

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND AUDITORS' REVIEW REPORT**

FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2018

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2018

| | Pages |
|--|--------------|
| Independent auditors' review report | 1 |
| Interim condensed consolidated statement of income | 2 |
| Interim condensed consolidated statement of comprehensive income | 3 |
| Interim condensed consolidated statement of financial position | 4 |
| Interim condensed consolidated statement of changes in equity | 5 |
| Interim condensed consolidated statement of cash flows | 6 |
| Notes to the interim condensed consolidated financial statements | 7 – 27 |

Independent auditors' review report on the interim condensed consolidated financial statements
To the shareholders' of Saudi Public Transport Company
(A Saudi Joint Stock Company)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Public Transport Company (the "Company") and its subsidiary (collectively referred to as the "Group") as at 30 June 2018, and the related interim condensed consolidated statements of income and comprehensive income for the three and six month periods ended 30 June 2018 and the related interim condensed consolidated statement of changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

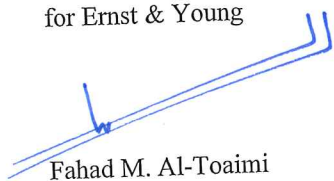
Scope of Review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young


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



Riyadh: 13 Thul-Qi'dah 1439H
(26 July 2018)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three and six month periods ended 30 June 2018

| | <i>Notes</i> | For the three months period ended 30 June | | For the six months period ended 30 June | |
|--|--------------|--|-------------------------------|--|-------------------------------|
| | | 2018 (Unaudited) SR'000 | 2017 (Unaudited) SR'000 | 2018 (Unaudited) SR'000 | 2017 (Unaudited) SR'000 |
| Revenue | 4 | 325,459 | 294,170 | 559,638 | 523,160 |
| Cost of revenue | | (295,946) | (240,317) | (527,084) | (453,609) |
| Gross profit | | 29,513 | 53,853 | 32,554 | 69,551 |
| Selling and distribution expenses | | (9,833) | (9,779) | (15,701) | (16,187) |
| Administrative expenses | | (23,364) | (17,178) | (40,303) | (38,287) |
| Impairment loss for assets held for sale | 14 | (22,242) | - | (22,242) | - |
| Impairment loss for property, plant and equipment | 8 | (5,438) | - | (5,438) | - |
| Operating (loss) income | | (31,364) | 26,896 | (51,130) | 15,077 |
| Finance costs | 18 | (4,862) | (4,504) | (8,236) | (8,720) |
| Finance income | 22 | 404 | 2,085 | 2,164 | 5,418 |
| Other income | 5 | 2,181 | 9,785 | 5,890 | 17,965 |
| Share of profit of joint venture | 11 | 6,220 | 8,115 | 24,889 | 19,376 |
| (Loss) income before zakat and income tax | | (27,421) | 42,377 | (26,423) | 49,116 |
| Zakat and income tax | 6 | (2,388) | (2,919) | (7,706) | (6,139) |
| (Loss) Income for the period | | (29,809) | 39,458 | (34,129) | 42,977 |
| (Loss) Income attributable to: | | | | | |
| -Equity holders of the parent | | (30,299) | 38,663 | (35,155) | 41,142 |
| -Non-controlling interests | | 490 | 795 | 1,026 | 1,835 |
| | | (29,809) | 39,458 | (34,129) | 42,977 |
| (Loss) earnings per share (SAR): | | | | | |
| Basic and diluted attributable to equity holders of the parent | 7 | (0,24) | 0,31 | (0,28) | 0,33 |

The attached notes from 1 to 27 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and six month periods ended 30 June 2018

| | | For the three months period ended 30 June | | For the six months period ended 30 June | |
|--|-------|--|-------------------------------|--|-------------------------------|
| | | 2018 (Unaudited) SR'000 | 2017 (Unaudited) SR'000 | 2018 (Unaudited) SR'000 | 2017 (Unaudited) SR'000 |
| | Notes | | | | |
| (Loss) Income for the period | | (29,809) | 39,458 | (34,129) | 42,977 |
| Other Comprehensive Income | | | | | |
| <i>Other comprehensive income not to be reclassified to income in subsequent periods:</i> | | | | | |
| - Re-measurement on defined benefits liabilities | 19 | 2,385 | - | 3,667 | - |
| - Net fair value on investments in equity instruments designated as FVOCI | 12 | 3,724 | 6,880 | 15,035 | 7,552 |
| Net other comprehensive income not being reclassified to income in subsequent periods | | 6,109 | 6,880 | 18,702 | 7,552 |
| Total comprehensive (loss) income for the period | | (23,700) | 46,338 | (15,427) | 50,529 |
| Total comprehensive (loss) income for the period attributable to: | | | | | |
| Equity holders of the parent | | (24,190) | 45,543 | (16,453) | 48,694 |
| Non-controlling interests | | 490 | 795 | 1,026 | 1,835 |
| | | (23,700) | 46,338 | (15,427) | 50,529 |

The attached notes from 1 to 27 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

