

**SAUDI PUBLIC TRANSPORT COMPANY AND  
ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2021**  
**Together with the**  
**Independent Auditor's Report**

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARIES**

(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**For the year ended 31 December 2021**

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## KPMG Professional Services

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Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# Independent Auditor's Report

To the Shareholders of Saudi Public Transport Company (Saudi Joint Stock Company)

## Opinion

We have audited the consolidated financial statements of Saudi Public Transport Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional (SOCPA).

## Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Independent Auditor's Report (Continued)

To the Shareholders of Saudi Public Transport Company (Saudi Joint Stock Company)

### Key Audit Matter (continued)

Revenue recognition – See note (4-5) to the consolidated financial statements for the accounting policy relating to revenue recognition and note (30) to the consolidated financial statements for the related disclosures.

The key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2021, the Group recognised total revenue of SR 960 million (2020: SR 1,170 million). Sales from transportation of passengers are recognized as revenue when the respective transportation services are rendered.</p> <p>Sales from transportation of passengers and specialised services, are recognized at a point in time.</p> <p>Revenues from service concession arrangements, are recognized over time in accordance with agreed contractual terms and completion of works.</p> <p>We have identified revenue recognition as a key audit matter because revenue is one of the Group's performance indicators giving rise to an inherent risk that revenue could be subject to overstatement to meet targets or expectations.</p>	<p>Among other things, our procedures included the following:</p> <ul style="list-style-type: none"><li>• Assessing the design, implementation and operating effectiveness of management's key internal controls (including relevant IT general and application controls) which govern the revenue recognition process;</li><li>• Evaluating the Group's revenue recognition policy;</li><li>• Testing a sample of revenue transactions made during the year and inspecting underlying supporting documentation;</li><li>• Inquiring from management whether there were actual or suspected cases of fraud;</li><li>• Testing a sample of credit notes post the year-end, where applicable, to assess that the revenue is recorded in the correct period; and</li><li>• Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.</li></ul>

## Independent Auditor's Report (Continued)

To the Shareholders of Saudi Public Transport Company (Saudi Joint Stock Company)

### Key Audit Matter (continued)

Assessing potential impairment of Property, plant and equipment (Buses and Vehicles)– See note (5-12) to the consolidated financial statements for the accounting policy relating to property, plant and equipment and note (7) to the consolidated financial statements for the related disclosures.

#### The key audit matter

As at 31 December 2021, the Group's property, plant and equipment amounted to SR 940 million (2020: SR 1,137 million).

The management performed an impairment assessment by comparing the carrying value of the cash generating units (CGU) for buses, trucks and related assets amounting to SR 808,6 million, to their value in use based on discounting cash flow forecasts.

Impairment losses were recognized for property, plant and equipment of buses, trucks and related assets amounting to SR 43 million.

Estimating the value in use comprises of projections of future discounted cash flows of the cash-generating units, approximations of growth rates and discount rates which are inherently subject to significant uncertainty due to changing economic conditions and trends.

We have identified the assessment of impairment of buses, trucks and related assets as a key audit matter because the assessment includes certain significant assumptions which could be subject to management bias. Furthermore, the assessment involves an element of uncertainty.

#### How the matter was addressed in our audit

Among other things, our procedures included the following:

- Assessing the design and implementation of management's key internal controls which govern the process around assessing potential impairment of property, plant and equipment (Buses, trucks and related assets);
- Assessing management's identification of the CGUs and the allocation of assets to the CGUs for the purposes of the impairment assessment;
- Evaluating the assumptions adopted in the preparation of the discounted cash flow forecasts, including projected future growth rates for income and expenses and discount rate with reference to our understanding of the business, historical trends and available sector information;
- Engaging our valuation specialists to assess the methodology adopted by management in its impairment assessment of property, plant and equipment (Buses, trucks and related assets); and
- Performing sensitivity analyses on the key assumptions, including weightage average cost of capital ('WACC')e, used in the discounted cash flow forecast and assessing whether there were any indicators of management bias in the selection of these assumptions.
- Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.



# Independent Auditor's Report (Continued)

To the Shareholders of Saudi Public Transport Company (Saudi Joint Stock Company)

## Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 29 Jumada al-Akhirah 1442H (corresponding to 11 February 2021).

