

SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY

(Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 December 2020

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 December 2020**

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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 – A Saudi Joint Stock Company – (the “Company”) and its Subsidiary (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 (“ISAs”) that are endorsed in KSA. 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 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 our 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><u>Impairment of property, plant, equipment, buses and trucks</u></p> <p>The carrying value of property, plant equipment, buses and trucks of the Group represent a significant part of the total assets of the Group (25%) for an amount of SR 1,173 million as of 31 December 2020.</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 has performed detailed impairment reviews.</p> <p>As part of the Group's process to review the indication of impairment of its assets, the management has considered 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. • 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 procedures we performed included, among others, the following:</p> <ul style="list-style-type: none"> • Obtained and reviewed the management report that relates to the assessment of impairment of the Group's assets. • Reviewed, on a sample basis, 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 or loss statement for each operating segment during the year. • Obtained and discussed with management and evaluated the key assumptions underlying management's assessment of potential impairment of assets. • Tested management's assumptions used in the value in use calculations and assessed the historical accuracy of management's estimates. • Involved our valuation expert to assist us in the evaluation of the discount rates used by the Group, performed sensitivity analyses on certain key assumptions to assess the range of acceptable valuations. They have also checked the arithmetical correctness of the discounted cashflows model.

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><u>Impairment of property, plant, equipment, buses and trucks – Continued</u></p> <p>We considered this as a key audit matter because the assessment is complex and involves a significant degree of management judgement in determining the key assumptions. Furthermore, there is an increased risk of impairment due to the deteriorated market outlook for the transportation sector due to the measures undertaken by the Government to reduce the spread of the pandemic.</p> <p>Refer to note 3 to the consolidated financial statements for the accounting policy that relates to impairment of non-financial assets, note 4 for significant accounting estimates and judgements and note 13 for the disclosure of property, plant and equipment.</p>	
<p><u>Revenue Recognition</u></p> <p>For the year ended 31 December 2020, the Group's operating revenue was SR 1,170 million. Passenger transports sales are recognized as revenue when related services are provided.</p> <p>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; or c) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.</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 deferred 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.

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><u>Revenue Recognition- Continued</u></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>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>Refer to Note 3 to the consolidated financial statements for the accounting policy that relates to revenue, Note 4 for significant accounting estimates and judgements and Note 6 for the disclosure of revenues.</p>	<p>Inspecting underlying documentation for any journal entries which were considered to be material or met other specified risk-based criteria on a sample basis.</p> <p>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.</p>

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 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 2020 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 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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 issued by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the 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.

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.

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 the 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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:

- 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.
- 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 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.



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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:

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: 29 Jumada Al- Alkhirah 1442H
(11 February 2021)




**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 December 2020**

	Note	2020 SR'000	2019 SR'000
Revenues	6	1,169,662	1,711,891
Cost of revenue	7	(1,289,806)	(1,492,525)
Gross (loss) profit		(120,144)	219,366
Selling and distribution expenses	8	(34,679)	(47,048)
Administrative expenses	9	(103,832)	(123,048)
Impairment of assets held for sale	22	(42,705)	-
Operating (loss) profit		(301,360)	49,270
Share in (loss) profits of a joint venture	16	(44,041)	18,741
Share in profits of an associate	16	244	1,728
Finance income	21&33	4,677	1,465
Finance costs	26	(35,654)	(36,746)
Other income	10	12,683	16,693
(Loss) income before zakat and income tax		(363,451)	51,151
Zakat and income tax	11	(14,264)	(17,227)
(Loss) income for the year		(377,715)	33,924
(Loss) income for the year attributable to:			
Shareholders of the Parent Company		(375,160)	35,324
Non-controlling interest		(2,555)	(1,400)
		(377,715)	33,924
(Loss) earnings per share (in Saudi Riyal):			
► Basic and diluted, from the (loss) income for the year attributable to shareholders of the parent company	12	(3.00)	0.28


EVP Corporate Finance


CEO


Authorized Member of the Board of
Directors

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2020**

	Note	2020 SR'000	2019 SR'000
(Loss) income for the year		(377,715)	33,924
Other comprehensive income			
Other comprehensive income not to be reclassified to the consolidated statement of income in subsequent periods:			
- Re-measurement gains on defined benefits liability	28	1,553	1,447
- Net change in fair value of investments in equity instruments at FVOCI	17	10,763	12,007
Total other comprehensive income for the year		<u>12,316</u>	<u>13,454</u>
Total comprehensive (loss) income for the year		<u>(365,399)</u>	<u>47,378</u>
Total comprehensive (loss) income for the year attributable to:			
Shareholders of the Parent Company		(362,844)	48,778
Non-controlling interest		(2,555)	(1,400)
		<u>(365,399)</u>	<u>47,378</u>


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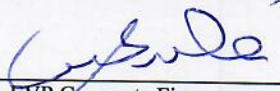

CEO


Authorized Member of the
Board of Directors

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2020**

	Note	31 December 2020 SR'000	31 December 2019 SR'000
Assets			
Non-current assets			
Property, plant, equipment, buses and trucks	13	1,172,544	1,255,766
Intangible assets	14	584,158	345,955
Investment properties	15	307,122	307,122
Amounts due from a related party – non-current portion	33	45,449	67,145
Investments in associates and a joint venture	16	94,311	138,352
Investments in equity instruments at FVOCI	17	-	90,101
Unbilled receivables – non-current portion	19	1,329,587	1,032,945
Other non-current assets		4,487	5,306
Total non-current assets		3,537,658	3,242,692
Current assets			
Inventories	18	18,069	30,752
Trade receivables, unbilled receivables and other receivables	19	683,056	307,545
Amounts due from a related party - current portion	33	48,262	36,210
Prepayments and other current assets	20	52,066	138,562
Cash and cash equivalents	21	351,583	338,438
		1,153,036	851,507
Assets held for sale	22	7,016	-
Total current assets		1,160,052	851,507
Total asset		4,697,710	4,094,199
Equity and liabilities			
Equity			
Issued capital	23	1,250,000	1,250,000
Statutory reserve	24	-	183,471
Consensual reserve	25	42,730	42,730
Investments revaluation reserve	17	-	(6,495)
(Accumulated Losses) Retained earnings		(22,067)	163,801
Equity attributable to shareholders of the parent company		1,270,663	1,633,507
Non-controlling interest	35	4,085	6,640
Total equity		1,274,748	1,640,147
Non-current liabilities			
Murabaha financing – non-current portion	26	943,763	336,663
Lease liabilities – non-current portion	27	31,041	8,529
Employee defined benefits obligation	28	145,612	137,516
Advance from a customer – non-current portion	29	1,437,950	959,078
Deferred revenue - non-current portion	30	4,675	5,313
Total non-current liabilities		2,563,041	1,447,099
Current liabilities			
Murabaha financing - current portion	26	116,514	84,209
Short term murabaha financing	26	150,295	339,181
Lease liabilities - current portion	27	1,450	1,779
Trade and other payables	31	287,320	345,156
Due to non-controlling interests of the subsidiary	33	6,483	12,118
Accrued and other liabilities	32	123,160	129,595
Deferred revenue - current portion	30	19,756	16,567
Advance from a customer - current portion	29	118,197	48,901
Zakat and income tax payable	11	36,746	29,447
Total current liabilities		859,921	1,006,953
Total liabilities		3,422,962	2,454,052
Total liabilities and equity		4,697,710	4,094,199


EVP Corporate Finance


CEO


Authorized Member of the
Board of Directors

The accompanying notes 1 to 43 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 2020**

