	<u>64,359</u>
<i>Accumulated amortisation</i>	
Balance as at 1 January 2017	21,293
Additions	5,146
Disposals	-
Balance as at 31 December 2017	<u>26,439</u>
Additions	5,804
Disposals	<u>32,243</u>
Balance as at 31 December 2018	
<i>Net book values</i>	
As at 31 December 2018	<u>32,116</u>
As at 31 December 2017	<u>24,060</u>

Amortization for the year is allocated as follows:

	2018 SR'000	2017 SR'000
Cost of revenues (Note 5)	4,037	3,678
Administrative expenses (Note 7)	1,767	1,468
	<u>5,804</u>	<u>5,146</u>

(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.

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13 INVESTMENT PROPERTIES

The Group's investment properties consist of lands in the Kingdom of Saudi Arabia amounting to SR 307.12 million as at 31 December 2018 and 31 December 2017. 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 SR 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.

14 INVESTMENT IN ASSOCIATES AND A JOINT VENTURE

	31 December 2018 SR'000	31 December 2017 SR'000
Interest in joint venture (A)	114,636	71,855
Interest in an associate CAMCO (B)	-	-
Interest in an associate Saudi Bahraini Transport Company (C)	-	-
	<u>114,636</u>	<u>71,855</u>

(A) Investment in joint venture

Movement in the investment during the year was as follows:

	31 December 2018 SR'000	31 December 2017 SR'000
At the beginning of the year	71,855	28,541
Share of profits	42,781	43,314
At the end of the year	<u>114,636</u>	<u>71,855</u>

Saudi Emirates Integrated Transport Company ("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 consolidated financial statements based on SEITCO's financial statements.

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14 INVESTMENT IN ASSOCIATES AND A JOINT VENTURE (continued)

Summarised financial information of SEITCO are as follows:

	31 December 2018 SR'000	31 December 2017 SR'000
Current assets	183,222	203,947
Non-current assets	310,108	360,613
Total assets	493,330	564,560
Current liabilities	197,394	353,565
Non-current liabilities	62,010	65,196
Total liabilities	259,404	418,761
Revenues	315,566	334,450
Cost of revenues	(212,495)	(225,103)
Gross margin	103,071	109,347
General and administrative expense	(9,021)	(11,233)
Income before zakat	94,050	98,114

No dividends were received from SEITCO for the years ended 31 December 2018 and 31 December 2017.

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

	31 December 2018 SR'000	31 December 2017 SR'000
At the beginning of the year	-	-
Initial investment during the year	3,600	-
Loss for the year	(8,295)	-
At the end of the year	(4,695)	-

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 SR 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 SR 18 million divided into 18,000 shares, each of which is SR 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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14 INVESTMENT IN ASSOCIATES AND A JOINT VENTURE (continued)

Summarised financial information of CAMCO are as follows:

	31 December 2018 SR'000
Current assets	101,142
Non-current assets	411
Total assets	101,553
Current liabilities	23,137
Non-current liabilities	60,416
Total liabilities	83,553
Revenues	34,491
Cost of revenues	(9,201)
Gross margin	25,290
General and administrative expense	(64,683)
Income before zakat	(41,531)

(C) Movement in the investment in an associate as follows:

	31 December 2018 SR'000	31 December 2017 SR'000
At the beginning of the year	7,459	7,459
Less: provision for impairment of investment	(7,459)	(7,459)
At the end of the year	-	-

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 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.

