

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

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

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Public Transport Company - A Saudi Joint Stock Company ("the Company") and its subsidiary (collectively referred to as "the Group") as at 31 March 2017 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") that are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

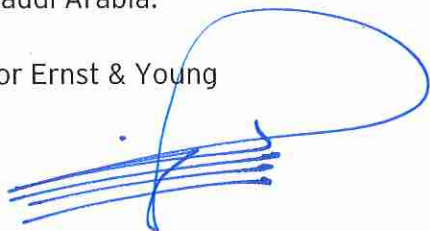
Scope of Review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and IFRS1 that are endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young



Waleed G. Tawfiq
Certified Public Accountant
Registration No. (437)



Riyadh: 12 Sha'ban 1438H
(8 May 2017)

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three months period ended 31 March 2017

	Notes	31 March 2017 SAR'000	31 March 2016 (Note 4) SAR'000
Revenue	25	228,990	257,000
Cost of revenue	26	(213,292)	(212,669)
Gross profit		15,698	44,331
Selling and distribution expenses	28	(6,408)	(10,366)
Administrative expenses	29	(21,109)	(17,153)
Operating (loss)/income		(11,819)	16,812
Finance costs		(4,216)	(1,661)
Finance income		613	644
Other income	27	10,900	13,992
Share of profit of joint venture		11,261	4,668
Income before zakat		6,739	34,455
Zakat	23	(3,220)	(1,150)
Income for the period		3,519	33,305
Attributable to:			
-Equity holders of the parent		2,479	32,767
-Non-controlling interests		1,040	538
		3,519	33,305
Earnings per share (SAR):			
Basic and diluted attributable to equity holders of the parent	32	0.02	0.26

The attached notes from 1 to 35 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months period ended 31 March 2017

		31 March 2017	31 March 2016
	Notes	SAR'000	(Note 4) SAR'000
Income for the period		3,519	33,305
Other Comprehensive Income			
<i>Other comprehensive income not to be reclassified to income in subsequent periods:</i>			
- Net fair value loss on investments in equity instruments designated as FVOCI	9	(672)	(10,192)
Net other comprehensive loss not being reclassified to income in subsequent periods		(672)	(10,192)
Total comprehensive income for the period		2,847	23,113
Total comprehensive income for the period attributable to:			
Equity holders of the parent		1,807	22,575
Non-controlling interests		1,040	538
		2,847	23,113

The attached notes from 1 to 35 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	31 March 2017 SAR'000	31 December 2016 (Note 4) SAR'000	1 January 2016 (Note 4) SAR'000
Assets				
Non-current assets				
Property, plant and equipment	5	1,282,801	1,198,797	1,061,118
Intangible assets	6	17,043	18,059	22,125
Investment properties	7	307,122	307,122	307,122
Due from a related party – non-current portion	24	20,040	21,833	28,899
Investment in an associate and joint venture	8	39,802	28,541	13,326
Investments in equity instruments designated as at FVOCI	9	114,107	114,552	107,837
Other non-current assets		8,374	8,578	9,397
Total non-current assets		1,789,289	1,697,482	1,549,824
Current assets				
Inventories	10	56,870	49,885	53,511
Trade and other receivables	11	193,994	191,020	154,881
Due from a related party – current portion	24	52,291	50,119	26,552
Prepayments and other current assets	12	44,026	34,962	23,767
Investments in Murabaha deposits	13	310,000	101,492	-
Cash and cash equivalents	13	431,905	667,287	833,485
Total current assets		1,089,086	1,094,765	1,092,196
Total assets		2,878,375	2,792,247	2,642,020
Equity and liabilities				
Equity				
Issued capital	14	1,250,000	1,250,000	1,250,000
Statutory reserve	15	170,006	170,006	157,248
Consensual reserve	16	42,730	42,730	36,351
Investments revaluation reserve	9	(30,831)	(30,159)	(38,354)
Retained earnings		110,441	170,462	119,614
Equity attributable to equity holders of the parent		1,542,346	1,603,039	1,524,859
Non-controlling interests		3,735	2,695	4,278
Total equity		1,546,081	1,605,734	1,529,137
Non-current liabilities				
Murabaha financing – non-current portion	17	186,641	137,981	50,161
Employees' defined benefit liabilities	18	145,805	145,385	135,635
Advance from a customer – non-current portion	19	449,421	449,421	454,796
Deferred revenue - non-current portion	20	4,171	4,701	4,646
Total non-current liabilities		786,038	737,488	645,238
Current liabilities				
Murabaha financing - current portion	17	143,991	109,392	69,415
Trade and other payables	21	233,214	176,416	167,312
Due to non-controlling interests of the subsidiary	24	30,785	24,915	24,843
Accrued expenses and other liabilities	22	98,783	100,825	133,778
Deferred revenue - current portion	20	8,883	10,097	17,763
Advance from a customer – current portion	19	10,085	10,085	16,544
Zakat payable	23	20,515	17,295	37,990
Total current liabilities		546,256	449,025	467,645
Total liabilities		1,332,294	1,186,513	1,112,883
Total equity and liabilities		2,878,375	2,792,247	2,642,020

The attached notes from 1 to 35 form an integral part of these interim condensed consolidated financial statements.

Saudi Public Transport Company and its Subsidiary

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2017

	Attributed to equity holders of the parent					
	Issued capital SAR '000	Statutory reserve SAR '000	Consensual reserve SAR '000	Investments revaluation reserve SAR '000	Retained earnings SAR '000	Total SAR '000
1 January 2017	1,250,000	170,006	42,730	(30,159)	170,462	1,603,039
Income for the period	-	-	-	-	2,479	2,479
Other comprehensive loss for the period	-	-	-	(672)	-	(672)
Total comprehensive income	-	-	-	(672)	2,479	1,807
Dividends (Note 34)	-	-	-	-	(62,500)	(62,500)
At 31 March 2017	1,250,000	170,006	42,730	(30,831)	110,441	1,542,346
					3,735	1,546,081
					Non-controlling interests SAR '000	Total equity SAR '000
					2,695	1,605,734
					1,040	3,519
					-	(672)
					1,040	2,847
					-	(62,500)
					3,735	1,546,081
					Non-controlling interests SAR '000	Total Equity SAR '000
					4,278	1,529,137
1 January 2016	1,250,000	157,248	36,351	(38,354)	119,614	1,524,859
Income for the period	-	-	-	-	32,767	32,767
Other comprehensive loss for the period	-	-	-	(10,192)	-	(10,192)
Total comprehensive income	-	-	-	(10,192)	32,767	22,575
At 31 March 2016	1,250,000	157,248	36,351	(48,546)	152,381	1,547,434
					4,816	1,552,250
					Non-controlling interests SAR '000	Total Equity SAR '000
					538	33,305
					-	(10,192)
					538	23,113
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					Non-controlling interests SAR '000	Total Equity SAR '000
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					538	