| | | 30 June 2018 (Unaudited) SR'000 | 31 December 2017 (Audited) SR'000 |
|--|-------|--|--|
| | Notes | | |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 8 | 1,431,487 | 1,395,901 |
| Intangible assets, net | 9 | 29,152 | 24,060 |
| Investment properties | 10 | 307,122 | 307,122 |
| Due from a related party – non-current portion | 22 | 20,040 | 20,040 |
| Investment in an associate and joint venture | 11 | 100,344 | 71,855 |
| Investments in equity instruments designated as at FVOCI | 12 | 86,776 | 117,729 |
| Other non-current assets | | 7,351 | 7,760 |
| Total non-current assets | | 1,982,272 | 1,944,467 |
| Current assets | | | |
| Inventories | | 48,140 | 48,213 |
| Trade and other receivables | 13 | 381,531 | 254,836 |
| Due from a related party – current portion | 22 | 53,720 | 52,497 |
| Prepayments and other current assets | | 77,327 | 34,364 |
| Cash and cash equivalents | | 424,425 | 574,285 |
| | | 985,143 | 964,195 |
| Assets held for sale | 14 | 16,072 | - |
| Total current assets | | 1,001,215 | 964,195 |
| Total assets | | 2,983,487 | 2,908,662 |
| Equity and liabilities | | | |
| Equity | | | |
| Issued capital | 15 | 1,250,000 | 1,250,000 |
| Statutory reserve | 16 | 177,897 | 177,897 |
| Consensual reserve | 17 | 42,730 | 42,730 |
| Investments revaluation reserve | 12 | (11,947) | (26,982) |
| Retained earnings | | 82,060 | 176,048 |
| Equity attributable to equity holders of the parent | | 1,540,740 | 1,619,693 |
| Non-controlling interests | | 6,548 | 5,522 |
| Total equity | | 1,547,288 | 1,625,215 |
| Non-current liabilities | | | |
| Murabaha financing – non-current portion | 18 | 242,109 | 171,575 |
| Employees' defined benefit liabilities | 19 | 156,030 | 152,417 |
| Advance from a customer – non-current portion | 20 | 420,608 | 449,421 |
| Deferred revenue - non-current portion | 21 | 7,961 | 5,024 |
| Total non-current liabilities | | 826,708 | 778,437 |
| Current liabilities | | | |
| Murabaha financing - current portion | 18 | 213,167 | 186,574 |
| Trade and other payables | | 195,771 | 159,026 |
| Accrued expenses and other liabilities | | 109,754 | 114,302 |
| Deferred revenue - current portion | 21 | 26,738 | 12,589 |
| Due to non-controlling interests of the subsidiary | 22 | 10,823 | 4,879 |
| Advance from a customer – current portion | 20 | 38,898 | 10,085 |
| Zakat and income tax payable | 6 | 14,340 | 17,555 |
| Total current liabilities | | 609,491 | 505,010 |
| Total liabilities | | 1,436,199 | 1,283,447 |
| Total equity and liabilities | | 2,983,487 | 2,908,662 |

The attached notes from 1 to 27 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2018

| | Attributed to equity holders of the parent | | | | | | | |
|---|--|--------------------------------|---------------------------------|---|--------------------------------|-----------------|--|---------------------------|
| | Issued capital SR'000 | Statutory reserve SR'000 | Consensual reserve SR'000 | Investments revaluation reserve SR'000 | Retained earnings SR'000 | Total SR'000 | Non- controlling interests SR'000 | Total equity SR'000 |
| 31 December 2017 (Audited) | 1,250,000 | 177,897 | 42,730 | (26,982) | 176,048 | 1,619,693 | 5,522 | 1,625,215 |
| (Loss) income for the period | - | - | - | - | (35,155) | (35,155) | 1,026 | (34,129) |
| Other comprehensive income for the period | - | - | - | 15,035 | 3,667 | 18,702 | - | 18,702 |
| Total comprehensive income (loss) | - | - | - | 15,035 | (31,488) | (16,453) | 1,026 | (15,427) |
| Dividends (Note 26) | - | - | - | - | (62,500) | (62,500) | - | (62,500) |
| At 30 June 2018 (Unaudited) | 1,250,000 | 177,897 | 42,730 | (11,947) | 82,060 | 1,540,740 | 6,548 | 1,547,288 |
| | Issued capital SR'000 | Statutory reserve SR'000 | Consensual reserve SR'000 | Investments revaluation reserve SR'000 | Retained earnings SR'000 | Total SR'000 | Non- controlling interests SR'000 | Total Equity SR'000 |
| 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 period | - | - | - | - | 41,142 | 41,142 | 1,835 | 42,977 |
| Other comprehensive income for the period | - | - | - | 7,552 | - | 7,552 | - | 7,552 |
| Total comprehensive income | - | - | - | 7,552 | 41,142 | 48,694 | 1,835 | 50,529 |
| Dividends (Note 26) | - | - | - | - | (62,500) | (62,500) | - | (62,500) |
| At 30 June 2017 (Unaudited) | 1,250,000 | 170,006 | 42,730 | (22,607) | 149,104 | 1,589,233 | 4,530 | 1,593,763 |

The attached notes from 1 to 27 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2018