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15 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 December 2018 SR'000	31 December 2017 SR'000
At the beginning of the year	117,729	114,552
Addition	5,754	-
Disposal	(52,444)	-
Movements due to changes in fair value	6,830	3,177
At the end of the year	77,869	117,729

Movement in fair values of equity instruments

	31 December 2018 SR'000	31 December 2017 SR'000
At the beginning of the year	(26,982)	(30,159)
Change in fair value	6,830	3,177
Transfer of realized loss from investment revaluation reserve to retained earnings	1,650	-
At the end of the year	(18,502)	(26,982)

16 INVENTORIES

	31 December 2018 SR'000	31 December 2017 SR'000
Spare parts inventory	70,765	74,846
Less: Provision for slow moving inventories	(28,918)	(26,633)
	41,847	48,213

17 TRADE RECEIVABLES, UNBILLED RECEIVABLES AND OTHER RECEIVABLES

	31 December 2018 SR'000	31 December 2017 SR'000
Trade receivables:		
Government and quasi government institutions	113,435	104,878
Private sector	71,674	44,776
Total trade receivable	185,109	149,654
Less: allowance for impairment	(32,333)	(32,801)
Trade receivable, net	152,776	116,853
Unbilled receivables – current portion	195,880	129,005
Employees receivables	5,616	8,978
Trade and other receivables, net	354,272	254,836
Unbilled receivables – non-current portion	338,164	-

The Group's receivables are generally non-interest bearing and are recovered within 90 days. On 31 December 2018, trade receivables with an initial carrying amount of 32.33 million SR (31 December 2017: 32.8 million) were impaired and are fully provided (Note 34).

Movement in allowance for impairment as follows:

	31 December 2018 SR'000	31 December 2017 SR'000
At the beginning of the year	32,801	32,801
Charge for the year	1,429	-
Written off for the year	(1,897)	-
	32,333	32,801

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18 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2018	31 December 2017
	SR'000	SR'000
Advances to suppliers	70,360	14,973
Value added tax	24,965	
Prepaid rents	4,373	5,887
Other receivables	22,794	18,247
	122,492	39,107
Less: Allowance for impairment	(2,100)	(4,743)
	120,392	34,364

19 CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
	SR'000	SR'000
Cash on hand	700	447
Cash in banks	241,148	193,654
Investments in Murabaha deposits*	-	380,184
	241,848	574,285

*These have been placed with banks for a maturity of three months or less.

Investments in Murabaha deposits are placed in various banks at profit ranges from 1.35% to 3.90 in 2017. No deposits have been pledged as security to obligations in 2017.

20 ASSETS HELD FOR SALE

During the year, the Group's management has resolved to sell some of its fixed assets (trucks and trailers) used in Cargo segment. Accordingly, these assets have been reclassified as assets held for sale. Based on the existing sale negotiations up to the reporting date, the disposal is expected to result in losses of SR 27,478 million, being the difference between the recoverable amount and net carrying value of these fixed assets. Thus, these differences were recognized as assets impairment losses in the consolidated statement of income.

21 ISSUED CAPITAL

The Group's share capital at 31 December 2018 amounted to SR 1,250 million (31 December 2017: SR 1,250 million) consisting of 125 million (31 December 2017: 125 million) fully paid and issued shares of SR 10 each.

22 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 (Note 1).

23 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 authorised by the Board of Directors. The Board of Directors did not suggest for this transfer during the year 2018 (Note 1).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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24 MURABAHA FINANCING

A) Long-term loan

	31 December 2018	31 December 2017
	SR'000	SR'000
Murabaha financing	345,455	358,149
Less: Current portion	(180,706)	(186,574)
Non-current portion	164,749	171,575

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. The Group has obtained these loans in order to finance its procurement of buses.

B) Short-term loan

During the year, the subsidiary obtained credit facilities from a local commercial bank amounted to SR 49.9 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.