	2020 SR'000	2019 SR'000
OPERATING ACTIVITIES		
(Loss) income before zakat and income tax	(363,451)	51,151
<i>Adjustments to reconcile income before zakat and income tax to net cash flows:</i>		
Depreciation and amortization	197,220	185,231
Impairment of trade receivables, unbilled receivables and other receivables	20,646	14,872
Impairment of assets held for sale	42,705	-
Impairment of slow-moving inventories	8,353	8,934
Share in (losses) profits of a joint venture	44,041	(18,741)
Share in profits of an associate	(244)	(1,728)
Amortisation of deferred revenue	(685)	(1,125)
Finance costs	35,654	36,746
Finance income	(4,677)	(1,465)
Changes in employees' defined benefit obligation	21,036	19,173
Gain on sale of property, plant and equipment	(13)	(7,564)
	585	285,484
Working capital adjustments:		
Inventories, net	4,330	2,161
Trade receivables, unbilled receivables and other receivables	(692,799)	(662,926)
Amounts due from a related party	10,996	(27,702)
Prepayments and other current assets	87,938	(17,157)
Trade and other payables	(57,836)	22,579
Due to non-controlling interests of the subsidiary	(5,635)	(1,330)
Accrued expenses and other liabilities	(6,192)	6,268
Deferred revenues	3,236	1,315
Advance from a customer	548,168	548,473
Cash (used in) from operations	(107,209)	157,165
Zakat and income tax paid	(6,964)	(7,203)
Employee defined benefit liability paid	(11,387)	(37,698)
Net cash flows (used in) from operating activities	(125,560)	112,264
INVESTING ACTIVITIES		
Investments in an associate	-	-
Proceeds from sale of finance income	2,703	1,465
Proceeds from sale of assets held for sale	-	14,000
Addition to investments in equity instruments at FVOCI	(63,519)	(90,645)
Proceeds from investments in equity instruments at FVOCI	164,383	90,421
Proceeds from sale of property, plant and equipment	14	42,570
Purchase of intangible assets	(241,363)	(282,678)
Purchase of property, plant, equipment, buses, and trucks	(130,837)	(114,767)
Net cash flows used in investing activities	(268,619)	(339,634)
FINANCING ACTIVITIES		
Proceeds from murabaha financing	1,242,748	579,490
Repayment of murabaha financing	(792,229)	(215,835)
Payment of finance cost	(35,181)	(34,828)
Payment of lease liabilities	(8,014)	(4,867)
Net cash flows from financing activities	407,324	323,960
Net increase in cash and cash equivalents	13,145	96,590
Cash and cash equivalents at 1 January	338,438	241,848
Cash and cash equivalents at 31 December	351,583	338,438
SIGNIFICANT NON-CASH TRANSACTIONS:		
Net movement in fair value of investments in equity instruments at FVOCI	10,763	12,007
Initial recognition of right-of-use-assets	29,722	15,175


EVP Corporate Finance


CEO


Authorized Member of the
Board of Directors

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2020**

	Attributable to Equity Holders of the Parent Company						Total equity SR'000
	Issued capital SR'000	Statutory reserve SR'000	Consensual reserve SR'000	Investments revaluation reserve SR'000	Retained earnings SR'000	Total SR'000	
At 31 December 2019	1,250,000	183,471	42,730	(6,495)	163,801	1,633,507	1,640,147
Loss for the year	-	-	-	-	(375,160)	(375,160)	(377,715)
Other comprehensive income for the year	-	-	-	10,763	1,553	12,316	12,316
Total comprehensive income	-	-	-	10,763	(373,607)	(362,844)	(365,399)
Transfer from investments revaluation reserve (note 17)	-	-	-	(4,268)	4,268	-	-
Transfer to retained earnings (accumulated losses) absorption of losses (note 24)	-	(183,471)	-	-	183,471	-	-
As at 31 December 2020	1,250,000	-	42,730	-	(22,067)	1,270,663	1,274,748
	Issued capital SR'000	Statutory reserve SR'000	Consensual reserve SR'000	Investments revaluation reserve SR'000	Retained earnings SR'000	Total SR'000	Total equity SR'000
At 31 December 2018	1,250,000	179,939	42,730	(18,502)	130,562	1,584,729	1,592,769
Income for the year	-	-	-	-	35,324	35,324	33,924
Other comprehensive income for the year	-	-	-	12,007	1,447	13,454	13,454
Total comprehensive income	-	-	-	12,007	36,771	48,778	47,378
Transfer to statutory reserve (note 24)	-	3,532	-	-	(3,532)	-	-
As at 31 December 2019	1,250,000	183,471	42,730	(6,495)	163,801	1,633,507	1,640,147


EVP Corporate Finance

CEO


Authorized Member of the Board of Directors

The accompanying notes 1 to 43 form an integral part of these consolidated financial statements.

SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 December 2020

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 Company's head office's address is Al-Nakheel neighborhood, Al-Takhasusi Street, Building No. 7995, P.O. Box 10667 Riyadh 11443, KSA.

The principal activities of the Company are 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) 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 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 27 Safar 1442 H (corresponding to 14 October 2020), the Company received a letter from the General Authority for Transport regarding the franchise contract included therein the approval of the Council of Ministers (initial approval) on what the assigned committee has reach to regarding Company's assets which includes an extension of the franchise contract for a year from 1 Rajab 1442 H (corresponding to 13 February 2021) and the required terms for the final settlements by the Company regarding to the franchise contract as announced in the Company's website and its announcements in Tadawul.

Accordingly, Board of Directors presented the terms mentioned in the approval of the Council of Ministers to Company's shareholders on the Ordinary General Assembly meeting that held on 29 Rabi' Al Awwal 1442 H (corresponding to 15 November 2020). Therefore, the Ordinary General Assembly has approved on the conclusion mentioned on the letter based on the agreement and the terms and conditions of the franchise contract.

The company has determined the impact of what is stated in the franchise contract and its terms signed between the government and the company and in light of what has been reached by the committee formed to study the status of the company's assets, which will result in an increase in the group's total depreciation by SR 27 million distributed over SR 10.2 million for the year 2020, SR 10.2 million for the year 2021 and SR 6.6 million distributed over the next five years.

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

Subsidiary	Year of incorporation	Ownership Percentage		Principal Activity	Country of Incorporation
		31 December 2020	31 December 2019		
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
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
AS AT 31 December 2020**

1. CORPORATE INFORMATION – CONTINUED

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

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

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

2. BASIS OF PREPARATION AND CONSOLIDATION

2.1 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in KSA and other standards and pronouncements that are 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 in equity instruments at FVOCI which are measured at fair value, and defined benefit obligations which are recognised at the present value of future obligations using the Projected Unit Credit method (PUC).

The consolidated financial statements are presented in Saudi Riyals (SR), which is also the Group’s functional currency. All amounts have been rounded to the nearest thousand (“SR’000”), unless otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (collectively, the “Group”), as at 31 December 2020. Control is achieved when the Group is exposed or has rights to the 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 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 to risks, and has rights to variable returns from its involvement with the investee; and
- ▶ 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.

Income and each component of other comprehensive income are attributed to the shareholders of the Parent Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 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 an objective evidence that the investment in an associate or a 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 within '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.

3.2 Current versus non-current classification

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

- ▶ Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- ▶ Held primarily for the purpose of trading;
- ▶ Expected to be realized 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.

All other assets are classified as non-current.

A liability is current when:

- ▶ It is expected to be settled in the normal operating cycle;
- ▶ 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.3 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 best economic 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is 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 recognized 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 categorization (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.

3.4 Revenue Recognition

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

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 allocates 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 performance creates or enhances an asset that customer controls same 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.4 Revenue Recognition – Continued

For performance obligation 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 or duty. The group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

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

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. Rental income 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.

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 utilization 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.4 Revenue recognition – Continued

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", "the Operator") entered into a contract with Al Riyadh Development Authority ("ADA", "the Grantor") on 20 November 2014 (corresponding to 27 Muharram 1437H) for executing King Abdul-Aziz Project for public transport in Riyadh. The contract period is twelve years. Under the arrangement, the Operator 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, the Operator has an unconditional right to receive cash during the mobilisation and operational phase and it does not have any right to use the infrastructure to recover cash from public. The Group recognises the financial assets 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.