| | Notes | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) |
|---|-------|-------------------------------|-------------------------------|
| OPERATING ACTIVITIES | | | |
| (Loss) income before zakat and income tax | | (26,423) | 49,116 |
| <i>Adjustments to reconcile income before zakat to net cash flows:</i> | | | |
| Depreciation and amortization | 9,8 | 97,079 | 94,184 |
| Impairment loss for assets held for sale | 14 | 22,242 | - |
| Impairment loss for property, plant and equipment | 8 | 5,438 | - |
| Allowance for impairment for slow-moving inventories | | 1,000 | - |
| Share of profit of a joint venture | 11 | (24,889) | (19,376) |
| Amortisation of deferred revenue | 21 | (198) | (84) |
| Finance costs | 18 | 8,236 | 8,720 |
| Finance income | 22 | (2,164) | (1,232) |
| Employee's defined benefit liabilities | 19 | 12,574 | 7,629 |
| Gain on disposal of property, plant and equipment | 8 | (227) | (3,404) |
| | | 92,668 | 135,553 |
| <i>Working capital adjustments:</i> | | | |
| Inventories, net | | (927) | (5,931) |
| Trade and other receivables | 13 | (126,695) | (49,885) |
| Amounts due from related parties | 22 | (1,223) | (513) |
| Prepayments and other current assets | | (42,963) | 3,102 |
| Other non-current assets | | 409 | 409 |
| Trade and other payables | | 36,745 | 70,140 |
| Due to non-controlling interests of the subsidiary | 22 | 5,944 | (5,273) |
| Accrued expenses and other liabilities | | (4,548) | 2,699 |
| Deferred revenue | 21 | 19,448 | 22,192 |
| Cash (used in) from operations | | (21,142) | 172,493 |
| Zakat and income tax paid | 6 | (10,921) | (12,593) |
| Employees' benefits paid | 19 | (5,294) | (5,578) |
| Net cash flows (used in) from operating activities | | (37,357) | 154,322 |
| INVESTING ACTIVITIES | | | |
| Investments in Murabaha deposits, net | | - | (248,508) |
| Movement in investments in equity instruments designated as at FVOCI | 12 | 45,988 | (1,649) |
| Investment in joint venture | 11 | (3,600) | - |
| Proceeds from sale of property, plant and equipment | 8 | 725 | 6,121 |
| Purchase of property, plant and equipment | 8 | (174,598) | (323,505) |
| Purchase of intangible assets | 9 | (7,409) | (2,412) |
| Net cash flows used in investing activities | | (138,894) | (569,953) |
| FINANCING ACTIVITIES | | | |
| Proceeds from Murabaha financing | 18 | 198,098 | 294,153 |
| Repayment of Murabaha financing | 18 | (109,207) | (90,979) |
| Dividends paid | 26 | (62,500) | (62,500) |
| Net cash flows from financing activities | | 26,391 | 140,674 |
| Net decrease in cash and cash equivalents | | (149,860) | (274,957) |
| Cash and cash equivalents at 1 January | | 574,285 | 667,287 |
| Cash and cash equivalents at 30 June | | 424,425 | 392,330 |
| <u>SIGNIFICANT NON-CASH TRANSACTIONS:</u> | | | |
| Gains due to re-measurement on employees' defined benefits liabilities | 19 | (3,667) | - |
| Net income in fair value of investments in equity instruments designated as FVOCI | 12 | 15,035 | 7,552 |

The attached notes from 1 to 27 form an integral part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018

1 CORPORATE INFORMATION

Saudi Public Transport Company (the "Company", "SAPTCO", or "the Parent") is a Saudi Joint Stock Company, whose shares are publicly traded on the Saudi Stock Exchange, registered in Riyadh and formed under the Royal Decree No. M/11, dated 7 Rabi Awal 1399H (corresponding to 5 February 1979). The formation was declared pursuant to the resolution of his Excellency, The Minister of Commerce, No. 254 dated 14 Shaban 1399H (corresponding to 9 July 1979). The Company operates under commercial registration number 1010024335 dated 5 Ramadan 1399H (corresponding to 29 July 1979). The company address is 242 Prince Abdulaziz Bin Mosaed Bin Jlewi (Dabab Street), Assulaymaniyeh, P.O. Box 10667 ALRiyadh 11443, United Kingdom of Saudi Arabia.

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

Royal Decree No. (M/48) dated 22 Dhul-Hijjah 1399H (corresponding to 12 November 1979) was issued to grant Saudi Public Transport Company a franchise contract whereby the Company commits to transport passengers on public roads network both intra and inter-city throughout the Kingdom of Saudi Arabia for a period of fifteen Hijri years from 1 Rajab 1414H.

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

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

On 29 Dhul-Hijja 1436H (corresponding to 12 October 2015), the Council of Ministers approved the extension of the franchise contract, signed between the government and Saudi Public Transport Company (SAPTCO) by virtue of the Royal Decree (No M/48 dated 23 Dhul-Hijjah 1399H), for a period of five years starting 1 Rajab 1437H (corresponding to 8 April 2016), and without giving the Company or any other Company any competitive advantage when issuing tenders for providing public transportation services between the cities of the Kingdom. The Company shall then disclose the implications of the terms and conditions of the franchise contract signed by and between the Government and the Company in the 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 has been amended in order to comply with the requirements of the new Company's Law (Notes 16 and 17).

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

| Subsidiary | Year of incorporation | Ownership interest | | Principal Activity | Country of Incorporation |
|----------------------------------|-----------------------|--------------------|---------------|---|--------------------------|
| | | 31 | | | |
| | | 30 June 2018 | December 2017 | | |
| Public Transport Company ("PTC") | 2014 | 80% | 80% | Executing King Abdulaziz Project for Public Transport in Riyadh | Kingdom of Saudi Arabia |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

1 CORPORATE INFORMATION (continued)

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

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

| Shareholding | | | | | |
|---|---------------|-----------------|---------------------|--|-----------------------------|
| Investment in an associate and joint venture | Relationship | 30 June 2018 | 31 December 2017 | Principal Activity | Country of Incorporation |
| Saudi Bahraini Transport Company* | Associate | 40% | 40% | Transportation activities | Kingdom of Saudi Arabia |
| Saudi Emirates Integrated Transport Company | Joint Venture | 50% | 50% | Educational transportation services | Kingdom of Saudi Arabia |
| Capital Metro Company | Joint Venture | 20% | - | Road construction works and maintenance | Kingdom of Saudi Arabia |

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

2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements.

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

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

BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 30 June 2018.

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 during the period are included in the financial statements from the date the Group gains control until the date the Group ceases to control the investee.

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its interim condensed consolidated financial statements are explained in Note 2 to the consolidated financial statement as of 31 December 2017 plus the following accounting policies:

Government Grants

Government grants are recognised 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 continuing use. Assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

The criteria for assets held for sale classification is regarded as met only when the sale is highly probable and assets are available for immediate sale in their existing 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 of sale will be withdrawn. Management must be committed to the plan to sell the asset, which is expected to be completed within one year from the date of classification.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATION, AND STANDARDS ISSUED AND NOT YET EFFECTIVE

NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS

The Group has adopted, as appropriate, the following new and amended IASB Standards, effective 1 January 2018.

A) Disclosure initiative (amendments to IAS 7)

The amendments require disclosures of information that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. Group's financing activities, as disclosed in consolidated statement of cash flows, represents only cash flow changes.