25 EMPLOYEES' TERMINATION BENEFITS – DEFINED BENEFIT PLAN

	31 December 2018	31 December 2017
	SR'000	SR'000
Balance at the beginning of year -- present value of defined benefit obligation	152,417	145,385
Current service cost	12,656	9,511
Benefits paid	(12,770)	(11,338)
Interest cost	5,476	5,926
Re-measurement (gains) losses on defined benefit	(291)	2,933
Balance at the end of year -- present value of defined benefit obligation	157,488	152,417

Employee benefit expense

	2018	2017
	SR'000	SR'000
Current service cost	12,656	9,511
Interest cost on benefit obligation	5,476	5,926
Total benefit expense	18,132	15,437

Remeasurement (gains) losses recognised in other comprehensive income:

	2018	2017
	SR'000	SR'000
Remeasurement (gains) losses on defined benefit obligation:		
Financial assumptions	4,177	3,248
Demographic assumptions	-	2,529
Experience adjustments	(4,468)	(2,844)
Total remeasurement recognised in other comprehensive income	(291)	2,933

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

Defined benefit obligation

	31 December 2018	31 December 2017
	SR'000	SR'000
Non-current - end of service benefits	157,563	152,417
Current - other employee benefits (Note 29)	40,533	39,670
Total employee benefit obligation	198,096	192,087

The weighted average duration of the defined benefit obligation as of 31 December 2018 is 7.06 years (31 December 2017 is 6.24 years). Shown below is the maturity analysis of the undiscounted benefit payment as of 31 December 2018:

	31 December 2018	31 December 2017
	SR'000	SR'000
Within one year	10,161	11,032
After one year but not more than five years	64,287	64,802
More than five years	87,925	120,886
	162,373	196,720

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

Key Actuarial assumptions	31 December 2018	31 December 2017
Financial assumptions:		
Discount rate for present value of defined benefit obligation	4.35%	3.75%
Discount rate for expenses in the consolidated income statement	3.75%	4.50%
Salary increase rate	3.50%	2.50%
Withdrawal rate	Moderate	Moderate
	31 December 2018	31 December 2017
Demographic assumptions:		
- Retirement age	60 years	60 years
- Withdrawal rates:		
A) Service up to 6 years	10.50%	8.40%
B) Service from 7 to 25 years	7.50%	6.00%
C) Service more than 25 years	3%	2.40%

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

A quantitative sensitivity analysis for significant assumptions on the defined benefit plans are shown below:

	31 December 2018	31 December 2017
	Effect on defined benefit obligation	Effect on defined benefit obligation
	SR'000	SR'000
Financial assumptions:		
Discount rate		
Increase 1%	(10,399)	(9,112)
Decrease 1%	11,856	10,110
Salary increase rate		
Increase 1%	12,654	10,924
Decrease 1%	(11,287)	(10,001)
Withdrawal rate		
Increase 1%	(245)	(170)
Decrease 1%	229	140
Mortality age		
Increase 1%	(10)	(16)
Decrease 1%	10	17

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26 ADVANCE PAYMENT FROM A CUSTOMER

During the year 2015, Public Transportation Company received an amount of SR 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.

27 DEFERRED REVENUES

	31 December 2018 SR'000	31 December 2017 SR'000
Passengers unearned ticket revenues	12,594	9,929
Deferred capital income	8,734	5,785
Deferred guarantee commission	362	1,899
	<u>21,690</u>	<u>17,613</u>
Current	14,008	12,589
Non-current	<u>7,682</u>	<u>5,024</u>
	<u>21,690</u>	<u>17,613</u>

28 TRADE AND OTHER PAYABLES

	31 December 2018 SR'000	31 December 2017 SR'000
Trade payables	157,366	5,409
Dividends payable	91,588	90,287
Accidents insurance cost	54,089	51,583
Retentions payable	10,390	11,747
Value added tax	9,144	-
	<u>322,577</u>	<u>159,026</u>

Trade payables pertains to the Group's obligation to local suppliers. The normal trade credit terms of trade and other payables of the Group are expected to be settled on 30-60 day term.

29 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2018 SR'000	31 December 2017 SR'000
Accrued expenses	58,654	52,074
Employee benefits (Note 25)	40,533	39,670
Other payables	<u>25,868</u>	<u>22,558</u>
	<u>125,055</u>	<u>114,302</u>

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30 RELATED PARTY TRANSACTIONS AND BALANCES

Subsidiary, associate and joint venture

The details and nature of relationship of Group's subsidiary, associate and joint venture are mentioned in Note 1 to these consolidated financial statements.