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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





## Independent Auditor's Report (Continued)

To the Shareholders of Saudi Public Transport Company (Saudi Joint Stock Company)

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

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

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

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

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

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

### KPMG Professional Services



**Fahad Mubark Al Dossari**  
License No.: 469

Riyadh, 28 Shaaban 1443H  
Corresponding to: 31 March 2022



**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARIES**

(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As at 31 December 2021**

(SR'000)

	<u>Note</u>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, buses and trucks, net	7	940,359	1,136,656
Investment properties	8	307,122	307,122
Intangible assets, net	9	651,787	584,158
Right-of-use assets, net	10	43,854	35,888
Amounts due from a related party	26	45,253	33,625
Investments in associates and joint venture	11	66,993	94,311
Unbilled receivables	12	-	1,329,587
Deferred Tax Asset	28	418	-
Other non-current assets		3,669	4,487
<b>Total non-current assets</b>		<b>2,059,455</b>	<b>3,525,834</b>
<b>Current assets</b>			
Inventory	13	16,443	18,069
Trade receivables, net	14	124,137	195,287
Unbilled receivables	12	2,062,976	482,390
Prepayments and other current assets	15	57,859	57,445
Due from related parties	26	46,639	60,086
Cash and cash equivalents	16	410,130	351,583
		2,718,184	1,164,860
Assets held for sale	34	3,418	7,016
<b>Total current assets</b>		<b>2,721,602</b>	<b>1,171,876</b>
<b>Total assets</b>		<b>4,781,057</b>	<b>4,697,710</b>
<b>Equity</b>			
Share capital	17	1,250,000	1,250,000
Statutory reserve	18	-	-
Consensual reserve	19	-	42,730
Accumulated losses		(200,350)	(22,067)
<b>Equity attributable to shareholders of the Parent Company</b>		<b>1,049,650</b>	<b>1,270,663</b>
Non-controlling interests	38	(140)	4,085
<b>Total equity</b>		<b>1,049,510</b>	<b>1,274,748</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Murabaha financing	20	1,317,872	943,763
Advance from a customer	21	1,105,574	1,437,950
Employees' defined benefits obligations	22	156,750	145,612
Lease liabilities	23	36,947	31,041
Contract liabilities	24	-	4,675
<b>Total non-current liabilities</b>		<b>2,617,143</b>	<b>2,563,041</b>
<b>Current liabilities</b>			
Murabaha financing	20	118,541	116,514
Short-term Murabaha	20	120,291	150,295
Trade and retention payables	25	127,016	153,320
Amounts due to related parties	26	11,576	6,483
Current portion of lease liabilities	23	7,629	1,450
Accrued expenses and other current liabilities	27	258,319	257,160
Contract liabilities	24	9,949	19,756
Advance from a customer	21	412,596	118,223
Zakat and income tax payable	28	48,487	36,720
<b>Total current liabilities</b>		<b>1,114,404</b>	<b>859,921</b>
<b>Total liabilities</b>		<b>3,731,547</b>	<b>3,422,962</b>
<b>Total equity and liabilities</b>		<b>4,781,057</b>	<b>4,697,710</b>

**Authorized board member**
**Vice President of Finance**

The accompanying notes (1) through (43) form an integral part of these consolidated financial statements.



**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARIES**

(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the year ended 31 December 2021

(SR '000)