B) Annual improvements to IFRS (2014 – 2016) cycle amendments to IFRS 12 disclosure of interests in other entities

The amendments clarify that disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. There is no impact of this amendment on the Group's consolidated statements.

C) Annual improvements to IFRS (2014 – 2016) cycle

IAS 28 Investments in Associates and Joint Ventures - A venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The adjustments should be accounted for using retrospective approach, and it is effective from 1 January 2018 and early adoption is permitted. In case, the Company will follow the adjustment, the Company should disclose it. This exemption is not applicable to the Company.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AMENDMENTS AND STANDARDS ISSUED AND NOT YET EFFECTIVE

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.

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.

IFRIC 23: Uncertainty over income tax treatments

The IASB has issued an interpretation for treatments on uncertainty over income tax. The interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determine taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rate
- How an entity considers changes in facts and circumstances

The Interpretation is applicable for annual reporting periods beginning on or after 1 January 2019. The Interpretation will not have an impact on the Group's consolidated financial statements as the group is not subject to income tax.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimation uncertainty and assumptions

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

Allowance for impairment

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

Impairment of inventories

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

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

Impairment of non-financial assets

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

End of service benefit plans

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

Fair value measurement of financial instruments

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

Contingent liabilities

As disclosed in note 25 to these interim condensed consolidated financial statements, the Group is exposed to various contingent liabilities in the normal course of business. Management evaluates the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the interim condensed consolidated financial statements where, based on the managements' evaluation, a present obligation has been established.

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

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

4 REVENUE

| | For the three months period ended 30 June | | For the six months period ended 30 June | |
|---|--|----------------|--|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | SR'000 | SR'000 | SR'000 | SR'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue from passengers transport | 186,625 | 190,039 | 321,126 | 329,807 |
| Revenue from contracts and leasing | 53,683 | 63,090 | 105,552 | 114,609 |
| Revenue from service concession agreement | 57,799 | 17,435 | 86,293 | 36,972 |
| Government subsidy revenue (*) | 14,159 | - | 18,879 | - |
| Limo revenue | 10,071 | 10,947 | 18,344 | 18,768 |
| Transport cargo revenue | 3,122 | 12,659 | 9,444 | 23,004 |
| | 325,459 | 294,170 | 559,638 | 523,160 |

- (*) During the period, Arriyadh 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

4 REVENUE (continued)

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 period, 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 OTHER INCOME

| | For the three months period ended 30 June | | For the six months period ended 30 June | |
|--|--|-------------------------------|--|-------------------------------|
| | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) |
| Rental income | 735 | 1,021 | 1,779 | ٢,١٣٣ |
| Gain from guaranteed cars maintenance | - | 39 | 885 | ٣٩ |
| Advertisement for intra-city transportation | 450 | 360 | 870 | ٨١٠ |
| Supplier's penalties | 241 | 291 | 550 | ٦١٩ |
| Support from the Human Resources Fund | - | 285 | 489 | ١,٦٢٧ |
| Drivers insurance refund | 306 | - | 306 | - |
| Gain on sale of scrape | 158 | 146 | 290 | ٢١٩ |
| Gains on sale of property, plant and equipment | 227 | 3,919 | 227 | ٥,٩٩٩ |
| Settlement of insurance claims | - | 454 | - | ٢,٦٠٠ |
| Other income | 64 | 3,270 | 494 | ٣,٩١٩ |
| | 2,181 | 9,785 | 5,890 | 17,965 |

6 ZAKAT AND INCOME TAX

A) Zakat

Charge for the period

Zakat charge for the period is SR 7,51 million (30 June 2017: SR 6,14 million).

Movement in provision during the period

The movement in zakat provision is as follows:

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|--------------------------------------|---------------------------------------|---|
| At beginning of the period/year | 17,045 | 17,295 |
| Provided during the period/year | 7,512 | 11,663 |
| Paid during the period/year | (10,410) | (11,913) |
| At the end of the period/year | 14,147 | 17,045 |

Zakat charge has been calculated on the zakat base for the Company and its subsidiary separately. The Company has filed zakat returns for the years 2005 to 2017 and obtained zakat certificates as required up to 2017. The General Authority of Zakat and Tax ("GAZT") has raised its assessments for the years up to 2012. The Group has paid the zakat due pursuant to the modified assessment for 2012, and finalized its zakat situation for all the years up to 2012. Final assessments for the years 2013 to 2017 have not yet been raised by the GAZT.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

6 **ZAKAT AND INCOME TAX (continued)**

B) Income Tax

Charge for the period

Income tax charge for the period is SR 194,000(30 June 2017: SR 276,000).

Movement in income tax provision

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|--------------------------------------|---------------------------------------|---|
| At beginning of the period/year | 510 | - |
| Provided during the period/year | 194 | 510 |
| Paid during the period/year | (511) | - |
| At the end of the period/year | 193 | 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 return for the Company for all years up to 2017 have been filed with the General Authority of Zakat and Tax ("GAZT"). However, assessments have not yet been raised by the GAZT.