		Finance income*	Investment	Share in earnings	Purchase of buses	Services provided	Buses Rentals	Amounts owed from related parties
		<i>SR'000</i>		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Joint ventures:								
Saudi Emirates Intergrated Transport Company (SEETCO)	31 December 2018	502	-	42,781	761	1,977	(4,781)	75,030
	31 December 2017	473	-	43,314	-	1,882	(5,960)	72,537
Capital Metro Company Ltd (CAMCO)	31 December 2018	-	3,600	(8,295)	-	-	-	-
Due to non-controlling interests of the subsidiary:								
RATP Development (a French company)	31 December 2018	-	-	-	-	8,156	-	10,832
	31 December 2017	-	-	-	-	8,044	-	2,688
RATP Dev Saudi Arabia LLC	31 December 2018	-	-	-	-	32,584	-	2,616
	31 December 2017	-	-	-	-	25,844	-	2,191
Total amounts due to non- controlling interests of the subsidiary	31 December 2018	-	-	-	-	-	-	13,448
	31 December 2017	-	-	-	-	-	-	4,879

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30 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

*During 2014, the Company has funded the operations of the Saudi Emirates Integrated Transport Co., Ltd. ("SEITCO") with 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. 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 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.

Compensation of key management personnel of the Group

	2018 SR'000	2017 SR'000
<i>Transactions with key management personnel</i>		
Board and committees expenses, rewards and allowances (Note 7)	3,227	4,982
Compensation of key management personnel of the Group (*)	12,658	13,147
(*) Compensation of key management personnel of the Group as followings:		
	2018 SR'000	2017 SR'000
Short-term employee benefits	12,184	12,695
Post-employment benefits	474	452
Total compensation paid to key management personnel	12,658	13,147

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

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31 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.

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 statement of income in the consolidated financial statements.

During the year, the Board of Directors agreed to merge cargo operations with passengers transport sector and to merge limo operations with contracts and leasing sector. Comparative figures have been reclassified to confirm with the current year's classification.

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 years ended 31 December 2018 and 31 December 2017.

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.

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31 SEGMENT INFORMATION (continued)

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

<i>For the year ended 31 December 2018</i>	Passenger transport	Contracts and leasing	Head Office	Public Transportation Project	Total Segments	Elimination	Consolidated
Total Revenue (Note 4)	675,187	376,620	-	403,646	1,455,453	-	1,455,453
Cost of revenue	(611,353)	(312,564)	-	(379,973)	(1,303,890)	20,370	(1,283,520)
Gross profit	63,834	64,056	-	23,673	151,563	20,370	171,933
Finance income	-	-	2,402	1,271	3,673	-	3,673
Finance costs	-	-	(15,923)	(4,305)	(20,228)	-	(20,228)
Impairment loss for assets held for sale (Note 20)	(27,478)	-	-	-	(27,478)	-	(27,478)
Share of profit of joint venture	-	-	44,154	-	44,154	(1,373)	42,781
Share of profit of associate	-	-	(8,295)	-	(8,295)	-	(8,295)
(Loss) profit before zakat	(23,180)	32,034	16,857	14,821	40,532	(4,804)	35,728

<i>For the year ended 31 December 2017</i>	Passenger transport	Contracts and leasing	Head Office	Public Transportation Project	Total Segments	Elimination	Consolidated
Total Revenue	677,614	373,187	-	76,729	1,127,530	-	1,127,530
Cost of revenue	(598,317)	(320,311)	-	(57,002)	(975,630)	19,632	(955,998)
Gross profit	79,297	52,876	-	19,727	151,900	19,632	171,532
Finance income	-	-	3,384	5,889	9,273	-	9,273
Finance costs	-	-	(15,506)	(3,640)	(19,146)	-	(19,146)
Share of profit of joint venture	-	-	43,314	-	43,314	-	43,314
Profit before zakat	28,051	25,848	27,482	16,417	97,798	(3,888)	93,910