The Operator does not have the right to recognise public service infrastructure (i.e. assets under the infrastructure) as its property, plant and equipment as the Operator is considered to have a right of access rather than a right of use. Accordingly, expenses incurred during mobilisation phase 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.

During the operation phase, revenue under transportation services is recognised based on kilometers agreed as considered in the price chart. For other performance obligations during 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

Dividends are recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividends.

3.5 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 consolidated 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 the consolidated statement of income are also recognised in OCI or the consolidated statement of income, respectively).

3.6 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 the consolidated statement of income. Any differences between the provision and the final assessment is recorded when the final assessment is approved.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.7 Income tax

Non-Saudi shareholder of the subsidiary is subject to corporate income tax in the Kingdom of Saudi Arabia based on his share of the results, which is included as an expense in the consolidated statement of income.

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

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
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when 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 ; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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 re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits 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 year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been 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 other comprehensive income or directly in equity.

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

3.8 Withholding tax

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.

3.9 Property, plant and equipment, buses and trucks

Property, plant and equipment are stated at cost, less 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 plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

<u>Asset categories</u>	<u>Useful lives</u>
Buildings and buildings improvements	3 to 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 component 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 derecognizing 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 de-recognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

Projects under construction are 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.10 Lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.10.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right of Use Assets

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

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

3.10.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Operating lease income is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease term. Any benefits granted as an incentive to enter into an operating lease, are distributed in a straight-line basis over the lease term. Total benefits from incentives are recognized as a reduction in rental income on a straight-line basis, unless there is another basis that better represents the period of time in which the economic benefits of the leased asset are exhausted.

The amounts due from the finance leases are recorded as lease receivables at an amount equal to the net investment of the Group in the lease. The lease payments to be received are distributed into two components: (1) a reimbursement of the original amount (2) a financing income to compensate the Group for its investment and services. The additional costs directly attributable to negotiating the lease contract are included in the amounts due, which in return, will reduce the finance income portion from the contract.

3.11 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 Investments property, the Group accounts for this property in accordance with the policy stated under property and plant equipment up to the date of change in use.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.12 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 amortization 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.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, 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

Software is carried at cost less any accumulated amortization and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Amortisation is charged to the consolidated 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

3.13 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 for the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred in the consolidated statement of income.

3.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition

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

Classification

The Group classifies its financial assets and financial liabilities under 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.

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.

The Group has implemented the following classifications:

Financial Statements Item	IFRS 9 Classification
Investments held at Fair value through OCI	Fair value through OCI
Investments in Murabaha deposits	Amortised cost
Trade receivables, unbilled receivables and other receivables	Amortised cost
Cash and cash equivalents	Amortised cost
Amounts 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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.14 Financial instruments – continued

a) Financial assets (continued)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired. This category is relevant to the Group. The Group's financial assets at amortised cost includes trade receivables, loans to employees and due from related parties included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Group's does not have any debt instruments designated at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.14 Financial instruments – continued

a) Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Currently, the Group does not have any financial assets designated at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

a) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings or murabaha financing, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, murabaha financing and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost (lease liabilities, borrowing and murabaha financing).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as fair value through profit or loss if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.14 Financial instruments – continued

b) Financial liabilities

Financial liabilities at amortised cost (lease liabilities and borrowing)

This category is relevant to the Group. After initial recognition, lease liabilities and interest-bearing loans, borrowing and murabaha financing are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss. This category generally applies to lease liabilities and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

c) Offsetting of financial instruments

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

d) 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 gain/loss arising due to fair valuation of guarantees issued on behalf of the Group's companies has been adjusted from retained earnings. Commission income on the Group's guarantees is amortised over the tenure of such guarantees.

e) Interest free loans to the Group's Companies

Loans to the Group's 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.

3.15 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) fair value less costs to sell and its value in use and 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 reflects current market assessments of the time value of money and the risk specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs 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 recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.15 Impairment of non-financial assets – continued

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group's 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 exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal of entry is recognised in the consolidated statement of profit and loss unless the asset is included at a re-estimated amount, and in this case the reversal of the entry is treated as an increase in the valuation.

3.16 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.

3.17 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' laws 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.

3.18 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.

3.19 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 plan is determined using the projected unit 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 consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the year end in which they occur. Remeasurement 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 that the Group recognises related restructuring costs

The net interest cost is calculated by applying the discount rate to the net defined benefit liabilities or assets. 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.

3.20 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed. Group is applying the systematic basis for the grant received from the Royal Commission for Riyadh ("Commission's Projects and Planning Center") which relates to the application software of alternative bus service in Riyadh.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3.21 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. Current assets 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 sell 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.

3.22 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.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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 the assets or liabilities affected in future periods.

4.1 Assumptions and Estimation Uncertainties

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, which 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.

4.2 Impairment of Accounts Receivable

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 provision.

4.3 Impairment of Inventories

Inventories are stated at the lower of cost and net realizable 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.

4.4 Revenue Recognition

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

Satisfaction of performance obligations

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

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

Allocation of transaction price to performance obligation in contracts with customers

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

4.5 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a 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.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - CONTINUED

4.6 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (“CGU”) exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing the asset.

The value in use calculation is based on a Discounted Cash Flow (“DCF”) model, where 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.

4.7 Employees' defined 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, 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.

4.8 Fair value measurement of financial instruments

When the fair value of financial assets 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 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.

4.9 Contingent liabilities

As disclosed in note 38 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.

4.10 Economic useful lives of property, plant, equipment, buses and trucks 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.

5. NEW STANDARDS, AMENMENTS AND INTERPRETAIONS

5.1 Amendments to IAS 1 and IAS 8: Definition of Material

In October 2019, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. The amendments to the definition of material has no significant impact on the Group’s consolidated financial statements.

5.2 Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020. The amendments to the definition of business has no significant impact on the Group’s consolidated financial statements.

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
AS AT 31 December 2020**

6. REVENUE

	(2020) SR'000	2019 SR'000
Revenue from King Abdulaziz Project for public transportation in Riyadh	710,542	674,977
Passenger transport	301,967	610,342
Revenue from specialized services	108,949	369,933
Government subsidy revenue (*)	48,204	56,639
	1,169,662	1,711,891
Point of revenue recognition:		
Services provided at point of time	459,120	1,036,914
Service provided during the period	710,542	674,977
	1,169,662	1,711,891
Services provided to:		
Government	838,279	1,001,667
Privet	331,383	710,224
	1,169,662	1,711,891

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

The operation start date is 11 Jumada Althani 1439H (corresponding to February 27, 2018) for transport on service runways and stop points in Riyadh city, which is to be determined by approval of the Public Transport Authority. The total of the annual support amount (SR 36,505,676) is disbursed in equal monthly installments. Due to the ends of the agreement, during month of March 2020, the Group agreed with the Royal Commission for Riyadh to continue to implementing, where King Abdulaziz Project for Public Transport has not started yet. Due to the suspension of transportation during the second quarter of the current year, the Group did not record the support revenues. During May of the current year the Group agreed with the Authority to continue providing the service in accordance to the terms and condition mentioned in the agreement, duration of the extension is not yet finalized. During November of current year, all service provided has been approved to be billed starting from July.