7 **(LOSS) EARNINGS PER SHARE**

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

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

| | For the six months period ended 30 June | |
|--|--|-----------------------------|
| | 2018 SR'000 (Unaudited) | 2017 SR'000 (Audited) |
| (Loss) income attributable to ordinary equity holders of the parent for basic (loss) earnings | (35,155) | 41,142 |

Weighted average number of ordinary shares for basic EPS

| 30 June 2018 | 30 June 2017 |
|--------------|--------------|
| 125,000,000 | 125,000,000 |

| | For the six months period ended 30 June | |
|---|--|-----------------------------|
| | 2018 SR'000 (Unaudited) | 2017 SR'000 (Audited) |
| Basic and diluted (loss) earnings per share | (0,28) | 0,33 |

8 **PROPERTY, PLANT AND EQUIPMENT**

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|--------------------------------|---------------------------------------|---|
| Property, plant and equipment | 1,386,219 | 1,357,651 |
| Projects and buses in progress | 45,268 | 38,250 |
| | 1,431,487 | 1,395,901 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

8 **PROPERTY, PLANT AND EQUIPMENT (continued)**

PROJECTS AND BUSES IN PROGRESS

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

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|---|--|--|
| At the beginning of the period/ year | 38,250 | 28,900 |
| Additions during the period/ year | 13,307 | 24,847 |
| Intangible assets transfers during the period/ year (Note 9) | (1,149) | - |
| Property, plant and equipment transfers during the period/ year | (5,140) | (15,497) |
| At the end of the period/year | 45,268 | 38,250 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As at 30 June 2018

8 PROPERTY, PLANT AND EQUIPMENT (continued)

| | <i>Land</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 |
|---|-----------------------|----------------------------|---|---|-------------------------------------|--|------------------------|
| <u>Cost</u> | | | | | | | |
| Balance as at 1 December 2016 | 36,264 | 505,185 | 2,578,178 | 16,697 | 67,825 | 80,409 | 3,284,558 |
| Additions during the year | 54,000 | 1,474 | 291,556 | 1,505 | 14,848 | 6,420 | 369,803 |
| 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 (Audited) | 90,264 | 516,498 | 2,321,882 | 18,202 | 76,656 | 92,487 | 3,115,989 |
| Additions during the period | - | 147 | 159,600 | 708 | 562 | 1,423 | 162,440 |
| Transfers during the period | - | 1,400 | (109) | - | 3,849 | - | 5,140 |
| Transfer of assets held for sale (Note 14) | - | - | (156,213) | - | - | - | (156,213) |
| Disposals during the period | - | - | (5,481) | - | - | - | (5,481) |
| Balance as at 30 June 2018 (Unaudited) | 90,264 | 518,045 | 2,319,679 | 18,910 | 81,067 | 93,910 | 3,121,875 |
| <u>Accumulated depreciation and impairment</u> | | | | | | | |
| Balance as at 1 December 2016 | - | 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 | 7,090 | 183,191 |
| Disposals during the year | - | - | (535,261) | - | (4,253) | - | (539,514) |
| Balance as at 31 December 2017 (Audited) | - | 346,534 | 1,297,354 | 10,650 | 53,904 | 49,896 | 1,758,338 |
| Depreciation during the period | - | 5,908 | 77,587 | 875 | 6,667 | 3,725 | 94,762 |
| Transfer of assets held for sale (Note 14) | - | - | (117,899) | - | - | - | (117,899) |
| Impairment of property, plant and equipment (*) | - | - | 5,438 | - | - | - | 5,438 |
| Disposals during the period | - | - | (4,983) | - | - | - | (4,983) |
| Balance as at 30 June 2018 (Unaudited) | - | 352,442 | 1,257,497 | 11,525 | 60,571 | 53,621 | 1,735,656 |
| <u>Net book values</u> | | | | | | | |
| As at 30 June 2018 (Unaudited) | 90,264 | 165,603 | 1,062,182 | 7,385 | 20,496 | 40,289 | 1,386,219 |
| As at 31 December 2017 (Audited) | 90,264 | 169,964 | 1,024,528 | 7,552 | 22,752 | 42,591 | 1,357,651 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

8 PROPERTY, PLANT AND EQUIPMENT (continued)

(*) During the period ended 30 June 2018, the Group's management assessed that there is an indication of impairment of the recoverable amount and carrying value of certain fixed assets (trucks and trailers). Accordingly, difference is recognized as impairment loss on assets in the interim condensed consolidated statement of income.

Depreciation for the period allocated as the following:

| | For the period ended 30 June | |
|-------------------------|------------------------------|---------------|
| | 2018 | 2017 |
| | SR'000 | SR'000 |
| | (Unaudited) | (Unaudited) |
| Cost of revenue | 93,488 | 90,124 |
| Administrative expenses | 1,274 | 1,920 |
| | 94,762 | 92,044 |

9 INTANGIBLE ASSETS

| | Software and licenses SR'000 |
|--|---------------------------------|
| <i>Cost</i> | |
| Balance as at 1 December 2016 | 39,352 |
| Additions | 11,147 |
| Disposals | - |
| Balance as at 31 December 2017 (Audited) | 50,499 |
| Transfers from projects and buses in progress (Note 8) | 1,149 |
| Additions | 6,260 |
| Balance as at 30 June 2018 (Unaudited) | 57,908 |
| <i>Accumulated amortization</i> | |
| Balance as at 31 December 2016 | 21,293 |
| Additions | 5,146 |
| Disposals | - |
| Balance as at 31 December 2017 (Audited) | 26,439 |
| Additions | 2,317 |
| Disposals | - |
| Balance as at 30 June 2018 (Unaudited) | 28,756 |
| <i>Net book values</i> | |
| As at 30 June 2018 (Unaudited) | 29,152 |
| As at 31 December 2017 (Audited) | 24,060 |

Depreciation for the period allocated as the following:

| | For the period ended 30 June | |
|-------------------------|------------------------------|--------------|
| | 2018 | 2017 |
| | SR'000 | SR'000 |
| | (Unaudited) | (Audited) |
| Cost of revenue | 1,705 | 1,687 |
| Administrative expenses | 612 | 453 |
| | 2,317 | 2,140 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

10 INVESTMENT PROPERTIES

The Group's investment properties consist of five lands in the Kingdom of Saudi Arabia amounting to SR 307.12 million as at 30 June 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.

The fair value of investment property was determined by external, independent property valuers – Qayem Company – register number (1210000052), having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide 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 2017, and they have determined the fair value to be SR 437.9 million.