As at 31 December 2018	Passenger transport	Contracts and leasing	Head Office	Public Transportation Project	Total Segments	Elimination	Consolidated
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, plant and equipment, net	573,084	686,878	90,264	1,787	1,352,013	-	1,352,013
Investments in associates and a joint venture	-	-	125,825	-	125,825	(11,189)	114,636

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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31 SEGMENT INFORMATION (continued)

As at 31 December 2017	Passenger transport	Contracts and leasing	Head Office	Public Transportation Project	Total Segments	Elimination	Consolidated
Total Assets	776,805	724,355	927,861	489,870	2,918,891	(10,229)	2,908,662
Total Liabilities	360,185	276,628	188,773	477,680	1,303,266	(19,819)	1,283,447
Other Information: Property, plant and equipment, net	712,252	616,084	66,204	1,361	1,395,901	-	1,395,901
Investments in an associate and a joint venture	-	-	71,855	-	71,855	-	71,855

32 NON-CONTROLLING INTEREST

The summarised financial information attributable to non-controlling interests for the significant subsidiary (Note 1) follows:

	31 December 2018 SR'000	31 December 2017 SR'000
Non-controlling interest %	20%	20%
Assets		
Current assets	327,368	480,748
Non-current assets	378,054	9,122
Total assets	705,422	489,870
Liabilities		
Current liabilities	266,967	28,259
Non-current liabilities	420,609	449,421
Total liabilities	687,576	477,680
Revenues	403,646	76,730
Net income	5,939	6,713
Total comprehensive income	5,939	6,713
Cash flows arising from:		
Operating	(325,797)	(85,202)
Investing	49,995	(219,878)
	(275,802)	(305,080)
Share of NCI in net assets	8,040	5,522
Share of NCI in net income	2,518	2,827

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33 FINANCIAL INSTRUMENTS - FAIR VALUES

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

The management assessed that the carrying amounts of the financial assets and liabilities approximate their fair value due to the short-term maturities.

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.

Fair value hierarchy

	Carrying value SR'000	Fair Value			Total SR'000
		Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	
31 December 2018					
Measured at fair value:					
Investments in equity instruments designated as at FVOCI	77,869	77,869	-	-	77,869
31 December 2017					
Measured at fair value:					
Investments in equity instruments designated as at FVOCI	117,729	117,729	-	-	117,729

There were no transfers between levels of fair value measurements in 2018 and 2017. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose of the Group's financial instruments is to raise finances for the Group's operations.

The Group's activities expose it to a variety of financial risks that include liquidity risk, market risk, and credit risk. These financial risks are actively managed by the Group's Finance Department under strict policies and guidelines approved by the Board of Directors. The Group's Finance Department actively monitors market conditions with a view to minimising the exposure of the Group to changing market factors while at the same time minimising the volatility of the funding costs of the Group. There were no changes in the policies for managing these risks.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The tables below summarise the maturity profile of the Group's financial assets and financial liabilities as at 31 December based on undiscounted contractual cash flows.

31 December 2018					
	On demand	< 1 year	1 to < 2 years	> 2 years	Total
Financial Liabilities					
Trade and other payables	149,650	27,032	-	-	176,682
Murabaha financing	-	180,706	68,108	96,641	345,455
Murabaha financing – short term	-	49,995	-	-	49,995
	149,650	257,733	68,108	96,641	572,132

31 December 2017					
	On demand	< 1 year	1 to < 2 years	> 2 years	Total
Financial Liabilities					
Trade and other payables	144,085	14,941	-	-	159,026
Murabaha financing	-	186,574	142,985	28,590	358,149
	144,085	201,515	142,985	28,590	517,175

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, foreign currency exchange rates and interest rates.

Equity price risk

The Group's investments in listed and unlisted equity securities are susceptible to market-price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Investments in equity instruments designated as at FVOCI are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analysis below is performed for reasonably possible movements in the market index with all other variables held constant, showing the impact on equity.