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2017

	Notes	31 March 2017 SAR'000	31 March 2016 SAR'000
OPERATING ACTIVITIES			
Income before zakat		6,739	34,455
<i>Adjustments to reconcile income before zakat to net cash flows:</i>			
Depreciation and amortization	5	44,360	36,660
Allowance for impairment		-	2,309
Share of profit of a joint venture	8	(11,261)	(4,668)
Amortisation of deferred revenue		(1,131)	(5,388)
Finance income		(613)	(644)
Employee's defined benefit liabilities	18	3,467	4,752
Gain on disposal of property, plant and equipment	27	(2,080)	(860)
		39,481	66,616
<i>Working capital adjustments:</i>			
Trade and other receivables	11	(2,974)	11,443
Inventories, net	10	(6,985)	(5,179)
Amounts due from / to related parties, net	24	5,491	14,332
Prepayments and other current assets	12	(9,064)	(30,473)
Other non-current assets		204	205
Trade and other payables	21	56,798	(66,693)
Accrued expenses and other liabilities	22	(2,042)	47,980
Advance from a customer	19	-	(2,968)
Cash from operations		80,909	35,263
Zakat paid		-	(29,230)
Employees' benefits paid	18	(3,047)	(3,867)
Net cash flows from operating activities		77,862	2,166
INVESTING ACTIVITIES			
Investments in Murabaha deposits, net		(208,508)	-
Movement in investments in equity instruments designated as at FVOCI	9	(227)	1,170
Proceeds from sale of property, plant and equipment		5,800	3,194
Purchase of property, plant and equipment	5	(131,068)	(15,625)
Net cash flows used in investing activities		(334,003)	(11,261)
FINANCING ACTIVITIES			
Proceeds from Murabaha financing	17	118,373	-
Repayment of Murabaha financing	17	(35,448)	(22,680)
Dividends	34	(62,166)	(281)
Net cash flows from/(used in) financing activities		20,759	(22,961)
Net decrease in cash and cash equivalents		(235,382)	(32,056)
Cash and cash equivalents at 1 January		667,287	833,485
Cash and cash equivalents at 31 March		431,905	801,429
<u>SIGNIFICANT NON-CASH TRANSACTIONS:</u>			
Change in fair value of investments in equity instruments designated as FVOCI		(672)	(10,192)

The attached notes from 1 to 35 form an integral part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months period ended 31 March 2017

1 CORPORATE INFORMATION

Saudi Public Transport Company (the "Company", "SAPTCO", or "the Parent") is a Saudi Joint Stock Company, whose shares are publicly traded on the Saudi Stock Exchange, registered in Riyadh and formed under the Royal Decree No. M/11, dated 7 Rabi Awal 1399H (corresponding to 5 February 1979). The formation was declared pursuant to the resolution of his Excellency, The Minister of Commerce, No. 254 dated 14 Shaban 1399H (corresponding to 9 July 1979). The Company operates under commercial registration number 1010024335 dated 5 Ramadan 1399H (corresponding to 29 July 1979).

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

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

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

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

On 29 Dhul-Hijja 1436H (corresponding to 12 October 2015), the Council of Ministers approved the extension of the franchise contract, signed between the government and Saudi Public Transport Company (SAPTCO) by virtue of the Royal Decree (No M/48 dated 23 Dhul-Hijjah 1399H), for a period of five years starting 1 Rajab 1437H (corresponding to 8 April 2016), and without giving the Company or any other Company any competitive advantage when issuing tenders for providing public transportation services between the cities of the Kingdom.

The interim condensed consolidated financial statements of Saudi Public Transport Company and its Subsidiary (collectively, the "Group") for the three months ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on 12 Shaban 1438H (corresponding to 8 May 2017).

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

Subsidiary	Year of incorporation	Ownership interest			Principal Activity	Country of Incorporation
		31 March 2017	31 December 2016	1 January 2016		
Public Transport Company ("PTC")	2014	80%	80%	80%	Executing King Abdulaziz Project for Public Transport in Riyadh	Kingdom of Saudi Arabia

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the three months period ended 31 March 2017

1 CORPORATE INFORMATION (continued)

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

Investment in an associate and joint venture	Relationship	Shareholding			Principal Activity	Country of Incorporation
		31 March 2017	31 December 2016	1 January 2016		
Saudi Bahraini Transport Company*	Associate	40%	40%	40%	Transportation activities	Kingdom of Saudi Arabia
Saudi Emirates Integrated Transport Company	Joint Venture	50%	50%	50%	Educational transportation services	Kingdom of Saudi Arabia

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

2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA"). These are also the Group's first interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") for part of the period covered by the first annual financial statements prepared in accordance with IFRS as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), and accordingly International Financial Reporting Standard, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in KSA has been applied. Refer to Note 4 for information on the first time adoption of IFRS as endorsed in KSA, by the Group.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements to be prepared in accordance with IFRS as endorsed in KSA and other standards and pronouncements that are issued by the SOCPA, which would be produced for the year ending 31 December 2017.

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investments classified as 'Fair Value through Other Comprehensive Income' which are measured at fair value and defined benefit obligation which is recognised at the present value of future obligations under the projected unit credit method. These interim condensed financial statements are presented in Saudi Riyals, which is also the Group's functional currency. All amounts have been rounded to the nearest thousand ("SR '000"), unless otherwise indicated.

BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2017.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the period are included in the financial statements from the date the Group gains control until the date the Group ceases to control the investee.

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

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

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

For the three months period ended 31 March 2017

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Investment in an associate and 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 associate 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 interim condensed 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 interim condensed 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 associate 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate and joint venture (continued)

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Fair value measurement

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

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

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

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

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

Revenue recognition

The Group has elected to early adopt IFRS 15 with effect from 1 January 2016. As a result of early adoption, the Group has applied the following accounting policy for revenue recognition in the preparation of its interim condensed consolidated financial statements:

IFRS 15 "Revenue from Contracts with Customers" was issued in May 2014 (Corresponding to Rajab 1435H) and is effective for annual period commencing on or after 1 January 2018 (Corresponding to 14 Rabi Thani 1439H) either based on a full retrospective or modified approach, with early adoption permitted. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, which is found currently across several standards and interpretations within IFRSs. It establishes a new five-step, model that will apply to revenue arising from contracts with customers.

Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

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

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

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

a) Rendering of services

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

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

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

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

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 stream 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three months period ended 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

a) Rendering of services (continued)

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

c) Revenue from transportation of cargo

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

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

d) Revenue sharing arrangements with international companies

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

e) Sales through agencies

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

f) Service concession arrangement

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

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

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

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three months period ended 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

f) Service concession arrangement (continued)

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

g) Finance income

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

h) Dividends

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

Foreign currencies

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

Transactions and balances

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

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

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

Zakat

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

Withholding taxes

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

Property, plant and equipment

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Asset categories	Useful lives
Buildings	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

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

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

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

Investment properties

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

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

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

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

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

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

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

Group as a lessor

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in interim condensed 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the interim condensed consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

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

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

Software

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

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

Software	4 - 6.5 years
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three months period ended 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Financial instruments

The Group has early adopted IFRS 9 – Financial Instruments with a date of initial application of 1 January 2016. IFRS 9 introduces requirements for the classification and measurement of financial assets. IFRS 9 requires all recognised financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition.