	<u>Note</u>	<b>31 December 2021</b>	<b>31 December 2020</b>
Revenue	30	<b>960,573</b>	1,169,662
Cost of revenue	31	<b>(958,225)</b>	(1,289,806)
<b>Gross profit / (loss)</b>		<b>2,348</b>	(120,144)
Selling and distribution expenses	32	<b>(14,862)</b>	(16,106)
General and administrative expenses	33	<b>(100,892)</b>	(103,832)
Impairment (charge) /reversal for assets held for sale	34	<b>2,350</b>	(42,705)
Provision for impairment of non-current assets	1-7	<b>(43,000)</b>	-
Impairment of trade receivables	14	<b>(3,685)</b>	(18,573)
<b>Operating Loss for the year</b>		<b>(157,741)</b>	(301,360)
Finance income		<b>6,342</b>	4,677
Finance costs		<b>(44,433)</b>	(35,654)
<b>Net finance costs</b>		<b>(38,091)</b>	(30,977)
Share in loss of a joint venture		<b>(33,581)</b>	(44,041)
Share in (losses)/ profits of associates		<b>517</b>	244
Other income	35	<b>24,511</b>	12,683
<b>Loss before Zakat and income tax</b>		<b>(204,385)</b>	(363,451)
Zakat and income tax	28	<b>(16,081)</b>	(14,264)
<b>Net loss for the year</b>		<b>(220,466)</b>	(377,715)
<b>Loss for the year attributable to:</b>			
Shareholders of the Parent Company		<b>(216,188)</b>	(375,160)
Non-controlling interests		<b>(4,278)</b>	(2,555)
		<b>(220,466)</b>	(377,715)
<b>Loss per share (in Saudi Riyal):</b>			
Basic and diluted, from the loss for the period attributable to shareholders of the parent company	36	<b>(1.73)</b>	(3.00)


  
Authorized board member

  
Vice President of Finance

The accompanying notes (1) through (43) form an integral part of these consolidated financial statements.

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
For the year ended 31 December 2021  
(SR'000)

	<u>Note</u>	<b>31 December 2021</b>	31 December 2020
<b>Loss for the year</b>		(220,466)	(377,715)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</b>			
Re-measurement (loss) / gain on defined benefit obligation		(4,772)	1,553
Net change in fair value of investments in financial assets held at FVOCI		-	10,763
<b>Total items that will not be reclassified subsequently to the consolidated statement of profit or loss:</b>		(4,772)	12,316
<b>Total Comprehensive loss for the period</b>		(225,238)	(365,399)
<b>Total comprehensive loss for the period attributable to:</b>			
Shareholders of the Parent Company		(221,013)	(362,844)
Non-controlling interests		(4,225)	(2,555)
		(225,238)	(365,399)

  
Authorized board member

  
Vice President of Finance

The accompanying notes (1) through (43) form an integral part of these consolidated financial statements.



**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARIES**

(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

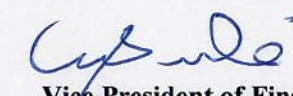
For the year ended 31 December 2021

(SR '000)

	Equity attributable to shareholders of the Parent Company							
	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Consensual reserve</u>	<u>Fair value of financial assets</u>	<u>Accumulated losses</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
At 1 January 2021	1,250,000	-	42,730	-	(22,067)	1,270,663	4,085	1,274,748
Transfer from consensual reserve to accumulated losses (Note 19)			(42,730)		(42,730)			
Loss for the year					(216,188)	(216,188)	(4,278)	(220,466)
Other comprehensive gain / (loss) for the year					(4,825)	(4,825)	53	(4,772)
Total comprehensive loss					(221,013)	(221,013)	(4,225)	(225,238)
As at 31 December 2021	1,250,000	-	-	-	(200,350)	1,049,650)	(140)	1,049,510

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Consensual reserve</u>	<u>Fair value of financial assets</u>	<u>Retained earnings/ (accumulated losses)</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
At 1 January 2020	1,250,000	183,471	42,730	(6,495)	163,801	1,633,507	6,640	1,640,147
Loss for the year	-	-	-	-	(375,160)	(375,160)	(2,555)	(377,715)
Other comprehensive gains for the year	-	-	-	10,763	1,553	12,316	-	12,316
Total comprehensive gain / (loss)	-	-	-	10,763	(373,607)	(362,844)	(2,555)	(365,399)
Transfer of investment revaluation reserve	-	-	-	(4,268)	4,268	-	-	-
Transferred to retained earnings/ (accumulated losses) amortization of losses (note 18)	-	(183,471)	-	-	183,471	-	-	-
As at 31 December 2020	1,250,000	-	42,730	-	(22,067)	1,270,663	4,085	1,274,748

  
**Authorized board member**

  
**Vice President of Finance**

The accompanying notes (1) through (43) form an integral part of these consolidated financial statements.