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

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

11 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURE

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|--|--|--|
| Interest in joint venture (SEITCO) (A) | 96,744 | 71,855 |
| Interest in an associate (CAMCO) (B) | 3,600 | - |
| Interest in an associate (C) | - | - |
| | 100,344 | 71,855 |

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

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|--------------------------------------|--|--|
| At the beginning of the period/ year | 71,855 | 28,541 |
| Share of profits period/ year | 24,889 | 43,314 |
| At the end of the period/year | 96,744 | 71,855 |

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

11 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURE (continued)

(B) Movement in the investment in joint venture during the period

| | 30 June 2018 SR'000 (Unaudited) |
|--------------------------------|--|
| At the beginning of the period | - |
| Share of profits | 3,600 |
| At the end of the period | 3,600 |

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 a joint venture in which the Group has joint control as it issues the partners' decisions unanimously according to the company's articles of association. CAMCO 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 account for its investments in CAMCO using the equity method, not listed in these interim condensed consolidated financial statements as the Company not started its operations yet.

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

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|--|--|--|
| At the beginning of the period / year | 7,459 | 7,459 |
| Less: provision for impairment of investment | (7,459) | (7,459) |
| At the end of the period / year | - | - |

The Group has a 40% interest in Saudi Bahraini Transport Group, a limited liability Group 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. On 31 December 2015, the Partner's Extraordinary General Assembly of Saudi Bahraini Transport Group agreed on dissolving and liquidation of the Group and nominating a liquidator. Accordingly, a provision has been made for the investment in full as the Group is unable to estimate the recoverable amount of this investment.

12 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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.

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|--|--|--|
| At the beginning of the period / year | 117,729 | 114,552 |
| Additions | 7,733 | - |
| Disposal | (53,721) | - |
| Movements due to changes in fair value | 15,035 | 3,177 |
| At the end of the period / year | 86,776 | 117,729 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

12 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Movement in fair values of equity instruments

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|---------------------------------------|--|--|
| At the beginning of the period / year | (26,982) | (30,159) |
| Change in fair value | 15,035 | 3,177 |
| At the end of the period / year | <u>(11,947)</u> | <u>(26,982)</u> |

13 TRADE AND OTHER RECEIVABLES

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|--|--|--|
| Receivables – government and quasi government institutions | 140,309 | 104,878 |
| Receivables– private sector | 47,818 | 44,776 |
| Total trade receivables | 188,127 | 149,654 |
| Less: Allowance for impairment | (30,903) | (32,801) |
| Trade receivables, net | 157,224 | 116,853 |
| Unbilled receivables | 215,299 | 129,005 |
| Employees receivables | 9,008 | 8,978 |
| Trade and other receivables, net | 381,531 | 254,836 |

The Group receivables are generally non-interest bearing and are recovered within 90 days. On 30 June 2018, trade receivables with an initial carrying amount of SAR 30.9 million (31 December 2016: SAR 32.8 million,) were impaired and are fully provided.

Movement in allowance for impairment:

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|-------------------------------------|--|--|
| At the beginning of the period/year | 32,801 | 32,801 |
| Charge for the period/year | (1,898) | - |
| At the end of the period/year | <u>30,903</u> | <u>32,801</u> |

14 ASSETS HELD FOR SALE

During the period ended 30 June 2018, The Group's management decided to sell some of its fixed assets (Trucks and Trailers) used for Cargo Operations. Therefore, reclassification made for such assets the assets held for sale.

Based on the current sale negotiations till the date of the preparation of these financial statements, it is expected that the disposal process would result losses amounted to SR 22.24 million represents the difference between the recoverable amount and the carrying value for such fixed assets.

15 ISSUED CAPITAL

The Group's share capital at 30 June 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

16 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).

17 CONSENSUAL RESERVE

In accordance with the Company's By-Laws, the Company shall transfer 5% from the net income for the year to the consensual reserve until this reserve equals 25% of the share capital. This reserve may be used for purposes authorized by the Board of Directors. Board of Directors did not suggest this transfer during 2017 (Note 1).

18 MURABAHA FINANCING

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|-----------------------|--|--|
| Murabaha financing | 455,276 | 358,149 |
| Less: Current portion | (213,167) | (186,574) |
| Non-current portion | 242,109 | 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 and carries at prevailing market commission rates. The Group has obtained these loans in order to finance its procurement of buses.

19 EMPLOYEES' TERMINATION BENEFITS – DEFINED BENEFIT PLAN

Movement in present value of defined benefit obligation

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|---|--|--|
| Opening balance - present value of defined benefit obligation at the beginning of the period/Year | 152,417 | 145,385 |
| Current service cost during the period/year | 9,766 | 9,511 |
| Benefits paid during the period/year | (5,294) | (11,338) |
| Interest cost during the period/year | 2,808 | 5,926 |
| Actuarial (loss) / gain on obligation during the period/year | (3,667) | 2,933 |
| Closing balance - present value of defined benefit obligation during the period/year | 156,030 | 152,417 |

Employee benefit expense

| | For the three months period ended 30 June | | For the six months period ended 30 June | |
|---------------------------------------|--|--|--|--|
| | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) |
| Current service cost | 4,424 | 4,162 | 9,766 | 7,629 |
| Interest cost on benefit obligation | 1,388 | - | 2,808 | - |
| Total employee benefit expense | 5,812 | 4,162 | 12,574 | 7,629 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

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

Re-evaluate (gain)/loss in the Consolidated Statement of Comprehensive Income

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|--|--|--|
| Re-evaluate (gain)/loss in employees' termination benefits | | |
| Financial assumptions | (1,095) | 3,248 |
| Demographic assumptions | - | 2,529 |
| Experience adjustments | (2,572) | (2,844) |
| Total re-evaluate in Consolidated Statement of Comprehensive Income | (3,667) | 2,933 |

The Group carried out a detailed actuarial valuation as at 30 June 2018 and 31 December 2017.