Recognition

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

Classification

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

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized 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 Statement Line	IFRS 9 Classification
Investments at fair value through other comprehensive income	FVOCI – Equity instrument
Trade receivables	Amortised cost
Cash and cash equivalents	Amortised cost
Investments in Murabaha deposits	Amortised cost
Murabaha financing	Amortised cost
Trade and other payables	Other financial liabilities

Measurement

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

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

Derecognition

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

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment

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

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

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

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

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

Financial liabilities

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

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

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

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three months period ended 31 March 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Trade payables and accruals

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

Contingencies

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

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

Offsetting of financial instruments

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

Financial guarantee contracts

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

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

Interest free loans to Group Companies

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

Inventories

Inventories are measured at the lower of cost and net realizable 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 realizable value is based on estimated selling price less any further costs expected to be incurred on disposal.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

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

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

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

Cash and cash equivalents

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

Dividends

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

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

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 interim condensed 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The Group primarily has end of service benefits which qualify as defined benefit plans.

Defined benefit obligation ("DBO") is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of income.

DBO costs for interim periods are calculated on a year-to-date basis using the actuarially determined pension cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as at the beginning of the year. If there are significant changes to the assumptions or arrangements during the interim period, consideration is given to re-measure such liabilities.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of income as past service costs.

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of income while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

For the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labor and Workmen Law as well as the Group policy.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group plans to adopt the new standard on the required effective date. The Group is currently assessing the impact of the application of this standard on the consolidated financial statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Use of estimates and judgements

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

Estimation uncertainty and assumptions

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

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3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Allowance for impairment

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

Impairment of inventories

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

Revenue recognition

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

Satisfaction of performance obligations

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

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

Allocation of transaction price to performance obligation in contracts with customers

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

Estimates and assumptions

The estimates at 1 January 2016, 31 March 2016 and at 31 December 2016 are consistent with those made for the same dates in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2016, the date of transition to IFRS and as at 31 March 2016 and 31 December 2016.

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

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

Impairment of non-financial assets

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

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

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3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

End of service benefit plans

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

Fair value measurement of financial instruments

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

Contingent liabilities

As disclosed in note 33 to these interim condensed consolidated financial statements, the Group is exposed to various contingent liabilities in the normal course of business. Management evaluates the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the interim condensed consolidated financial statements where, based on the managements' evaluation, a present obligation has been established.

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

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

4 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

For all periods up to and including the year ended 31 December 2016, the Group prepared and published its audited consolidated financial statements only in accordance with generally accepted accounting standards in KSA ("SOCPA GAAP"). These are the Group's first interim condensed consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting" and IFRS 1, "First-time Adoption of International Financial Reporting Standards" that are endorsed in KSA.

Accordingly, the Group has prepared consolidated financial statements, which comply with IFRS as endorsed in KSA applicable for periods beginning on or before 1 January 2017, together with the comparative period data. In preparing the accompanying interim condensed consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2016 after incorporating certain adjustments made as required due to the first time adoption of IFRS as endorsed in KSA.

In preparing its opening statement of financial position as at 1 January 2016 in accordance with IFRS as endorsed in KSA, the consolidated financial statements for the year ended 31 December 2016 and the interim consolidated financial statements for the three month period ended 31 March 2016, the Group has analyzed the impact and noted following adjustments are required to the amounts reported previously in the consolidated financial statements prepared in accordance with SOCPA GAAP.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions:

IFRS 3 Business Combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2016. Accordingly, carrying amounts of assets and liabilities under SOCPA GAAP, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition.

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4 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

Property, plant and equipment were carried in the interim condensed consolidated statement of financial position prepared in accordance with SOCPA GAAP on the basis of revised estimated of useful lives performed on 31 December 2015. The Group has elected to carry those estimates and related values as deemed cost at the date of transition to IFRS.

The estimates at 1 January 2016, 31 March 2016 and at 31 December 2016 are consistent with those made for the same dates in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of SOCPA GAAP did not require estimation:

- Employees' defined benefit liabilities

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2016, the date of transition to IFRS and as at 31 December 2016.

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4 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

Group reconciliation of equity as at 1 January 2016 (date of transition to IFRS)

	Notes	SOCPA GAAP SAR'000	Adjustments SAR'000	IFRS SAR'000
Assets				
Property, plant and equipment	A,B, C	1,388,288	(327,170)	1,061,118
Intangible assets	C	-	22,125	22,125
Investment properties	A	-	307,122	307,122
Due from a related party - non-current portion	D	30,000	(1,101)	28,899
Investments	E,F	124,119	(124,119)	-
Investments in an associate and a joint venture	E,N	-	13,326	13,326
Investments in equity investments designated as at FVOCI	F	-	107,837	107,837
Other non-current assets	G	17,656	(8,259)	9,397
Non-current assets		1,560,063	(10,239)	1,549,824
Inventories		53,511	-	53,511
Trade and other receivables	H	108,228	46,653	154,881
Due from a related party - current portion		26,552	-	26,552
Prepayments and other current assets	B, F	39,208	(15,441)	23,767
Cash and cash equivalents		833,485	-	833,485
Current assets		1,060,984	31,212	1,092,196
Total assets		2,621,047	20,973	2,642,020
Equity and liabilities				
Issued capital		1,250,000	-	1,250,000
Statutory reserve		157,248	-	157,248
Consensual reserve		36,351	-	36,351
Investment revaluation reserve		(38,354)	-	(38,354)
Retained earnings		117,075	2,539	119,614
Equity attributable to equity holders of the Parent		1,522,320	2,539	1,524,859
Non-controlling interests		(81)	4,359	4,278
Total equity		1,522,239	6,898	1,529,137
Liabilities				
Murabaha financing - non-current portion		50,161	-	50,161
Employees' defined benefit liabilities	K	127,767	7,868	135,635
Advance from a customer - non-current portion		454,796	-	454,796
Deferred revenue - non-current portion	L	971	3,675	4,646
Non-current liabilities		633,695	11,543	645,238
Murabaha financing - current portion		69,415	-	69,415
Trade and other payables	I	12,962	154,350	167,312
Due to non-controlling interests of the subsidiary		24,694	149	24,843
Accrued expenses and other liabilities	I	218,191	(84,413)	133,778
Deferred revenue - current portion	L, J	-	17,763	17,763
Advance from a customer - current portion		16,544	-	16,544
Dividends payable	I	85,317	(85,317)	-
Zakat payable		37,990	-	37,990
Current liabilities		465,113	2,532	467,645
Total liabilities		1,098,808	14,075	1,112,883
Total equity and liabilities		2,621,047	20,973	2,642,020

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4 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