**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARIES**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
(SR'000)

	<u>Note</u>	31 December 2021	31 December 2020
<b>OPERATING ACTIVITIES</b>			
Loss for the year before Zakat and income tax		(204,385)	(363,451)
<i>Adjustments to reconcile income before Zakat and income tax to net cash flows:</i>			
Depreciation of property, plant and equipment, buses and trucks	7	162,271	178,970
Depreciation of right-of-use assets	10	5,724	4,844
Amortization of intangible assets	9	5,661	13,406
Impairment loss of non-current assets	7	43,000	-
Impairment of trade receivables and other current assets	14	3,834	20,646
Provision for slow moving inventory	13	205	8,353
Share in loss of a joint venture	11	33,581	44,041
Reversal of impairment of assets held for sale	33	(2,350)	42,705
Share in income of associates	11	517	(244)
Finance costs		35,228	35,654
Finance income		(5,635)	(4,677)
Provision for employees' defined benefits obligations	22	20,372	21,036
Gains from sale of property, plant and equipment	7	(2,989)	(13)
Contract liabilities		1,916	(685)
<b>Cash flow after adjustments for non-cash items</b>		<b>96,950</b>	<b>585</b>
<b>Working capital adjustments:</b>			
Inventories, net	13	1,421	4,330
Trade receivables and unbilled receivables	14	(181,921)	(692,799)
Amounts due from related parties	26	2,156	10,996
Prepayments and other current assets	15	(2,176)	87,938
Other non-current assets		818	-
Trade payables	25	(26,304)	(57,836)
Amounts due to related parties	26	5,093	(5,635)
Advance from a customer	21	(37,979)	548,168
Accrued expenses and other current liabilities	27	641	(6,192)
Contract liabilities	24	(14,482)	3,236
<b>Cash flows used in operating activities</b>		<b>(155,783)</b>	<b>(107,209)</b>
Zakat and income tax paid	28	(4,758)	(6,964)
Employees' defined benefits liabilities paid	22	(14,971)	(11,387)
<b>Net cash flows used in operating activities</b>		<b>(175,512)</b>	<b>(125,560)</b>
<b>INVESTING ACTIVITIES</b>			
Change in financial assets at FVOCI		-	100,864
Received from finance income		-	2,703
Proceeds from sale of property, plant and equipment, buses and trucks	7	20,515	14
Purchase of property, plant and equipment, buses and trucks	7	(20,554)	(130,837)
Purchase of intangible assets	9	(73,290)	(241,363)
<b>Net cash flows used in investing activities</b>		<b>(73,329)</b>	<b>(268,619)</b>
<b>Financing activities</b>			
Proceeds from Murabaha financing		1,142,926	1,242,748
Repayment of Murabaha financing		(798,250)	(792,229)
Repayment of lease liabilities		(3,520)	(8,014)
Repayment of finance costs		(33,771)	(35,181)
<b>Net cash outflows from financing activities</b>		<b>307,385</b>	<b>407,324</b>
<b>Net decrease in cash and cash equivalents</b>		<b>58,547</b>	<b>13,145</b>
Cash and cash equivalents at 1 January		351,583	338,438
<b>Cash and cash equivalents at 31 December</b>		<b>410,130</b>	<b>351,583</b>

Authorized board member

The accompanying notes (1) through (43) form an integral part of these consolidated financial statements.

Vice President of Finance

# SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(Saudi Arabian Riyals in '000)

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### 1. INFORMATION ABOUT THE GROUP

Saudi Public Transport Company ("SAPTCO", the "Parent Company", or the "Group") is a Saudi Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia and formed under the Royal Decree No. M/11 dated on 7 Rabi' I 1399H (corresponding to 5 February 1979) whose shares are publicly traded on the Saudi Stock Exchange. The formation was declared pursuant to the resolution of his Excellency, The Minister of Commerce, No. 254 dated 14 Sha'aban 1399H (corresponding to 9 July 1979). The Company operates under Commercial Registration number 1010024335 issued on 5 Ramadan 1399H (corresponding to 29 July 1979). The Parent Company's head office's address is Al-Nakheel neighborhood, Al-Takhasusi Street, Building No. 7995, P.O. Box 10667 Riyadh 11443, KSA.