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

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

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

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

7. COST OF REVENUE

	2020 SR'000	2019 SR'000
Mobilization phase expenses for King Abdulaziz Project for public transportation in Riyadh	660,047	612,893
Salaries and related cost	250,533	397,191
Depreciation expenses (note 13)	179,557	173,974
Bus repairs and maintenance	58,210	119,319
Visa and iqama fees	46,416	53,340
Contractual services	32,452	42,615
Maintenance and general fees	17,332	22,559
Rent	12,249	17,445
Impairment of slow-moving inventories	8,353	8,934
Amortisation (note 14)	8,338	5,131
Property insurance expenses	3,748	19,616
Passenger services	1,317	4,646
Other expenses	11,254	14,862
	1,289,806	1,492,525

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
AS AT 31 December 2020**

8. SELLING AND DISTRIBUTION EXPENSES

	2020 SR'000	2019 SR'000
Impairment of accounts receivable	18,573	14,872
Domestic agents' commissions	10,886	24,377
Advertising and promotion	4,258	3,875
International agents' commissions	576	2,518
Advertising	386	1,406
	34,679	47,048

9. ADMINISTRATIVE EXPENSES

	2020 SR'000	2019 SR'000
Salaries and related cost	45,231	54,360
Management advisory fees	13,165	31,049
Repair and maintenance expenses	11,202	285
IT services	8,959	10,599
Amortization (note 14)	5,068	2,161
Depreciation (note 13)	4,257	3,965
Contractual services	3,922	5,034
Board and committee expenses, remunerations and allowances (Note 33)	3,904	3,371
Internet and telephone expenses	2,761	4,338
Rent	1,542	2,908
Visa and iqama fees	999	1,843
Property insurance	359	606
Other expenses	2,463	2,529
	103,832	123,048

10. OTHER INCOME

	2020 SR'000	2019 SR'000
Settlement of insurance claims	5,316	804
Rental income	2,364	2,788
Drivers renting	1,333	-
Penalties on suppliers	1,191	1,321
Gains on sale of scrap	431	760
Advertising revenue on intra-city transport busses	220	99
Gain on disposal of Property, plant, equipment, buses and trucks	13	7,563
Third-party vehicle maintenance revenue	-	2,390
Other income	1,815	968
	12,683	16,693

11. ZAKAT AND INCOME TAX

A) Zakat

Charge for the year

Zakat charge for the year is SR 14 million (31 December 2019: SR 17.2 million).

Movement in zakat provision

The movement in zakat provision was as follows:

	31 December 2020 SR'000	31 December 2019 SR'000
At the beginning of year	29,447	18,982
Charged during the year	14,054	17,221
Payment during the year	(6,824)	(6,756)
At the end of the year	36,677	29,447

11. ZAKAT AND INCOME TAX – CONTINUED

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 2019 and received required zakat certificates up to 2019. The General Authority for Zakat and Tax (“GAZT”) has issued its zakat assessments for the Company up to 2018. The Group has paid the zakat payable under the amended assessment and cleared its Zakat assessment for all the year up to the 2018.

B) Income tax

Charge for the year

Income tax charge for the year is SR 210 thousand (31 December 2019: SR 6 thousand).

Movement in income tax provision

The movement in income tax provision was as follows:

	31 December 2020	31 December 2019
	SR’000	SR’000
At the beginning of the year	-	447
Charged during the year	210	6
Payments during the year	(141)	(453)
At the end of the year	69	-

The subsidiary company submitted the zakat and tax returns to the General Authority of Zakat and Income (“GAZT”) until 2019. No Zakat assessment has yet been made by the GAZT.

12. Earnings per share (EPS)

Basic and diluted earnings 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 the outstanding ordinary shares during the year.

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

	2020	2019
	SR’000	SR’000
(Loss) income attributable to ordinary equity holders of the parent for basic earnings	(375,160)	35,324
	2020	2019
Weighted average number of ordinary shares for basic EPS	125,000,000	125,000,000
	2020	2019
	SR	SR
Basic and diluted (loss) earnings per share	(3.00)	0.28

13. PROPERTY, PLANT, EQUIPMENT, BUSES AND TRUCKS

	31 December 2020 SR'000	31 December 2019 SR'000
Property, plant and equipment, buses and trucks (note: 13.2)	1,148,279	1,233,638
Projects and buses in progress (note 13.1)	24,265	22,128
	<u>1,172,544</u>	<u>1,255,766</u>

13.1 PROJECTS AND BUSES IN PROGRESS

Projects and buses in progress include advances to suppliers for the construction and development of buildings, furniture, buses and other office equipment. The movement in the projects in progress during the year was as follows:

	31 December 2020 SR'000	31 December 2019 SR'000
At the beginning of the year	22,128	36,818
Additions during the year	23,625	16,705
Transfers during the year	(11,242)	(20,085)
Transfers of intangible assets during the year (note 14)	(10,246)	(11,310)
At the end of the year	<u>24,265</u>	<u>22,128</u>

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13.2 PROPERTY, PLANT, EQUIPMENT, BUSES AND TRUCKS – CONTINUED

	Land SR'000	Buildings SR'000	Buses, trucks and trailers SR'000	Furniture & Fixtures SR'000	Motor vehicles SR'000	Plant and equipment SR'000	Right of use assets (note 13.2.1) SR'000	Total SR'000
Cost								
Balance as at 1 January 2019	90,264	525,151	1,877,116	19,200	85,745	96,030	-	2,693,506
Additions during the year	-	305	91,865	660	3,104	2,124	15,175	113,233
Transfers during the year	-	10,755	(21)	-	5,774	3,577	-	20,085
Disposal during the year	-	(88)	(180,354)	(3)	(22,070)	(40)	(592)	(203,147)
Balance as at 31 December 2019	90,264	536,123	1,788,606	19,857	72,553	101,691	14,583	2,623,677
Additions during the year	-	484	97,954	2,050	3,616	3,108	29,722	136,934
Transfers during the year	-	10,943	-	-	299	-	-	11,242
Transfers of assets held for sale (note 22)	-	-	(148,973)	-	-	-	-	(148,973)
Disposal during the year	-	-	-	-	(63)	-	-	(63)
Balance as at 31 December 2020	90,264	547,550	1,737,587	21,907	76,405	104,799	44,305	2,622,817
Accumulated depreciation								
Balance as at 1 January 2019	-	359,424	885,747	12,271	65,464	57,334	-	1,380,240
Depreciation during the year	-	12,296	145,795	1,445	7,331	7,499	3,573	177,939
Disposals during the year	-	-	(149,414)	-	(18,726)	-	-	(168,140)
Balance as at 31 December 2019	-	371,720	882,128	13,716	54,069	64,833	3,573	1,390,039
Depreciation during the year	-	21,899	141,262	1,737	6,747	7,325	4,844	183,814
Disposal during the year	-	-	-	-	(62)	-	-	(62)
Transfers of assets held for sale (note 22)	-	-	(99,253)	-	-	-	-	(99,253)
Balance as at 31 December 2020	-	393,619	924,137	15,453	60,754	72,158	8,417	1,474,538
NET BOOK VALUE								
As at 31 December 2020	90,264	153,931	813,450	6,454	15,651	32,641	35,888	1,148,279
As at 31 December 2019	90,264	164,403	906,478	6,141	18,484	36,858	11,010	1,233,638

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13. PROPERTY, PLANT, EQUIPMENT, BUSES AND TRUCKS – CONTINUED

a) Depreciation charge for the year is allocated as follows:

	2020 SR'000	2019 SR'000
Cost of revenue (note 7)	179,557	173,974
Administrative expenses (note 9)	4,257	3,965
	183,814	177,939

13.2.1 Right of use assets

The group has lease contracts for buildings (workshops and sites). The terms of the lease contracts range from two years to 10 years. The group depreciates these contracts over the terms of the contract using the straight-line method.

The Group also has some rental contracts for residential buildings of 12 months or less and low value contracts. The Group applies an exemption from recognition for these short-term contracts and contracts for low value. The Group has recognized a rental expense of SAR 5 million for these contracts for the year ending 31 December 2020 (31 December 2019: SAR 10 million).