Group reconciliation of equity as at 31 December 2016

	Notes	SOCPA GAAP SAR'000	Adjustments SAR'000	IFRS SAR'000
Assets				
Property, plant and equipment	A,B, C	1,525,723	(326,926)	1,198,797
Intangible assets	C	-	18,059	18,059
Investment properties	A	-	307,122	307,122
Due from a related party - non-current portion	D	22,500	(667)	21,833
Investments	E,F	148,143	(148,143)	-
Investments in an associate and a joint venture	E,N	-	28,541	28,541
Investments in equity investments designated as at FVOCI	F	-	114,552	114,552
Other non-current assets	G	23,666	(15,088)	8,578
Non-current assets		1,720,032	(22,550)	1,697,482
Inventories		49,885	-	49,885
Trade and other receivables	H	133,050	57,970	191,020
Due from a related party - current portion		50,119	-	50,119
Prepayments and other current assets	B, F	43,608	(8,646)	34,962
Investments in Murabaha deposits		101,492	-	101,492
Cash and cash equivalents		667,287	-	667,287
Current assets		1,045,441	49,324	1,094,765
Cash and cash equivalents				
Total assets		2,765,473	26,774	2,792,247
Equity and liabilities				
Issued capital		1,250,000	-	1,250,000
Statutory reserve		170,006	-	170,006
Consensual reserve		42,730	-	42,730
Investment revaluation reserve		(30,159)	-	(30,159)
Retained earnings		161,222	9,240	170,462
Equity attributable to equity holders of the Parent		1,593,799	9,240	1,603,039
Non-controlling interests		(2,783)	5,478	2,695
Total equity		1,591,016	14,718	1,605,734
Liabilities				
Murabaha financing - non-current portion	J	138,200	(219)	137,981
Employees' defined benefit liabilities	K	137,517	7,868	145,385
Advance from a customer - non-current portion		449,421	-	449,421
Deferred revenue - non-current portion	H	2,802	1,899	4,701
Non-current liabilities		727,940	9,548	737,488
Murabaha financing - current portion	J	109,033	359	109,392
Trade and other payables	I	13,101	163,315	176,416
Due to non-controlling interests of the subsidiary		24,915	-	24,915
Accrued expenses and other liabilities	I	183,801	(82,976)	100,825
Deferred revenue - current portion	L	-	10,097	10,097
Advance from a customer - current portion		10,085	-	10,085
Dividends payable	I	88,287	(88,287)	-
Zakat payable		17,295	-	17,295
Current liabilities		446,517	2,508	449,025
Total liabilities		1,174,457	12,056	1,186,513
Total equity and liabilities		2,765,473	26,774	2,792,247

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4 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

Group reconciliation of equity as at 31 March 2016

	Notes	SOCPA GAAP SAR'000	Adjustments SAR'000	IFRS SAR'000
Assets				
Property, plant and equipment	A,B,C	1,364,767	(326,002)	1,038,765
Intangible assets	C	-	21,109	21,109
Investment properties	A	-	307,122	307,122
Due from a related party - non-current portion	D	28,125	(993)	27,132
Investments	E,F	118,741	(118,741)	-
Investments in an associate and a joint venture	E,N	-	17,994	17,994
Investments in equity investments designated as at FVOCI	F	-	96,475	96,475
Other non-current assets	G	20,204	(11,012)	9,192
Non-current assets		1,531,837	(14,048)	1,517,789
Inventories		58,690	-	58,690
Trade and other receivables	H	96,887	44,242	141,129
Due from a related party - current portion		3,655	-	3,655
Prepayments and other current assets	B, F	53,595	645	54,240
Cash and cash equivalents		801,412	17	801,429
Current assets		1,014,239	44,904	1,059,143
Total assets		2,546,076	30,856	2,576,932
Equity and liabilities				
Issued capital		1,250,000	-	1,250,000
Statutory reserve		157,248	-	157,248
Consensual reserve		36,351	-	36,351
Investment revaluation reserve		(48,546)	-	(48,546)
Retained earnings		141,498	10,883	152,381
Equity attributable to equity holders of the Parent		1,536,551	10,883	1,547,434
Non-controlling interests		(1,618)	6,434	4,816
Total equity		1,534,933	17,317	1,552,250
Liabilities				
Murabaha financing - non-current portion		39,759	-	39,759
Employee's defined benefit liabilities	K	128,652	7,868	136,520
Advance from a customer - non-current portion		457,372	-	457,372
Deferred revenue - non-current portion	H	1,050	2,469	3,519
Non-current liabilities		626,833	10,337	637,170
Murabaha financing - current portion		56,854	-	56,854
Trade and other payables	I	49,463	51,156	100,619
Due to non-controlling interests of the subsidiary	I	-	14,512	14,512
Accrued expenses and other liabilities	I	172,046	9,712	181,758
Deferred revenue - current portion	L	-	12,858	12,858
Advance from a customer - current portion		11,000	-	11,000
Dividends payable	I	85,036	(85,036)	-
Zakat payable		9,911	-	9,911
Current liabilities		384,310	3,202	387,512
Total liabilities		1,011,143	13,539	1,024,682
Total equity and liabilities		2,546,076	30,856	2,576,932

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4 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

Group reconciliation of total comprehensive income for the year ended 31 December 2016

	Notes	SOCPA GAAP SAR'000	Adjustments SAR'000	IFRS SAR'000
Revenue	H	1,138,359	13,282	1,151,641
Cost of revenues	M	(901,659)	(9,133)	(910,792)
Gross profit		236,700	4,149	240,849
Selling and distribution expenses		(43,541)	-	(43,541)
Administrative expenses		(99,783)	34	(99,749)
Operating profit		93,376	4,183	97,559
Finance costs	J	(8,067)	(139)	(8,206)
Finance income	D	-	2,590	2,590
Other income		36,318	-	36,318
Share of profit of a joint venture	N	15,829	(614)	15,215
		137,456	6,020	143,476
Profit before zakat and non-controlling interest		137,456	6,020	143,476
Non-controlling interest share in net loss of a subsidiary		2,702	(1,119)	1,583
Zakat		(12,574)	-	(12,574)
Profit for the period		127,584	4,901	132,485
Other comprehensive income				
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods:</i>				
Net movement on Fair value movements of investments classified as fair value through other comprehensive income "FVOCI"		-	8,192	8,192
Net other comprehensive income not to be reclassified to income statement in subsequent periods		-	8,192	8,192
Other comprehensive income for the period		-	8,192	8,192
Total comprehensive income for the period		127,584	13,093	140,677

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4 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

Group reconciliation of total comprehensive income for the three months period ended 31 March 2016

	Notes	SOCPA GAAP SAR'000	Adjustments SAR'000	IFRS SAR'000
Revenue	H	242,583	14,417	257,000
Cost of revenues	M	(208,171)	(4,498)	(212,669)
Gross profit		34,412	9,919	44,331
Selling and distribution expenses		(10,366)	-	(10,366)
Administrative expenses		(17,153)	-	(17,153)
Operating profit		6,893	9,919	16,812
Finance costs		(1,661)	-	(1,661)
Finance income	D	-	644	644
Other income		13,992	-	13,992
Share of profit of a joint venture	N	4,813	(145)	4,668
		24,037	10,418	34,455
Profit before zakat and non-controlling interest		24,037	10,418	34,455
Non-controlling interest share in net loss of a subsidiary		1,537	(2,075)	(538)
Zakat		(1,150)	-	(1,150)
Profit for the period		24,424	8,343	32,767
Other comprehensive income				
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods:</i>				
Net movement on Fair value movements of investments classified as fair value through other comprehensive income "FVOCI"		-	(10,192)	(10,192)
Net other comprehensive loss not to be reclassified to income statement in subsequent periods		-	(10,192)	(10,192)
Other comprehensive income for the period		-	(10,192)	(10,192)
Total comprehensive income for the period		24,424	(1,849)	22,575

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4 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

NOTES ON KEY IMPACTS ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ON TRANSITION TO IFRS

A) Investment properties

The Group has certain lands which are held for capital appreciation. Under IAS 40 - Investment property, any property (land or building) that is held for rental or capital appreciation are recognised as investment properties. Accordingly, these properties are classified as Investment Properties.

B) Capital advances

Under SOCPA GAAP, advances made to suppliers against purchase of buses, trucks, and cars are shown in current assets under prepayments. Under IFRS, these have been reclassified to projects and busses in progress.

C) Intangible assets

Software licenses, which do not form part of hardware have been reclassified from Property, Plant and Equipment and presented under Intangible Assets.