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

A Royal Decree No. (M/48) dated 22 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' II 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' I 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-Hijjah 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) (corresponding to 13 November 1979), 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. On 27 Safar 1442H (corresponding to 14 October 2020), the Parent Company received a letter from H.E. the Chairman of General Authority for Transport regarding the franchise contract included therein the approval of the Council of Ministers (initial approval) on what the assigned committee has reach to regarding Parent Company's assets which includes an extension of the franchise contract for a year from 1 Rajab 1442H (corresponding to 13 February 2021) and the required terms for the final settlements by the Company regarding the franchise contract as announced in the Company's website and its announcements in Tadawul.



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**1. INFORMATION ABOUT THE GROUP (CONTINUED)**

Accordingly, the Board of Directors presented the terms mentioned in the approval of the Council of Ministers to Company's shareholders on the Ordinary General Assembly meeting that held on 29 Rabi' I 1442H (corresponding to 15 November 2020). Therefore, the Ordinary General Assembly has approved on the conclusion mentioned on the letter based on the agreement and the terms and conditions of the franchise contract. On 10 Shaban 1442H (corresponding to 23 March 2021), the final approval of the Council of Ministers was issued in accordance with the above-mentioned terms.

The Public Transport Authority published in September 2021 an application document containing the authority's desire to plan and implement the liberalization of the intercity bus transportation services market in the Kingdom of Saudi Arabia and dividing it into concession areas. Later, in January 2022, it published a brochure of conditions and specifications to qualify companies wishing to apply for concession area operation tender, provided that their operation begins in July 2023. The company continues to provide inter-city bus transportation service.

The Parent company has invested in the following subsidiaries, which is included in these consolidated financial statements:

<u>Subsidiaries</u>	<u>Year of incorporation</u>	<u>Shareholding</u>		<u>Principal activity</u>	<u>Country of incorporation</u>
		<u>31 December 2021</u>	<u>31 December 2020</u>		
Public Transportation Company	2014	80%	80%	Executing King Abdulaziz Project for Public Transport in Riyadh	Kingdom of Saudi Arabia
Digital Mobility Solutions Company for Investments	2021	100%	-	Systems analysis and self-mobility technologies	Kingdom of Saudi Arabia

Public Transportation Company ("PTC") (20% owned by RATP Development (French company)) is a Limited Liability Company registered in Riyadh, the Kingdom of Saudi Arabia under commercial registration number 1010429250 dated 8 Rabi' I 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 Ministry of Investment No. 10608351147347 dated on 8 Dhul-Qi'dah 1435H (corresponding to 4 September 2014). The paid up capital of the Company is SR 10 million. The principle activity of the company is executing King Abdulaziz Project for Public Transport in Riyadh.

Digital Mobility Solutions Company for Investments which is 100% owned by Saudi Public Transport Company is a limited liability company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010732875 dated 1 Muharram 1443H (corresponding to 10 August 2021). The paid up capital of the Company is SR 5 million. The Company is engaged in the activities of systems analysis and mobility technologies.

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**1. INFORMATION ABOUT THE GROUP (CONTINUED)**

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

<b>Investment in associates and a joint venture</b>	<b>Relationship</b>	<b>Shareholding</b>		<b>Principal activity</b>	<b>Country of incorporation</b>
		<b>31 December 2021</b>	<b>31 December 2020</b>		
Saudi Bahraini Transport Company (*)	Associate	<b>40%</b>	40%	Transportation activities	Kingdom of Saudi Arabia
Capital Metro Company Limited	Associate	<b>20%</b>	20%	Road construction works and maintenance	Kingdom of Saudi Arabia
Saudi Emirates Integrated Transport Company	Joint Venture	<b>50%</b>	50%	Educational transportation services	Kingdom of Saudi Arabia

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

**2. SIGNIFICANT EVENTS**

The novel coronavirus (Covid-19), declared a pandemic by the World Health Organization at the beginning of last year continues to evolve, and it is currently difficult to predict the full extent of the impact of this pandemic on the business and economy in which the Group operates.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the virus, the extent and effectiveness of containment actions taken. The Group has taken containment steps that, until 31 December 2021, have limited the negative impact of the virus on the Group's financial results.