14. INTANGIBLE ASSETS

	2020 SR'000	2019 SR'000
Software and licenses (A)	35,804	36,135
Other intangible assets (B)	548,354	309,820
	584,158	345,955

(A) Software and licenses

	SR'000
Cost	
Balance as at 1 January 2019	64,359
Additions	8
Transfers from projects in progress	11,303
Balance as at 31 December 2019	75,670
Additions	2,829
Transfers from projects in progress	10,246
Balance as at 31 December 2020	88,745
Accumulated amortisation	
Balance as at 1 January 2019	
Additions	32,243
Transfers	7,292
Balance as at 31 December 2019	39,535
Additions	13,406
Balance as at 31 December 2020	52,941
NET BOOK VALUE	
As at 31 December 2020	35,804
As at 31 December 2019	36,135

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14. INTANGIBLE ASSETS – CONTINUED

Amortization charge for the year is allocated as follows:

	2020 SR'000	2019 SR'000
Cost of revenue (note 7)	8,338	5,131
Administrative expenses (note 9)	5,068	2,161
	13,406	7,292

(B) Other intangible assets

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

15. INVESTMENT PROPERTIES

The Group's investment properties consist of lands in the Kingdom of Saudi Arabia amounting to SR 307.122 million as at 31 December 2020 and 31 December 2019. Management has intention to hold these properties for the purposes of capital appreciation. These properties are carried at cost less impairment, if any.

The fair value of investment property was determined by external independent valuers. Lands were valued by "Olaat Valuation Company", license number (1210000397), having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers determine 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 2020, and they have determined the fair value to be SR 412.8 million.

The above investment properties are measured at fair value using the market approach, which is a valuation technique that uses pricing and other relevant information generated by market transactions including similar or comparable assets and adjusted to reflect differences in size, location, frontage/visibility, supply and utilization, and are classified under Level 3 using 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.

16. INVESTMENT IN ASSOCIATES AND A JOINT VENTURE

	31 December 2020 SR'000	31 December 2019 SR'000
Share in a joint venture (a)	94,311	138,352
Share in an associate (CAMCO) (B)	-	-
Share in an associate (Saudi Bahraini Transport Company) (C)	-	-
	94,311	138,352

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16. INVESTMENT IN ASSOCIATES AND A JOINT VENTURE - CONTINUED

(A) The movement in investment in the joint venture during the year is as follows:

	31 December 2020 SR'000	31 December 2019 SR'000
At the beginning of the year	138,352	114,636
Share of earnings	(44,041)	18,741
Addition (note 33)	-	4,975
At the end of the year	94,311	138,352

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 school transport services, owning vehicles including buses, managing companies' vehicle fleet and providing transport by vehicles. SEITCO started its activities during the third quarter of 2014. In accordance with SEITCO's articles of association, the Group and the other investor in the joint venture have agreed to distribute dividends, net of the statutory reserve in accordance with their capital structure, which is currently 50% of each, respectively.

The Group's share in SEITCO is accounted for using the equity method in these consolidated financial statements based on SEITCO's financial statements.

The following table summarizes the financial information of SEITCO:

	31 December 2020 SR'000	31 December 2019 SR'000
Assets		
Current assets	98,472	279,281
Non-current assets	285,457	319,222
Total Assets	383,929	598,503
Liabilities		
Current liabilities	110,912	196,259
Non-current liabilities	78,427	120,675
Total Liabilities	189,339	316,934
Revenues	65,736	305,278
Cost of revenue	(139,870)	(250,455)
Gross (loss) profit	(74,134)	54,823
General and administration expenses	(8,744)	(11,765)
(Loss) income before zakat	(82,878)	43,058

No dividends were distributed by SEITCO during the years ended 31 December 2020 and 31 December 2019.

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16. INVESTMENT IN ASSOCIATES AND A JOINT VENTURE - CONTINUED

(B) The balance of investment in associate was as follows:

	31 December 2020 SR'000	31 December 2019 SR'000
At the beginning of the year	(2,968)	(4,696)
Investment during the year	-	-
Share in losses for the year	244	1,728
At the end of the year	<u>(2,724)</u>	<u>(2,968)</u>

On 2 Rabea Al Awal 1439H (corresponding to 20 November 2017), the Saudi Public Transport Company has entered into as a new partner in the Capital Metro Company Limited (CAMCO) through an acquisition of 3,600 new shares issued by CAMCO amounting to SR 3,600 thousand, which accounts for 20% of the company's capital. The contribution to the Company's capital was made on 24 Rabi Thani 1439H (corresponding to 11 January 2019).

CAMCO is an associate, established in accordance with the Saudi Regulations with a capital of SR 18 million divided into 18,000 shares of SR1,000 each. The purpose of the company is constructions and road maintenance.

The Group's share in CAMCO is accounted for using the equity method. CAMCO has not started its commercial operations yet.

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

The following table summarizes the financial information of CAMCO:

	31 December 2020 SR'000	31 December 2019 SR'000
Assets		
Current assets	301,083	151,658
Non-current assets	18,387	9,938
Total Assets	<u>319,470</u>	<u>161,596</u>
Liabilities		
Current liabilities	256,247	100,263
Non-current liabilities	75,120	76,165
TOTAL LIABILITIES	<u>331,367</u>	<u>176,428</u>
Revenues	243,936	185,321
Cost of revenue	(219,287)	(167,329)
Gross profit	24,649	17,992
General and administration expenses	(10,620)	(12,141)
Income before zakat	<u>3,329</u>	<u>5,851</u>

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16. INVESTMENT IN ASSOCIATES AND A JOINT VENTURE - CONTINUED

(C) The balance of investment in associate was as follows:

	31 December 2020 SR'000	31 December 2019 SR'000
At the beginning of the year	7,459	7,459
Less: 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 associate's audited financial statements have not been issued for 2014-2020 up to the reporting date. On 31 December 2015, the Partner's Extraordinary General Assembly of Saudi Bahraini Transport Company agreed on dissolving and liquidating the Company and nominating a liquidator. Accordingly, all of the investment has been written down, as the Group is unable to estimate the recoverable amount of this investment.

17. INVESTMENTS CLASSIFIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME "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 value of these quoted securities are determined by reference to published price quotations in an active market.

	31 December 2020 SR'000	31 December 2019 SR'000
At the beginning of the year	90,101	77,870
Additions	63,519	90,645
Disposals	(164,383)	(90,421)
Changes in fair value	10,763	12,007
At the end of the year	-	90,101

Movement in fair value of equity instruments

	31 December 2020 SR'000	31 December 2019 SR'000
At the beginning of the year	(6,495)	(18,502)
Change in fair value	10,763	12,007
Transfer of realized gain from investment revaluation reserve to retained earnings	(4,268)	-
At end of the year	-	(6,495)

During the year, the Company sold all of these investments.

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18. INVENTORIES

	31 December 2020 SR'000	31 December 2019 SR'000
Spare parts inventories	64,274	68,604
Less: Provision for slow moving inventories	(46,205)	(37,852)
	18,069	30,752

During 2020, an amount of SR 28,2 million (2019: SR 68,4 million) was recognized as an expense for inventory. These expenses are recognized in the cost of sales in the consolidated income statement.

The following is an analysis of the slow moving inventory movement for the year ended December 31:

	31 December 2020 SR'000	31 December 2019 SR'000
Balance at the beginning of the year	37,852	28,918
Charged during the year (note 7)	8,353	8,934
	46,205	37,852

19. TRADE RECEIVABLES, UNBILLED RECEIVABLES AND OTHER RECEIVABLES

	31 December 2020 SR'000	31 December 2019 SR'000
Trade receivables:		
Government and quasi government institutions	198,350	187,026
Private sector	43,753	45,050
Total trade receivables	242,103	232,076
Less: Impairment of accounts receivable	(46,939)	(43,957)
Trade receivables, net	195,164	188,119
Unbilled receivables – current portion	482,391	110,269
Employee receivables	5,501	9,157
Trade receivables, net	683,056	307,545
Unbilled receivables – non-current portion	1,329,587	1,032,945

The Group's receivables are generally non-interest bearing and on terms of 90 days. On 31 December 2020, trade receivables of SR 46.94 million (31 December 2019: SR 43.96 million) were impaired (Note 37).