D) Discounting of loans to joint venture

Under SOCPA GAAP, the Group loans that were provided to the joint venture at low/zero value are not discounted at present value. In accordance with the requirements of IFRS 9, these loans are recorded at fair value based on market rate of interest. Impacts on the date of transition have been taken into retained earnings in the opening statement of financial position. The unwinding effect of income on such loans has been taken to the interim consolidated statement of income for the period ended 31 March, 2017 and 31 March 2016.

E) Investments in an associate and a joint venture

Under SOCPA GAAP, investments in an associate and a joint ventures was presented under the caption of Investments. IFRS requires investments in associates and joint ventures to be presented separately from other investments in the interim condensed consolidated statement of financial position.

F) Investments held at fair value through other comprehensive income

Under SOCPA GAAP, equity instruments were classified as investments in available for sale securities under the investments caption. Upon transition, the Group elected the irrevocable option of classifying these investment as investments in equity instruments designated as at FVOCI.

G) Derecognition of infrastructure assets as per IFRIC 12

Under IFRIC 12 - Service Concession Arrangement, all expenses incurred with respect to purchase of buses / construction of depots (i.e., expenses under mobilisation phase) under the arrangement with ADA are recognised as expenses since the Group does not have the right of use to these assets. Accordingly, expenses incurred during mobilisation phase till 1 January 2016 are taken to retained earnings. Expenses incurred during the year ended 31 December 2016 are charged to consolidated statement of income.

H) Revenue recognition for service concession arrangements

Under SOCPA GAAP, revenue and related receivables are recognised based on achievement of milestone targets as specified in the contract with ADA. However, as per IFRS 15, revenue is accounted for based on satisfaction of respective performance obligations within the contract. Accordingly, revenue under the mobilisation phase is recognised using input method by applying a reasonable margin to the cost incurred upon satisfaction of related performance obligations.

I) Financial assets and financial liabilities

Under SOCPA GAAP, financial assets and liabilities are not shown separately and are clubbed with non-financial assets and liabilities. As per IFRS, these are separately disclosed.

J) Amortisation of deferred financing costs on long term loans

Under previous SOCPA GAAP, interest charges on long term loans are amortised based on the straight line method over the term of the loans. Under IFRS, these are amortised based on the internal rate of return using effective interest rate method. The differences in amortisation of such loans has been taken to the interim consolidated statement of income for the periods ended 31 March, 2017 and 31 March 2016.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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4 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

NOTES ON KEY IMPACTS ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ON TRANSITION TO IFRS (continued)

K) Defined benefit obligation

Under previous SOCPA GAAP, the Group recognised costs related to its post employment benefits in accordance with Saudi Labor law requirements.

Under IFRS, the Group's employees' terminal benefits meet the definition of a defined benefit plan and accordingly, the Group's current practice was not consistent with IAS 19 Employee Benefits, which requires the present value of the end of service benefits liability to be determined using actuarial assumptions under the projected unit credit method (PUCM). The Group has thus recognised these actuarial valuation impacts into its liabilities and related costs in the retained earnings. The total impact was for the Group has been recognised against retained earnings in the re-measurement.

L) Guarantees provided to third parties on behalf of group companies

The Group has issued guarantees on behalf of the group's subsidiary and joint venture to assist in their financing facilities without any commission. Under IFRS, these are fair valued using market rate of interest and commission income on such guarantees at market rate of interest has been recorded in interim consolidated statement of income during the periods ended 31 March 2017 and 31 March 2016.

M) Discounts and free tickets

Under SOCPA GAAP, discounts provided to customers are presented as cost of revenue. IFRS Standards require trade discounts and rebates to be presented as a deduction against revenue. Consequently, reclassifications have been made to the interim condensed consolidated statement of income.

N) Share of profit of joint venture

This represents the impact of IFRS conversion of the joint venture.

O) Statement of cash flows

The transition from SOCPA GAAP to IFRS has not had a material impact on the interim condensed consolidated statement of cash flows.

5 PROPERTY, PLANT AND EQUIPMENT

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Property, plant and equipment	1,250,157	1,169,897	1,003,206
Projects and busses in progress	32,644	28,900	57,912
	<u>1,282,801</u>	<u>1,198,797</u>	<u>1,061,118</u>

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5 PROPERTY, PLANT AND EQUIPMENT (continued)

<i>Cost</i>	Land SAR'000	Buildings SAR'000	Buses, trucks and trailers SAR'000	Furniture and fixtures SAR'000	Motor vehicles SAR'000	Plant and Equipment SAR'000	Total SAR'000
Balance as at 1 January 2016	36,264	457,997	2,499,171	15,259	77,593	69,099	3,155,383
Additions during the year	-	3,109	255,891	1,237	9,637	6,764	276,638
Transfers during the year	-	44,079	-	201	-	4,545	48,825
Disposals during the year	-	-	(176,884)	-	(19,404)	-	(196,288)
Balance as at 31 December 2016	36,264	505,185	2,578,178	16,697	67,826	80,408	3,284,558
Additions during the period	-	643	119,340	194	5,607	461	126,245
Transfers during the period	-	-	(1,635)	-	1,635	-	-
Disposals during the period	-	-	(264,098)	-	(409)	-	(264,507)
Balance as at 31 March 2017	36,264	505,828	2,431,785	16,891	74,659	80,869	3,146,296

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three months period ended 31 March 2017

5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land SAR '000	Buildings SAR '000	Buses, trucks and trailers SAR '000	Furniture and fixtures SAR '000	Motor vehicles SAR '000	Plant and Equipment SAR '000	Total SAR '000
<i>Accumulated depreciation</i>							
Balance as at 1 January 2016	-	324,859	1,729,785	7,650	53,347	36,536	2,152,177
Depreciation during the year	-	10,308	126,324	1,453	10,340	6,270	154,695
Disposals during the year	-	-	(176,646)	-	(15,565)	-	(192,211)
Balance as at 31 December 2016	-	335,167	1,679,463	9,103	48,122	42,806	2,114,661
Depreciation during the period	-	2,601	36,391	374	2,368	1,609	43,343
Disposals during the period	-	-	(261,585)	-	(280)	-	(261,865)
Transfers during the period	-	-	(784)	-	784	-	-
Balance as at 31 March 2017	-	337,768	1,453,485	9,477	50,994	44,415	1,896,139
<i>Net book values</i>							
As at 31 March 2017	36,264	168,060	978,300	7,414	23,665	36,454	1,250,157
As at 31 December 2016	36,246	170,018	898,715	7,594	19,704	37,602	1,169,897
As at 1 January 2016	36,264	133,138	769,386	7,609	24,246	32,563	1,003,206

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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5 **PROPERTY, PLANT AND EQUIPMENT (continued)**

PROJECTS AND BUSES IN PROGRESS

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

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 (*) SAR'000
At the beginning of the period/year	28,900	57,911	42,410
Additions during the period/year	3,000	20,001	22,594
Movements in capital advances during the period/year	744	(187)	5,073
Transfers during the period/year	-	(48,825)	(12,165)
At the end of the period/year	<u>32,644</u>	<u>28,900</u>	<u>57,912</u>

(*) This covers the period from 1 January 2015 to 1 January 2016.