Defined benefit liability

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|---|--|--|
| Non-current - end of service benefits | 156,030 | 152,417 |
| Current - other employee benefits | 41,204 | 39,670 |
| Total employee benefit liabilities | 197,234 | 192,087 |

The main assumptions used in determine the defined benefit as follows:

Principal actuarial assumptions

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|---|--|--|
| Financial assumptions: | | |
| - Discount rate - present value of defined benefit obligation | 4.35% | 3.75% |
| - Discount rate - in the Consolidated Statement of Comprehensive Income | 3.75% | 4.50% |
| - Salary growth rate | 3.00% | 2.50% |
| - Withdrawal rate | Normal | Normal |
| - Period | 7.02 years | 6.24 years |
| Demographic assumptions: | | |
| - Retirement age | 60 Years | 60 Years |
| - Withdrawal from service rates | | |
| A) Service till 6 years | 8.40% | 8.40% |
| B) Service between 7-25 years | 6.00% | 6.00% |
| C) Service more than 25 years | 2.40% | 2.40% |

The mortality rate used is the group's reinsurance mortality rate. The average rate for the coming year is 0.36%.

20 ADVANCE PAYMENT FROM A CUSTOMER

During 2015, Public Transport Group 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

21 DEFERRED REVENUE

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|--------------------------------------|--|--|
| Deferred passenger transport revenue | 25,369 | 9,929 |
| Deferred capital revenue | 7,961 | 5,785 |
| Deferred guarantee commission | 1,369 | 1,899 |
| | 34,699 | 17,613 |
| Current | 26,738 | 12,589 |
| Non-current | 7,961 | 5,024 |
| | 34,699 | 17,613 |

22 RELATED PARTY TRANSACTIONS AND BALANCES

| | | Share in earnings | Services provided | Rent Buses | Amounts owed from/to related parties |
|--|---------------------------------|------------------------------|------------------------------|-----------------------|---|
| | | SR'000 | SR'000 | SR'000 | SR'000 |
| Joint venture: | | | | | |
| Saudi Emirates Integrated Transport Company | 30 June 2018 (Unaudited) | 24,889 | 1,223 | - | 73,760 |
| | 31 December 2017 (Audited) | 43,314 | 1,882 | 5,960 | 72,537 |
| Due to non-controlling interests of the subsidiary: | | | | | |
| RATP Development (a French company) | 30 June 2018 (Unaudited) | - | 3,401 | - | 6,089 |
| | 31 December 2017 (Audited) | - | 8,044 | - | 2,688 |
| RATP Dev Saudi Arabia LLC | 30 June 2018 (Unaudited) | - | 2,542 | - | 4,733 |
| | 31 December 2017 (Audited) | - | 25,844 | - | 2,191 |
| Total amounts due to non- controlling interests of the subsidiary | 30 June 2018 (Unaudited) | | | | 10,822 |
| | 31 December 2017 (Audited) | | | | 4,879 |

Joint venture

* 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. However, the partners agreed on rescheduling of repayment to be started from January 2017.

During the current year, the partners agreed to defer the payments from April to November 2017, the partners are still in the process of postponing payments to 2019.

This loan has been recorded at fair value on the basis of prevailing market commission rates. Financing income on this loan has been recognized in the condensed consolidated interim statement of income.

In addition, during the second quarter of 2016, the Company has provided an additional finance amounting to SR 20 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.

During the third quarter of 2016, the Company has provided an additional finance amounting to SR 20 million to SEITCO. This amount does not carry any interest and it will be recovered upon receiving the accruals of SEITCO.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Group

| | For the three months period ended 30 June | | For the six months period ended 30 June | |
|---|--|-------------------------------|--|-------------------------------|
| | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) |
| <i>Transactions with key management personnel</i> | | | | |
| Board and committees reimbursements and allowances | 2,252 | 937 | 2,775 | 2,775 |
| Compensation of key management personnel of the Group (*) | 2,262 | 2,724 | 4,735 | 5,430 |

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

| | For the three months period ended 30 June | | For the six months period ended 30 June | |
|--|--|-------------------------------|--|-------------------------------|
| | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) |
| Short-term employee benefits | 2,145 | 2,623 | 4,501 | 5,228 |
| Post-employment benefits | 117 | 101 | 234 | 202 |
| Total compensation paid to key management personnel | 2,262 | 2,724 | 4,735 | 5,430 |

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

23 SEGMENT INFORMATION

For management purposes, the Group is organized 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, as well as international transport services including cargo operation. 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 including limo operation.

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 organizes 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

23 SEGMENT INFORMATION (continued)

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

The Group has no significant customer that contributes 10.00% or more except some governmental agencies in which in aggregate more than 10% to the revenue of the Group at the period ended 30 June 2018 and 30 June 2017.