Movement in allowance for impairment is as follows:

	31 December 2020 SR'000	31 December 2019 SR'000
At the beginning of the year	43,957	32,333
Charge for the year	20,646	11,624
Written-off during the year	(17,664)	-
At the end of the year	46,939	43,957

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20. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2020 SR'000	31 December 2019 SR'000
Input VAT, net	39,568	61,429
Advances to suppliers	3,460	58,192
Prepaid rent	3,355	5,612
Other receivables	9,192	18,677
	55,575	143,910
Less: Impairment	(3,509)	(5,348)
	52,066	138,562

21. CASH AND CASH EQUIVALENTS

	31 December 2020 SR'000	31 December 2019 SR'000
Cash in Hand	641	1,104
Cash at Bank	149,135	218,230
Short term investments *	201,807	119,104
Cash and cash equivalents	351,583	338,438

(*) These investments were deposited with banks for maturity of 3 months or less.

22. ASSETS HELD FOR SALE

During the year ended 31 December 2020, the Group's management has decided to sell certain fixed assets (buses) used for passenger transport. Accordingly, these assets have been reclassified as assets held for sale. Its expected to result in a loss of SR 42.705 million representing the difference between the recoverable value and the net book value of those fixed assets, thus, differences were recognized as impairment losses of assets in the consolidated statement of income.

23. ISSUED CAPITAL

The Group's issued and fully paid share capital as at 31 December 2020, amounting to SR 1,250 million (31 December 2019: SR 1,250 million), consists of 125 million shares (31 December 2019: 125 million shares), of SR10 each.

24. STATUTORY RESERVE

In accordance with the 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 dividend distribution.

The Board of Directors, in its meeting held on 22 Rabi` Al Thani 1442H (corresponding to December 7, 2020), approved to absorb part of the accumulated losses of the company by transferring amount of SR 184 million from the statutory reserve of the company. The accumulated losses as of 31 December 2020 represent 1.14% of the company's share capital.

25. CONSENSUAL RESERVE

In accordance with the Company's by-laws and based on the Board's suggestion, the general assembly 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 as approved by the Board of Directors. The Board of Directors has not proposed this transfer during the year.

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26. MURABAHA FINANCING

A) Long-term murabaha financing

	31 December 2020 SR'000	31 December 2019 SR'000
Murabaha financing	1,060,277	420,872
Less: Current portion	(116,514)	(84,209)
Non-current portion	943,763	336,663

The Group has entered into borrowing arrangements with banks to obtain Murabaha facilities. These loans have been availed during 2017 to 2020 and have a maturity of three to five years from the date of the loan agreement and are secured by promissory notes bearing prevailing commission rates ranging between 1%-2% plus SIBOR. The Group has obtained these loans in order to finance the procurement of buses.

During the year ended 31 December 2020, the Subsidiary entered into an agreement with a local bank to restructure short-term Murabaha financing amounted to SR 499 million, to be long-term Murabaha financing and increase the bank facilities to SAR 800 million due in quarterly installments for a period of 7 years and is secured by promissory notes bearing prevailing commission rates 1.5% plus SIBOR.

B) Short-term murabaha financing

During year 2020, the Company obtained short-term credit facilities from local banks amounted to SR 150 million fully withdrawn in the form of a Murabaha loan. In addition, during 2019 the Subsidiary has obtained short-term credit facilities from local banks amounted to SR 700 million and amounted SR 403 million were withdrawn during 2020 in the form of a Murabaha loan to finance the procurement of buses. These Banking facilities is secured by promissory notes.

27. LEASE LIABILITIES

Following is the movement on lease liabilities during 2020 and 2019:

	31 December 2020 SR'000	31 December 2019 SR'000
Balance as at January	10,308	13,758
Addition during the year*	30,197	-
Payments during the year	(10,019)	(5,502)
Annual interest costs	2,005	2,052
Balance as at 31 December	32,491	10,308
Current	1,450	1,779
Non – current	31,041	8,529

* Additions during the year mainly represent discounted future payments of the new head office building lease contract, which ends in 2030.

28. EMPLOYEES' DEFINED BENEFIT OBLIGATION

	31 December 2020 SR'000	31 December 2019 SR'000
Opening balance - present value of defined benefit obligation	137,516	157,488
Current service cost	18,495	18,204
Benefits paid	(11,387)	(37,698)
Interest cost	2,541	5,621
Curtailment gains	-	(4,652)
Re-measurement of defined benefit liability	(1,553)	(1,447)
Closing balance - present value of defined benefit obligation	145,612	137,516

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28. EMPLOYEE DEFINED BENEFIT LIABILITIES OBLIGATION - CONTINUED

Employee benefit expense

	2020 SR'000	2019 SR'000
Current service cost	18,495	18,204
Interest cost on benefit obligation	2,541	5,621
Curtailment gains	-	(4,652)
Total benefit expense	21,036	19,173

Re-measurement gains recognized in other comprehensive income:

	2020 SR'000	2019 SR'000
Re-measurement (gains) on defined benefit plan:		
Financial assumptions	9,181	(1,353)
Experience adjustments	(10,734)	(94)
Total re-measurement recognized in other comprehensive income:	(1,553)	(1,447)

The weighted average duration of the defined benefit obligation as of 31 December 2020 is 7.69 years (31 December 2019 is 7.19 years). An analysis of the maturity of the undiscounted benefit payments as of 31 December 2020 is shown below:

	31 December 2020 SR'000	31 December 2019 SR'000
Within 1 year	15,252	17,160
After one year but not more than five years	34,608	45,288
More than five years	118,471	104,474
	168,331	166,922

The significant assumptions used in determining defined benefits liabilities are shown below:

Principal actuarial assumptions	31 December 2020	31 December 2019
Financial assumptions:		
- Discount rate - present value of the defined benefit obligation	1.50%	2.55%
- Discount rate - expenses in the consolidated statement of income	2.55%	4.35%
- Future salary increment	1.50%	1.7%
- Withdrawal rate	Moderate	Moderate

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28. EMPLOYEE DEFINED BENEFIT OBLIGATION - CONTINUED

Demographic assumptions:

- Retirement age	60 years	60 years
- Withdrawal rate:		
a) Service up to 6 years	10.3%	10.50%
b) Service 7 to 25 years	9%	7.50%
c) Service more than 25 years	2%	3%

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 of significant assumptions on the defined benefit plans are shown below:

	31 December 2020 Effect on defined benefit obligation	31 December 2019 Effect on defined benefit obligation
Discount rate		
1% increase	10,309	9,465
1% decrease	(11,872)	(10,848)
Future salary increment		
1% increase	12,492	(11,553)
1% decrease	(11,041)	10,253
Withdrawal rate		
1% increase	281	263
1% decrease	(281)	(264)
Mortality rate		
1% increase	(5)	(6)
1% decrease	5	6

29. ADVANCE FROM A CUSTOMER

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

30. DEFERRED REVENUE

	31 December 2020 SR'000	31 December 2019 SR'000
Passenger advance revenues	18,804	15,665
Deferred capital income	5,627	6,215
	24,431	21,880
Current portion	19,756	16,567
Non-current portion	4,675	5,313
	24,431	21,880

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31. TRADE AND OTHER PAYABLES

	31 December 2020 SR'000	31 December 2019 SR'000
Trade payables	142,933	184,667
Dividends payable	86,960	89,576
Accident insurance costs	47,372	58,681
Retentions payable	10,055	10,113
Value added tax payable	-	2,119
	<u>287,320</u>	<u>345,156</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.

32. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2020 SR'000	31 December 2019 SR'000
Accrued expenses	59,182	63,838
Employee benefits	42,638	40,821
Other payables	21,340	24,936
	<u>123,160</u>	<u>129,595</u>

33. RELATED PARTY TRANSACTIONS AND BALANCES

Subsidiary, associate and joint venture

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

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
(SAUDI JOINT STOCK COMPANY)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
As at 31 December 2020

33. RELATED PARTY TRANSACTIONS AND BALANCES - CONTINUED

		Finance income* SR'000	Share of profits (losses) SR'000	Purchase of buses* SR'000	Rent SR'000	Services provided SR'000	Amounts owed by related parties SR'000
Joint ventures *:							
Saudi Emirates Intergrated Transport Company (SEETCO)	31 December 2020	1,975	(44,041)	-	800	209	92,827
	31 December 2019	-	18,741	33,626	-	4,859	102,732
Associate:							
Capital Metro Company Ltd (CAMCO)	31 December 2020	-	244	-	-	244	884
Capital Metro Company Ltd (CAMCO)	31 December 2019	-	1,728	-	-	791	623
Due to non- controlling interests of the subsidiary:							
RATP Development (French company)	31 December 2020	-	-	-	-	6,408	2,349
	31 December 2019	-	-	-	-	8,492	12,013
RATP Dev Saudi Arabia LLC	31 December 2020	-	-	-	-	45,451	4,134
	31 December 2019	-	-	-	-	40,465	105
Total amounts due to non- controlling interests of the subsidiary:							
	31 December 2020						6,483
	31 December 2019						12,118

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
As at 31 December 2020

33. RELATED PARTY TRANSACTIONS AND BALANCES - CONTINUED

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

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

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

Compensations of the key management personnel of the Group

	2020 SR'000	2019 SR'000
<i>Transactions with key management personnel</i>		
Board and committee expenses, remunerations and allowances (Note 7)	3,904	3,371
Compensations of the Group's key management personnel (*)	14,184	15,151

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

	2020 SR'000	2019 SR'000
Short-term employees' benefits	10,425	14,664
Post-employment benefits	3,759	487
Total compensations paid to key management personnel	14,184	15,151

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

34. SEGMENT INFORMATION

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

- ▶ Passenger Transport - It includes scheduled transport services, representing passenger transport services inside and outside the Kingdom of Saudi Arabia, as well as international transport services. It also includes the cargo operations. This is considered one of largest segments of the Company.
- ▶ Specialized Services - It includes transport services under lease agreements entered into by the Company with third parties, whether government or non-government parties, inside or outside the Kingdom of Saudi Arabia. It also includes Limo services.
- ▶ Public Transportation Project - It includes the financial results of the Public Transportation Company, which is engaged in execution of King Abdul-Aziz Project for Public Transport in Riyadh, as stated in Note 1.
- ▶ Head Office - It includes the headquarter of the Company, and financial information about support unit activities.

These operating segments are identified based on internal reports that the entity regularly reviews by the decision maker (deputy executive director of the operational sector) for allocating resources to segments and assessing their performance "management method". The management method is based on how the management organizes the segments within the entity for making operating decisions and assessing performance. The management of SAPTCO, at the end of every reporting period, reviews the above segments for setting quantitative thresholds as well as criteria for presenting the revenues and expenses of each segment.

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
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

As at 31 December 2020

34. SEGMENT INFORMATION - CONTINUED

Management monitors the operating results of segments 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 consolidated statement of income in the consolidated financial statements.

The Group has no significant customer that contributes 10% or more to the Group's revenues, except for certain government agencies which in aggregate account for 10% of the Group's revenue.

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

The financial information included for these segments is as follows:

	Passenger transport	Specialized services	Head office	Public Transport Project	Total segments	Adjustments and eliminations	Consolidated
For year ended 31 December 2020	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Total revenue from external customers(note 6)	350,171	108,949	-	710,542	1,169,662	-	1,169,662
Total Revenue between segments	5,128	-	-	-	5,128	(5,128)	-
Cost of revenue	(361,713)	(268,046)	-	(686,351)	(1,316,110)	26,304	(1,289,806)
Gross loss	(6,414)	(159,097)	-	24,191	(141,320)	21,176	(120,144)
Share in results of a joint venture	-	-	(44,041)	-	(44,041)	-	(44,041)
Share in results of an associate	-	-	244	-	244	-	244
Loss before zakat	<u>(88,644)</u>	<u>(198,268)</u>	<u>(74,535)</u>	<u>(12,160)</u>	<u>(373,607)</u>	<u>10,156</u>	<u>(363,451)</u>
For year ended 31 December 2019	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Total revenue from external customers(note 6)	666,981	369,933	-	674,977	1,711,891	-	1,711,891
Total Revenue between segments	5,639	-	-	-	5,639	(5,639)	-
Cost of revenue	(553,855)	(328,413)	-	(647,856)	(1,530,124)	37,599	(1,492,525)
Gross profit	118,765	41,520	-	27,121	187,406	31,960	219,366
Share in results of a joint venture	-	-	18,741	-	18,741	-	18,741
Share in results of an associate	-	-	1,728	-	1,728	-	1,728
Profit (loss) before zakat	<u>23,622</u>	<u>6,053</u>	<u>22,870</u>	<u>(6,970)</u>	<u>45,575</u>	<u>5,576</u>	<u>51,151</u>
As at 31 December 2020	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Total Assets	549,931	819,404	802,817	2,557,446	4,729,598	(31,888)	4,697,710
Total Liabilities	279,431	277,453	344,551	2,566,591	3,468,026	(45,064)	3,422,962
Other disclosures:							
Property, plant and equipment, busses and trucks, net	384,970	691,341	92,938	3,295	1,172,548	-	1,172,548
Investments in associates and joint venture	-	-	94,311	-	94,311	-	94,311
Capital additions	<u>43,705</u>	<u>109,733</u>	<u>4,292</u>	<u>241,363</u>	<u>399,093</u>	<u>-</u>	<u>399,093</u>

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

As at 31 December 2020

34. SEGMENT INFORMATION - CONTINUED

As at 31 December 2019	Passenger transport SR'000	Specialized services SR'000	Head office SR'000	Public Transport Project SR'000	Total segments SR'000	Adjustments and eliminations SR'000	Consolidated SR'000
Total Assets	568,117	912,558	877,094	1,753,553	4,111,322	(17,123)	4,094,199
Total Liabilities	281,980	266,742	172,540	1,749,925	2,471,187	(17,135)	2,454,052
Other disclosures:							
Property, plant and equipment, busses and trucks, net	410,107	754,379	88,653	2,627	1,255,766	-	1,255,766
Investments in associates and joint venture	-	-	135,333	-	135,333	3,019	138,352
Capital additions	37,575	86,609	5,754	279,880	409,818	-	409,818

35. NON-CONTROLLING INTEREST OF THE SUBSIDIARY

Summarized financial information related to the subsidiary having non-controlling interests, as shown in note 1, is as follows:

	31 December 2020	31 December 2019
	SR'000	SR'000
Non-controlling interest %	20%	20%
Assets		
Current assets	668,893	416,318
Non-current assets	1,888,553	1,337,234
Total assets	2,557,446	1,753,552
Liabilities		
Current liabilities	356,013	609,774
Non-current liabilities	2,210,578	1,140,150
Total liabilities	2,566,591	1,749,924
Revenues	710,542	674,976
Loss	(12,773)	(14,236)
Total comprehensive loss	(12,773)	(14,236)
Cash flows (used in) from:		
Operating activities	(106,567)	(115,592)
Financing activities	289,892	469,186
	183,325	353,594
Share of NCI in net assets	4,085	6,640
Share of NCI in net loss	(2,555)	(1,400)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
As at 31 December 2020

36. FINANCIAL INSTRUMENTS - FAIR VALUE

The Group's financial instruments consist of cash and cash equivalents, investments in Murabaha deposits, trade 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 amount of the cash and cash equivalents, trade receivables, trade payables, and other current liabilities approximate their fair value due to the short-term maturities.