6 **INTANGIBLE ASSETS**

	Software and licenses SAR'000
<i>Cost</i>	
Balance as at 1 January 2016	39,352
Additions	-
Disposals	-
Balance as at 31 December 2016	<u>39,352</u>
Additions	-
Disposals	-
Balance as at 31 March 2017	<u>39,352</u>
<i>Accumulated amortization</i>	
Balance as at 1 January 2016	17,227
Additions	4,066
Disposals	-
Balance as at 31 December 2016	<u>21,293</u>
Additions	1,016
Disposals	-
Balance as at 31 March 2017	<u>22,309</u>
<i>Net book values</i>	
As at 1 January 2016	<u>22,125</u>
As at 31 December 2016	<u>18,059</u>
As at 31 March 2017	<u>17,043</u>

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7 INVESTMENT PROPERTIES

Total
SAR'000

Cost

Balance as at 1 January 2016, 31 December 2016, and 31 March 2017

307,122

The Group's investment properties consist of five lands in the Kingdom of Saudi Arabia amounting to SAR 307.12 million. Management has intentions to hold these properties for the purposes of capital appreciation and these properties are carried at cost less impairment losses.

The fair value of investment property was determined by external, independent property valuers - Bussma Real Estate Management Group Ltd, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio on an annual basis or as and when required by management. The recent fair valuation was performed as at 31 July 2016, and they have determined the fair value to be SR 467.3 million.

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.

Fair values of investment properties

The following table provides the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement using:

Investment properties	Date of valuation	Quoted prices in active markets SAR'000 (Level 1)	Significant observable inputs SAR'000 (Level 2)	Significant unobservable inputs SAR'000 (Level 3)
Land	31 July 2016	-	-	467,304

8 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURE

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Interest in joint venture (A)	39,802	28,541	13,326
Interest in an associate (B)	-	-	-
	<u>39,802</u>	<u>28,541</u>	<u>13,326</u>

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

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
At the beginning of the period/ year	28,541	13,326	1,054
Share of profits	<u>11,261</u>	<u>15,215</u>	<u>12,272</u>
At the end of the period/year	<u>39,802</u>	<u>28,541</u>	<u>13,326</u>

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8 INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE (continued)

Saudi Emirates Integrated Transport Group ("SEITCO") is a joint venture in which the Group has joint control and a 50% ownership interest. SEITCO is engaged in educational transportation services, owning of buses, fleet management for other companies and the provision of transport services by automobiles. SEITCO started its operations during the third quarter of 2014. In accordance with the articles of association of SEITCO, the Group and the other investor in the joint venture have agreed to distribute profits after deduction of statutory reserves in proportion of their capital structure which is currently at 50% each respectively.

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

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

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
At the beginning of the period / year	7,459	7,459	7,459
Less: provision for impairment of investment	(7,459)	(7,459)	(7,459)
At the end of the period / year	-	-	-

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

9 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
At the beginning of the period / year	114,552	107,837	85,497
Addition	-	-	50,000
Disposal	227	(1,480)	(3,809)
Movements due to changes in fair value	(672)	8,195	(23,851)
At the end of the period / year	114,107	114,552	107,837

Movement in fair values of equity instruments

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
At the beginning of the period / year	(30,159)	(38,354)	(14,503)
Change in fair value	(672)	8,195	(23,851)
At the end of the period / year	(30,831)	(30,159)	(38,354)

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10 INVENTORIES

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Spare parts inventory	83,503	76,518	79,502
Less: Provision for slow moving inventories	(26,633)	(26,633)	(25,991)
	<u>56,870</u>	<u>49,885</u>	<u>53,511</u>

11 TRADE AND OTHER RECEIVABLES

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Receivables – government and quasi government institutions	121,290	121,939	72,196
Receivables– private sector	36,901	43,912	63,386
Total trade receivables	<u>158,191</u>	<u>165,851</u>	<u>135,582</u>
Unbilled receivables	68,458	48,921	36,282
Employees receivables	1,070	9,049	10,372
Less: Allowance for impairment	(33,725)	(32,801)	(27,355)
Trade and other receivables, net	<u>193,994</u>	<u>191,020</u>	<u>154,881</u>

The Group receivables are generally non-interest bearing and are recovered with in 90 days. On 31 March 2017, trade receivables with an initial carrying amount of SAR 33.7 million (31 December 2016: SAR 32.8 million, 1 January 2016: SAR 27.4 million) were impaired and are fully provided.

Movement in allowance for impairment:

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
At the beginning of the period/year	32,801	27,355	17,391
Charge for the period/year	924	8,083	9,964
Amount written off during the period/year	-	(2,637)	-
At the end of the period/year	<u>33,725</u>	<u>32,801</u>	<u>27,355</u>

The ageing of unimpaired trade receivables are as follows:

	Total	Less than 90 days	91 days to 1 year	From 1 year to 2 years	More than 2 years
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
31 March 2017	124,466	38,770	65,570	13,187	6,939
31 December 2016	133,050	35,882	83,486	8,432	5,250
1 January 2016	108,227	54,093	44,576	3,345	6,213

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12 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Advance to suppliers	12,438	12,357	9,988
Prepaid rents	7,772	6,002	10,188
Margin deposits and letters of credit	638	987	608
Other receivables	26,997	20,359	7,623
	<u>47,845</u>	<u>39,705</u>	<u>28,407</u>
Less: Allowance for impairment	(3,819)	(4,743)	(4,640)
	<u>44,026</u>	<u>34,962</u>	<u>23,767</u>

13 CASH AND CASH EQUIVALENTS AND INVESTMENTS IN MURABAHA DEPOSITS

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Cash in hand	3,797	2,662	1,152
Cash at bank	175,130	207,507	682,083
Investments in Murabaha deposits	252,978	457,118	150,250
	<u>431,905</u>	<u>667,287</u>	<u>833,485</u>
Investments in Murabaha deposits*	<u>310,000</u>	<u>101,492</u>	<u>-</u>

*These have been placed with banks for a maturity of more than three months.

14 ISSUED CAPITAL

The Group's share capital at 31 March 2017 amounted to SR 1,250 million (31 December 2016: SR 1,250 million, 1 January 2016: SR 1,250 million) consisting of 125 million (31 December 2016: 125 million, 1 January 2016: 125 million) fully paid and issued shares of SR 10 each.

15 STATUTORY RESERVE

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

16 CONSENSUAL RESERVE

In accordance with the Company's By-Laws, the Company shall transfer 5% from the net income for the year to the consensual reserve until this reserve equals 25% of the share capital. This reserve may be used for purposes authorized by the Board of Directors.

17 MURABAHA FINANCING

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Murabaha financing	330,632	247,373	119,576
Less: Current portion	(143,991)	(109,392)	(69,415)
Non-current portion	<u>186,641</u>	<u>137,981</u>	<u>50,161</u>

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17 MURABAHA FINANCING (continued)

The Company has entered into borrowing arrangements with banks for Murabaha facilities. These loans have been availed during the period from 2013 to 2017 with an overall maturity of three to five years from the date of loan agreement and are secured by promissory notes. The Group has obtained these loans in order to finance its procurement of buses.

18 EMPLOYEES' TERMINATION BENEFITS – DEFINED BENEFIT PLAN

The Group grants end of service benefits to its employees taking into consideration the local labor law, employment market and social security laws of the countries where the companies are located. This benefit is an unfunded defined benefit plan ("DBO").