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

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

| <i>Period ended</i> 30 June 2018 <i>(Unaudited)</i> | Passenger transport SR'000 | Contracts and leasing SR'000 | Head Office SR'000 | Public Transportation Project SR'000 | Total Segments SR'000 | Adjustments and eliminations SR'000 | Consolidated SR'000 |
|--|---|---|-------------------------------|---|--------------------------------------|--|--------------------------------|
| Total revenues (Note 4) | 338,372 | 134,973 | - | ٨٦,٢٩٣ | 559,638 | - | 559,638 |
| Cost of revenue | (311,869) | (148,227) | - | (76,745) | (536,841) | 9,757 | (527,084) |
| Gross profit (loss) | 26,503 | (13,254) | - | ٩,٥٤٨ | 22,797 | 9,757 | 32,554 |
| Finance income | - | - | 891 | 1,273 | 2,164 | - | 2,164 |
| Finance costs | - | - | (6,415) | (1,821) | (8,236) | - | (8,236) |
| Impairment loss for assets held for sale (Note 14) | (22,242) | - | - | - | (22,242) | - | (22,242) |
| Impairment loss for property, plant and equipment (Note 8) | (5,438) | - | - | - | (5,438) | - | (5,438) |
| Earnings of joint venture (Note 11) | - | - | 24,889 | - | 24,889 | - | 24,889 |
| Segment (loss)/profit before zakat and income tax | (29,760) | (27,159) | 24,468 | 6,094 | (26,357) | (٦٦) | (26,423) |
| <i>Period ended</i> 30 June 2017 <i>(Unaudited)</i> | Passenger transport SR'000 | Contracts and leasing SR'000 | Head Office SR'000 | Public Transportation Project SR'000 | Total Segments SR'000 | Adjustments and eliminations SR'000 | Consolidated SR'000 |
| Total revenues (Note 4) | 352,810 | 133,378 | - | 36,972 | 523,160 | - | 523,160 |
| Cost of revenue | (295,933) | (145,427) | - | (27,113) | (٤٦٨,٤٧٣) | 14,864 | (453,609) |
| Gross profit (loss) | 56,877 | (12,049) | - | ٩,٨٥٩ | 54,687 | 14,864 | 69,551 |
| Finance income | - | - | 2,034 | ٣,٣٨٤ | 5,418 | - | 5,418 |
| Finance costs | - | - | (6,901) | (1,819) | (8,720) | - | (8,720) |
| Earnings of joint venture (note 11) | - | - | 19,376 | - | 19,376 | - | 19,376 |
| Segment profit / (loss) before zakat and income tax | 34,736 | (21,309) | 21,399 | 9,175 | 44,001 | 5,115 | 49,116 |
| <i>At 30 June 2018</i> <i>(Unaudited)</i> | Passenger transport SR'000 | Contracts and leasing SR'000 | Head Office SR'000 | Public Transportation Project SR'000 | Total Segments SR'000 | Adjustments and eliminations SR'000 | Consolidated SR'000 |
| Total assets | 850,265 | 812,581 | 820,233 | 503,533 | 2,986,612 | (3,125) | 2,983,487 |
| Total liabilities | 348,420 | 419,532 | 191,167 | 490,534 | 1,449,653 | (13,454) | 1,436,199 |
| Other disclosures: | | | | | | | |
| Property, plant and equipment, net (Note 8) | 735,914 | 602,921 | 90,847 | 1,805 | 1,431,487 | - | 1,431,487 |
| Investments in an associate and joint venture (Note 11) | - | - | 100,344 | - | 100,344 | - | 100,344 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

23 SEGMENT INFORMATION (continued)

| <i>At 31 December 2017 (Audited)</i> | Passenger transport SR'000 | Contracts and leasing SR'000 | Head Office SR'000 | Public Transportation Project SR'000 | Total Segments SR'000 | Adjustments and eliminations SR'000 | Consolidated SR'000 |
|--|----------------------------------|------------------------------------|-----------------------|---|-----------------------------|--|------------------------|
| Total assets | 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 disclosures: | | | | | | | |
| Property, plant and equipment, net (Note 8) | 712,252 | 616,084 | 66,204 | 1,361 | 1,395,901 | - | 1,395,901 |
| Investments in an associate and joint venture (Note 11) | - | - | 71,855 | - | 71,855 | - | 71,855 |

24 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 fair values of cash and cash equivalents, trade receivables, trade payables, interest bearing loans and borrowings, employee's benefits and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

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

Fair value hierarchy

| <i>30 June 2018 (Unaudited)</i> | <i>Carrying value SR'000</i> | <i>Level 1 SR'000</i> | <i>Level 2 SR'000</i> | <i>Level 3 SR'000</i> | <i>Fair value total SR'000</i> |
|--|--------------------------------------|---------------------------|---------------------------|---------------------------|--|
| Measured at fair value: | | | | | |
| Investments at fair value through other comprehensive income ("FVOCI") | 86,776 | 86,776 | - | - | 86,776 |
| <i>31 December 2017 (Audited)</i> | <i>Carrying value SR'000</i> | <i>Level 1 SR'000</i> | <i>Level 2 SR'000</i> | <i>Level 3 SR'000</i> | <i>Fair value total SR'000</i> |
| Measured at fair value: | | | | | |
| Investments at fair value through other comprehensive income ("FVOCI") | 117,729 | 117,729 | - | - | 117,729 |

There is no transfers between measures at fair value at 30 June 2018 and 31 December 2017, no transfers between the fair value hierarchy levels in the comparative periods.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
As at 30 June 2018

25 CAPITAL COMMITMENTS AND CONTINGENCIES

A) Contingencies

As at 30 June 2018, the Group's bankers have issued, on its behalf during the normal course of business, guarantees and acceptances limited to SR 860 million (31 December 2017: SR 821 million).

B) Capital commitments

The Group also has capital commitments of SR 42.5 million to purchase 100 new buses and are expected to be delivered during second half of the year 2018.

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:

| | 30 June 2018 SR'000 (Unaudited) | 31 December 2017 SR'000 (Audited) |
|---------------------------|--|--|
| Less than one year | 5,637 | 11,637 |
| Between two to five years | 13,707 | 13,707 |
| More than five years | 7,350 | 7,350 |
| | 26,694 | 32,694 |

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

| | For the three months period ended 30 June | | For the six months period ended 30 June | |
|---------------|--|--|--|--|
| | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) | 2018 SR'000 (Unaudited) | 2017 SR'000 (Unaudited) |
| Rent expenses | 5,653 | 3,294 | 12,440 | 8,787 |

D) 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.

E) *Expected Losses on Terminal Constructions*

F) During 2018, the Subsidiary's management estimated that the expected cost to meet one of performance obligations (terminal constructions) within King Abdulaziz Project for Public Transportation in Riyadh would exceed the allocated revenue, resulting in a negative margin. Therefore, the Subsidiary's management is currently renegotiating with Al Riyadh Development Authority ("Grantor") on the approved amount, and believes the outcome will be in favor of the Subsidiary.

26 DIVIDENDS

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.

27 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized to issue by the Board of Directors on 13 Thul-Qi'dah 1439H (corresponding to 26 July 2018).