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

The following table shows the carrying amount and fair value of financial assets and financial liabilities, including their level 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 the fair value.

Fair value hierarchy

	Carrying amount SR'000	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total fair value SR'000
31 December 2020					
Measured at fair value					
Financial assets at FVOCI	-	-	-	-	-
	Carrying amount SR'000	Level 1 SR'000	Level 2 SR'000	Level 3 SR'000	Total fair value SR'000
31 December 2019					
Measured at fair value					
Financial assets at FVOCI	90,101	90,101	-	-	90,101

There were no transfers between fair value measurement levels in 2020 and 2019. No transfers between any levels of the fair value hierarchy took place in the comparative period.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main purpose of the Group's financial instruments is to raise finance 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 comprising currency risk and fair value risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet associated with financial instruments.

The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity and finance to meet its liabilities when they are due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
As at 31 December 2020

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - Continued

Liquidity risk - continued

The tables below summarise the maturity profile of the Group's financial liabilities as based on contractual undiscounted payments:

	31 December 2020				
	On demand	< 1 year	1 to < 2 years	> 2 years	Total
<i>Financial liabilities</i>					
Trade and other payables	137,070	140,204	10,046	-	287,320
Murabaha financing	-	104,944	263,302	607,363	975,609
Short-term murabaha financing	-	150,699	-	-	150,699
Lease liabilities	-	1,750	5,550	34,300	41,600
	137,070	397,597	278,898	641,663	1,455,228

	31 December 2019				
	On demand	< 1 year	1 to < 2 years	> 2 years	Total
<i>Financial liabilities</i>					
Trade and other payables	136,033	153,183	13,057	42,883	345,156
Murabaha financing	-	84,209	137,461	199,202	420,872
Short-term murabaha financing	-	339,181	-	-	339,181
Lease liabilities	-	2,420	1,750	9,450	13,620
	136,033	578,993	152,268	251,535	1,118,829

Market risk

Market risk is the risk of loss of future profits, fair values or 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 and foreign currency exchange 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 Investment Committee reviews and approves all equity investment decisions.

Investments in equity instruments designated as at FVOCI are subject to price risk due to the changes in market value of instruments, arising either from specific factors of 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.

No sensitivity analysis to equity price risk is presented as the company sold its investments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
AS AT 31 December 2020

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - Continued

Foreign currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to change 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 higher exchange fluctuations than the US Dollar.

No sensitivity to 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 mainly influenced 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 the nature of the 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 statement of financial position date, no significant concentrations of credit risk were identified by the management, except for transactions with government institutions.

The following is an analysis of information about credit risk exposure on the Group's trade receivables using the provision matrix:

31 December 2020					
Trade Receivables					
	Total SR'000	< 90 days SR'000	90 to < 1 year SR'000	1 to 2 years SR'000	> 2 years SR'000
Expected Credit loss percentage		1%	3%	12%	97%
The carrying value of trade receivables	242,103	12,436	99,796	96,582	33,287
Expected credit loss as of 31 December 2020	46,939	67	2,569	12,061	32,242
31 December 2019					
Trade Receivables					
	Total SR'000	< 90 days SR'000	90 to < 1 year SR'000	1 to 2 years SR'000	> 2 years SR'000
Expected Credit loss percentage		1.31%	5%	19%	78%
The carrying value of trade receivables	232,076	75,860	93,535	17,589	45,092
Expected credit loss as of 31 December 2019	43,957	997	4,655	3,317	34,988

The credit quality of trade and other receivables was determined as follows:

High credit grade pertains to receivables with no default; medium grade pertains to receivables up to 3 defaults; and low grade pertains to receivables with more than 3 defaults. All receivables classified neither 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
AS AT 31 December 2020

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - Continued

Capital management

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

The group manages its capital for collateral of:

- Its ability to continue according to the going concern.
- Efficiently and optimally finance their working capital and strategic investment requirements.
- Maximizing returns to shareholders to the greatest extent possible.
- Maintain an adequate combination of debt and equity.

The company monitors capital using a turnover ratio, which is net debt divided by total equity plus debt. The company includes within the debt the current and non-current portion of the loans.

To calculate net debt, the company adds interest-bearing term loans, trade and other creditors, and deducts bank balances, cash on hand, short-term deposits and discontinued operations.

	31 December 2020	31 December 2019
	SR'000	SR'000
Murabaha financing current and non-current portion	1,210,572	760,053
Accounts payable, accrued expenses and other liabilities	410,480	474,751
Less: Cash and cash equivalents	(351,583)	(338,438)
Net debt	1,269,469	896,366
Equity	1,274,748	1,640,147
Equity and net debt	2,544,217	2,536,513
Debt ratios	50%	35%

No changes were made in the Group's objectives, policies or processes for the year ended 31 December 2020 and 2019.

The Group has no externally imposed capital requirements as of 31 December 2020 and 2019.

38. CAPITAL COMMITMENTS AND CONTINGENCIES

A) Contingencies

As at 31 December 2020, the Group's bankers have issued, on its behalf during the normal course of business, guarantees, acceptances and letters of credit limited to SR 2,072 million (31 December 2019: SR 1,450 million).

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

C) Amendment 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 for 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 if a settlement is reached and agreed upon with the Grantor. Management believes the outcome of these discussions will be, to a large extent, in favor of the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
AS AT 31 December 2020**

39. DIVIDENDS

The Board of Directors recommended, in its meeting held on 26 Jumada al-Alkhirah 1442 H (corresponding to 8 February 2021), to not distributing cash dividends for the financial year 2020. The Board of Directors also recommended Board of Directors' remuneration of SR 1.35 million to the members of the Board of Directors, in accordance with the approved policies after it was reduced by 25% As a contribution from the members of the Board of Directors in mitigating the financial impacts of the pandemic on the company's business.

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

40 IMPACT OF NOVEL CORONAVIRUS (COVID-19) OUTBREAK

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

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

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an impact assessment on the overall Company's operations and business aspects including factors like travel restrictions, services demand, etc. and concluded that, as of the issuance date of these consolidated financial statements, no significant changes are required to the judgements and key estimates. During the second quarter of the current year, the operations started gradual in transport services between cities and within cities with social distancing controls, which cause a reduces in the operation capacity by 50%, in addition to the continued suspension of passenger transport services for visit and Umrah, international transport services, Hajj and educational transport, which are among the main services provided by the company. Also, the management has taken several measures to mitigate the effects of the pandemic, including taking advantage of some government agencies' initiatives to stimulate the private sector. The company has also made several initiatives to reduce employee costs and service contracts, and it is still working to monitor and rationalize expenses in a way that does not affect the company's operational ability. Also, the company's management evaluated the cash flow situation, including the available banking facilities, and the readiness of operational processes when fully permitted by the relevant authorities. The impact of the measures on its company's annual revenue was a 55% decrease compared to the normal operation. However, in light of the current lack of clarity, any future change in assumptions and estimates may result in a material adjustment to the carrying values of the assets or liabilities affected by this in future periods. Given the rapidly evolving situation and the accompanying uncertainty, management will continue to evaluate the resulting impact in accordance with future developments.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors during its meeting held on 26 Jumada al-Alkhirah 1442H (corresponding to 8 February 2021).

42. COMPARATIVE FIGURES

Certain comparative figures of prior year have been reclassified, in which SAR 5 million was reclassified from administrative expenses to cost of revenue, to conform to the current year presentation.

43. EVENTS AFTER THE REPORTING PERIOD

In the opinion of management, there have been no significant events subsequent to the reporting date of these consolidated financial statements and before the issuance date of the auditor's report that would have material impact on the statement of financial position of the Company.