The benefits provided by this end of service plan is based primarily on years of service and employees' compensation. The funding of the plans is consistent with local requirements. The obligations and the plan assets used to fund the obligations are subject to demographic, legal and economic risks. Economic risks are primarily due to unforeseen developments in goods and capital markets and changes to the discount rate used to calculate the DBO.

Principal actuarial assumptions

	Value per annum (%)
Financial assumptions:	
- Net discount rate	2%
- Salary growth rate	2.5%
Demographic assumptions:	
- Retirement age	60
- Withdrawal from service rates	Group A: 16.1% Group B: 11% Group C: 15.7%
- Mortality rates	80% of AM80
- Disability rates	25% x mortality

Defined benefit liability

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Net defined benefit liability	184,468	184,321	178,803
Total employee benefit liabilities	184,468	184,321	178,803
Non-current - end of service benefits	145,805	145,385	135,635
Current - other employee benefits	38,663	38,936	43,168
	184,468	184,321	178,803

Employee benefit expense

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Current service cost	3,467	23,500	24,321
Interest cost on benefit obligation	-	-	1,813
Actuarial changes arising from changes in demographic assumptions	-	-	3,610
Actuarial changes arising from changes in financial assumptions	-	-	10,776
Experience adjustments	-	-	-
Benefits paid	(3,047)	(13,750)	(15,217)
Total benefit expense	420	9,750	25,303

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

Movement in present value of defined benefit obligation

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Opening balance - present value of defined benefit obligation	145,385	135,635	110,332
Current service cost	3,467	23,500	24,321
Benefits paid	(3,047)	(13,750)	(15,217)
Interest cost	-	-	1,813
Actuarial loss / (gain) on obligation	-	-	14,386
Closing balance - present value of defined benefit obligation	145,805	145,385	135,635

The Group carried out a detailed actuarial valuation as at 1 January 2016 and rolled the valuation forward to the year ended 31 December 2016 and the period ended 31 March 2017. The roll forward reflects material transactions and other events.

19 ADVANCE PAYMENT FROM A CUSTOMER

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

20 DEFERRED REVENUE

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Deferred guarantee commission	1,369	1,899	4,055
Deferred advertising revenue	8,073	10,097	971
Other deferred revenue	3,612	2,802	17,383
	13,054	14,798	22,409
Current	8,883	10,097	17,763
Non-current	4,171	4,701	4,646
	13,054	14,798	22,409

21 TRADE AND OTHER PAYABLES

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Dividends payable	150,453	88,287	85,318
Accidents insurance cost	61,343	64,192	65,584
Retentions payable	11,017	10,836	9,881
Trade payables	10,401	13,101	6,529
	233,214	176,416	167,312

22 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Accrued expenses	39,638	41,627	71,261
Employee benefits (note 18)	38,663	38,936	43,168
Advanced income	2,150	2,150	2,150
Other payables	18,332	18,112	17,199
	98,783	100,825	133,778

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23 ZAKAT

Charge for the period

Zakat charge for the period is SR 3.2 million (31 March 2016: SR 1.2 million).

Movement in provision during the period

The movement in zakat provision is as follows:

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
At beginning of the period/year	17,295	37,990	7,877
Provided during the period/year	3,220	12,574	33,860
Paid during the period/year	-	(33,269)	(3,747)
At the end of the period/year	20,515	17,295	37,990

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 2015 and settled zakat dues accordingly. The Group has finalized its zakat status for all years up to 2012. On 11 January 2015, the General Authority of Zakat and Tax assessed an additional zakat for the years from 2005 to 2012 amounting to SR 39.4 million. The Group has appealed against certain zakat items disallowed in assessment. On 22 December 2015, the Group received the final zakat assessment for the years from 2005 to 2012 with zakat differences of SR 29.2 million. The Group accepted this assessment and considered this amount in the zakat provision for 2015. This amount has been fully paid in January 2016. The final assessments for the years 2013 to 2015 have not yet been raised by the GAZT

24 RELATED PARTY TRANSACTIONS AND BALANCES

Subsidiary, associate and joint venture

The details and nature of relationship of Group's subsidiary, associates and joint venture are mentioned in note 1 to these interim condensed consolidated financial statements.

		Provision for impairment of investment (Note 8) in relation to Associate	Financings provided*	Share in earnings	Purchase of buses	Services provided	Amounts owed from/to related parties
		SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Associate:							
Saudi Bahraini Transport Company	31 March 2017	-	-	-	-	-	-
	31 December 2016	-	-	-	-	-	-
	1 January 2016	(7,459)	-	-	-	-	-
Joint venture:							
Saudi Emirates Intergrated Transport Company	31 March 2017	-	-	11,261	-	837	72,331
	31 December 2016	-	40,000	15,215	-	1,104	71,952
	1 January 2016	-	25,000	12,272	1,178	4,123	55,451
Due to non-controlling interests of the subsidiary:							
RATP Development (a French company)	31 March 2017	-	-	-	-	955	11,467
	31 December 2016	-	-	-	-	12,634	8,718
	1 January 2016	-	-	-	-	12,842	12,991
RATP Dev Saudi Arabia LLC	31 March 2017	-	-	-	-	952	19,318
	31 December 2016	-	-	-	-	22,318	16,197
	1 January 2016	-	-	-	-	11,852	11,852
Total amounts due to non- controlling interests of the subsidiary							
	31 March 2017						30,785
	31 December 2016						24,915
	1 January 2016						24,843

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24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Subsidiary, associate and joint venture (continued)

* During 2014, the Company has funded the operations of the Saudi Emirates Integrated Transport Co., Ltd. ("SEITCO") with an amount of SR 30 million. The company is engaged in educational transportation in the Kingdom of Saudi Arabia. SEITCO started its operations during the third quarter of 2014. This amount is not subject to any interest and is repayable within four years effective from July 2015. However, the partners agreed on rescheduling of repayment to be started from January 2017.

In addition, during the second quarter of the year ended 31 December 2016, the Company has provided an additional finance amounting to SR 20 million to finance the operation of transportation contracts to government schools with Tatweer Company for Educational Services. This amount doesn't carry any interest and it will be recovered upon receiving the accruals of SEITCO from Tatweer Company for Educational Services.

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

Compensation of key management personnel of the Group

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
<i>Transactions with key management personnel</i>			
Board and committees reimbursements and allowances	1,838	3,136	3,195
Compensation of key management personnel of the Group (*)	2,706	13,035	13,168

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

	31 March 2017 SAR'000	31 December 2016 SAR'000	1 January 2016 SAR'000
Short-term employee benefits	2,605	12,606	12,732
Post-employment benefits	101	429	436
Total compensation paid to key management personnel	2,706	13,035	13,168

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

25 REVENUE

	31 March 2017 SAR'000	31 March 2016 SAR'000
Passenger transport	139,768	170,547
Revenue from contracts and leasing	51,519	51,442
Revenue from service concession agreement	19,537	14,417
Transport cargo revenue	10,345	10,864
Limo revenue	7,821	9,730
	228,990	257,000

During 2017, the Group has recognised revenue amounting to SAR 19.54 million (31 March 2016: SAR 14.42 million) consisting of mobilisation phase under the service concession arrangement.