	31 December 2018		31 December 2017	
	<i>Change in variable</i>	<i>Effect on Equity SR'000</i>	<i>Change in variable</i>	<i>Effect on Equity SR'000</i>
Market Index				
Tadawul	+10%	20,952	+10%	18,301
	-10%	(17,143)	-10%	(14,973)

The percentage of increase and decrease in market price is based on the movement in the The Saudi Stocks Exchange ("Tadawul"). The sensitivity analyses shown above are based on the assumption that the movement in Tadawul composite index will be most likely be limited to an upward or downward fluctuation of 10% in 2018 and 2017.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statement of comprehensive income.

Foreign currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group uses foreign currencies, mainly US Dollar, and Euro. The Group is not exposed to significant currency risk with respect to US Dollar as the Saudi Riyal is pegged to the US Dollar and transactions denominated in other currencies are not considered to represent significant currency risk. However, the Euro is subject to fluctuations exchange higher than US Dollar.

No sensitivity for foreign currency risk is presented due to its minimal effect on the financial statements.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer which the Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Owing to nature of Group's business, significant portion of revenue is collected in cash due to which the Group is not significantly exposed to credit risks.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. At the consolidated balance sheet date, no significant concentrations of credit risk were identified by management, except for transactions with government institutions.

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The analysis of financial assets that were past due but not impaired follows:

	<i>Total</i> <i>SR'000</i>	<i>< 90 days</i> <i>SR'000</i>	<i>90 to < 1 year</i> <i>SR'000</i>	<i>1 year to < 2 years</i> <i>SR'000</i>	<i>> 2 year</i> <i>SR'000</i>
31 December 2018	152,776	55,556	51,953	33,850	11,417
31 December 2017	116,853	43,900	60,661	5,605	6,687

The credit quality of the financial assets was determined as follows:

Trade and other receivables - High grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment and low grade pertains to receivables with more than 3 defaults in payment. All receivables of the Company classified either past due nor impaired in the table above are graded "high"

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

No changes were made in the Group's objectives, policies or processes for the year ended 31 December 2018 and 2017.

The Group has no externally imposed capital requirements as of 31 December 2018 and 2017.

35 CAPITAL COMMITMENTS AND CONTINGENCIES

A) Contingencies

As at 31 December 2018, the Group's bankers have issued, on its behalf during the normal course of business, guarantees and acceptances limited to SR 912.79 million (31 December 2017: SR 821.8 million).

B) Capital commitments

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

C) Operating leases

Group as lessee

The initial lease period usually ranges from one to five years, with the option to renew the lease after that period.

(1) The future value of the minimum lease payments

The following is an analysis of the minimum rent payable under non-cancellable operating leases:

	31 December 2018 SR'000	31 December 2017 SR'000
Less than one year	5,857	11,637
Between two to five years	8,750	13,707
More than five years	5,600	7,350
	20,207	32,694

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35 CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

(2) The recognised amounts in the consolidated income statement:

	2018 SR'000	2017 SR'000
Rent expenses	<u>23,932</u>	<u>22,189</u>

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.

36 DIVIDENDS

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 13 Shaaban 1439H (Corresponding to 29 April 2018) the Board of Directors' recommendation to distribute cash dividends amounting SR 62.5 million (SR 0.50 per share) for the financial year 2017 and the 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 27 March 2017) the Board of Directors' recommendation to distribute cash dividends amounting SR 62.5 million (SR 0.50 per share) for the financial year 2016 and the payment of Board of Directors' remuneration of SR 1.8 million.

37 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 5 Rajab 1440H (corresponding to 12 March 2019).

38 EVENTS AFTER THE REPORTING PERIOD

In the opinion of the management, there have been no significant subsequent events since the year-end that would have a material impact on the consolidated financial position of the Group as reflected in these consolidated financial statements.