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26 COST OF REVENUE

	31 March 2017 SAR'000	31 March 2016 SAR'000
Salaries and benefits	82,389	85,104
Depreciation expense	43,639	35,983
Repairs and maintenance of buses	32,431	41,573
Consultancy expenses	12,084	8,255
Contractual services	11,782	11,192
Visa fee	6,330	5,942
Rents	5,823	6,616
Maintenance and general fee	5,053	4,312
Passenger services	4,982	2,610
Property insurance expenses	4,774	5,112
Other expenses	4,005	5,970
	<u>213,292</u>	<u>212,669</u>

27 OTHER INCOME

	31 March 2017 SAR'000	31 March 2016 SAR'000
Gains on investments in Murabaha deposits	2,720	2,180
Gains on sale of property, plant and equipment	2,080	860
Rental income	991	1,045
Advertisement for intra-city transportation	450	634
Other income	<u>4,659</u>	<u>9,273</u>
	<u>10,900</u>	<u>13,992</u>

28 SELLING AND DISTRIBUTION EXPENSES

	31 March 2017 SAR'000	31 March 2016 SAR'000
Domestic agents' commissions	4,901	6,342
Advertising	617	1,246
International agents' commissions	603	413
Allowance for impairment	-	2,309
Publicity and promotions	287	56
	<u>6,408</u>	<u>10,366</u>

29 ADMINISTRATIVE EXPENSES

	31 March 2017 SAR'000	31 March 2016 SAR'000
Salaries and related costs	11,049	10,349
Consultancy fees	4,967	2,864
Board remuneration	1,800	-
Rents, maintenance and cleaning	1,027	1,053
Depreciation	721	679
Other expenses	1,545	2,208
	<u>21,109</u>	<u>17,153</u>

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30 SEGMENT INFORMATION

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

Passenger transport - Includes scheduled transport services which incorporate inter and intra city transport inside and outside the Kingdom, as well as international transport services. This is considered the major segment of the Group.

Contracts and leasing - Incorporates transport services as per lease agreements entered into by the Group with third parties, whether government or non-government parties, inside or outside Kingdom.

Public Transportation Project - Includes the financial results for Public Transportation Group, which is engaged in execution of King Abdul-Aziz Project for Public Transport in Riyadh, as stated in note 1.

Head Office - Includes the Head Quarter of the Group, financial information attributable to support unit activities and other activities.

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

The Group's revenue is affected by seasons in which the operation rates are high. These seasons are the Hajj, summer vacation, the holy month of Ramadan and the public holidays.

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

<i>Three months ended 31 March 2017</i>	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total revenues	137,242	54,044	18,167	19,537	228,990	-	228,990
Gross profit (loss)	19,839	(5,407)	(8,615)	5,477	11,294	4,404	15,698
Depreciation	18,972	17,586	7,800	2	44,360	-	44,360
Segment (loss)/profit	12,820	(6,841)	(12,225)	5,475	(771)	4,290	3,519
<i>Three months ended 31 March 2016</i>	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total revenues	170,547	51,442	20,594	15,866	258,449	(1,449)	257,000
Gross profit (loss)	51,231	1,109	(12,903)	4,332	43,769	562	44,331
Depreciation	15,179	12,960	8,519	2	36,660	-	36,660
Segment (loss)/profit	44,408	4,171	(20,346)	4,330	32,563	742	33,305

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30 SEGMENT INFORMATION (continued)

<i>At 31 March 2017</i>	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total assets	532,749	804,368	1,025,020	529,915	2,892,052	(13,677)	2,878,375
Total liabilities	320,502	375,923	145,398	510,971	1,352,794	(20,500)	1,332,294
Other disclosures: Property, machinery and equipment, net	465,826	692,392	124,563	20	1,282,801	-	1,282,801
Investments in an associate and joint venture	-	-	39,802	-	39,802	-	39,802
<i>At 31 December 2016</i>	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total assets	511,443	734,445	1,041,970	514,278	2,802,136	(9,889)	2,792,247
Total liabilities	288,729	255,038	157,481	500,532	1,201,780	(15,267)	1,186,513
Other disclosures: Property, machinery and equipment, net	451,266	617,251	130,258	22	1,198,797	-	1,198,797
Investments in an associate and joint venture	-	-	28,541	-	28,541	-	28,541
<i>At 1 January 2016</i>	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total assets	532,871	563,200	1,026,854	532,776	2,655,701	(13,681)	2,642,020
Total liabilities	235,786	191,560	189,585	508,966	1,125,897	(13,014)	1,112,883
Other disclosures: Property, machinery and equipment, net	460,746	432,630	166,722	1,020	1,061,118	-	1,061,118
Investments in an associate and joint venture	-	-	13,326	-	13,326	-	13,326

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

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

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

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31 FINANCIAL INSTRUMENTS - FAIR VALUES

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

Fair value hierarchy

<i>31 March 2017</i>	<i>Carrying value SAR'000</i>	<i>Level 1 SAR'000</i>	<i>Level 2 SAR'000</i>	<i>Level 3 SAR'000</i>	<i>Fair value total SAR'000</i>
Measured at fair value:					
Investments at fair value through other comprehensive income ("FVOCI")	114,779	114,779	-	-	114,779
<i>31 December 2016</i>	<i>Carrying value SAR'000</i>	<i>Level 1 SAR'000</i>	<i>Level 2 SAR'000</i>	<i>Level 3 SAR'000</i>	<i>Fair value total SAR'000</i>
Measured at fair value:					
Investments at fair value through other comprehensive income ("FVOCI")	114,552	114,552	-	-	114,552
<i>1 January 2016</i>	<i>Carrying value SAR'000</i>	<i>Level 1 SAR'000</i>	<i>Level 2 SAR'000</i>	<i>Level 3 SAR'000</i>	<i>Fair value total SAR'000</i>
Measured at fair value:					
Investments at fair value through other comprehensive income ("FVOCI")	107,837	107,837	-	-	107,837

The management assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, employees' benefits approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

32 EARNINGS PER SHARE

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

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

	For the three months ended 31 March	
	2017	2016
	SAR'000	SAR'000
Income attributable to ordinary equity holders of the parent for basic earnings	2,479	32,767
	For the three months ended 31 March	
	2017	2016
	'000	'000
Weighted average number of ordinary shares for basic EPS	125,000	125,000

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

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33 CAPITAL COMMITMENTS AND CONTINGENCIES

Contingencies

As at 31 March 2017, the Group's bankers have issued, on its behalf during the normal course of business, guarantees and acceptances limited to SR 813.8 million (31 December 2016: SR 800 million, 1 January 2016: SR 805.9 million).

Capital commitments

The Group also has capital commitments of SR 195 million to purchase 197 new buses and are expected to be delivered during the year 2017.

34 DIVIDENDS

The Ordinary General Assembly approved in its meeting held on 28 Jumada Althani 1438H (Corresponding to 27 March 2017) the Board of Directors' recommendation to distribute cash dividends amounting SR 62.5 million (SR 0.50 per share) for the financial year 2016 and the payment of Board of Directors' remuneration of SR 1.8 million.

The Ordinary General Assembly approved in its meeting held on 4 Rajab 1437H (corresponding to 11 April 2016) the Board of Directors' recommendation to distribute cash dividends amounting to SR 62.5 million (SR 0.50 per share) for the financial year 2015 and the payment of Board of Directors' remuneration of SR 1.8 million.

35 EVENTS AFTER THE REPORTING PERIOD

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