The Group does not expect any significant and negative future impact on the going concern principle, and bank covenants. The Company will continue to reassess its position and the associated impact on a regular basis. Knowing that the competent authorities have eased the precautionary measures for the Coronavirus pandemic, as well as suspending the application of distancing measures in the Grand Mosque and the Prophet's Mosque.

**3. BASIS OF PREPARATION**

**a) Statement of compliance**

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

The consolidated financial statements are prepared under the historical cost convention, except for the following:

- Financial assets at fair value through Other Comprehensive Income ("FVOCI") are measured at fair value
- Financial assets at fair value through profit or loss ("FVTPL") are measured at fair value.
- Defined benefit liabilities are recognized at the present value of future liabilities using the Projected Unit Credit Method.
- The Group's investments in its associates and joint venture are accounted according to the equity method.

**2. INFORMATION ABOUT THE GROUP (CONTINUED)**

**b) *Going Concern***

The consolidated financial statements are prepared on the going concern basis.

**c) *Functional and presentation currency***

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

**4. USE OF ESTIMATES AND JUDGEMENTS**

The preparation of Group’s consolidated financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by SOCPA require management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates.

***Judgments***

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Revenue recognition: whether revenue is recognized over time or at a point in time. note 30/ policy 5.4
- Consolidation policy 5.1: whether the Group has de facto control over an investee.

Information about assumptions and estimation uncertainties at 31 December 2021 that have a significant risk that may lead to a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 14/ policy 5.5: measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate; and.
- Note 7.1/ policy 5.5: impairment test on property, plant and equipment, buses, trucks, and intangible assets; key assumptions underlying recoverable amounts;
- Note 7.2/ policy 5.12: estimation of residual value of all property, plant, buses, and trucks except for lands and book value-depreciated assets.
- Note 7.3/ policy 5.12: estimation of the expected cost to complete the projects.
- Note 22/ policy 5.17: measurement of defined benefit obligations: key actuarial assumptions.

**Measurement of fair values**

A number of the Group’s accounting policies and disclosures require the measurement of fair value, for both financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values for financial assets and liabilities. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The team regularly reviews significant unobservable input and adjustments to the evaluation. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group’s audit committee.

#### **4. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)**

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active financial markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data. (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

#### **NEW STANDARDS OR AMENDMENTS EFFECTIVE IN 2021 AND SUBSEQUENT YEARS**

The below pronouncements are effective for subsequent annual periods and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these financial statements. The impact of these standards on the Group is not expected to be material when the below standards and amendments are applied.

The following are a number of standards, amendments and interpretations of standards that were issued by the IASB in 2021.

#### **New requirements that will be applied subsequently:**

<b>Effective for annual periods beginning on or after</b>	<b>New standards and amendments</b>
1 January 2022	A number of narrow-scope amendments to IFRS 3, IFRS 16 and some annual improvements on IFRS 1, IFRS 9, IFRS 41 and IFRS 16
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37)).
	Annual Amendments to IFRSs (2018 - 2020 Cycle).
	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
	Reference to the Conceptual Framework (Amendments to IFRS 3).
1 January 2023	Amendments to IAS 1 ‘Presentation of Financial Statements’ related to classification of liabilities as current/non-current.
	IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
Available for optional adoption/Effective date deferred indefinitely	Sale or contribution of assets between the investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

The management estimated that the application of the new standards and amendments has no significant impact on the consolidated financial statements of the Group as at 31 December 2021.

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.1 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021 and collectively referred to as ("the Group"). Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognized at fair value. The non-controlling interest is measured at its proportional share of the acquiree's net assets.

**5.2 Investment in associates and joint venture**

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

A joint venture is a form 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 established to ensure whether there is a significant influence or joint control are similar to those necessary considerations to determine control over the subsidiaries.

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



## **5. SIGNIFICANT ACCOUNTING POLICIES**

Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize 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 nor individually tested for impairment. The consolidated statement of profit or loss 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 is any change that is directly recognized in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

The aggregate of the Group's share of profit or loss of the associate or joint venture is shown in the consolidated statement of Profit or loss outside operations profit, and represents the income or loss after tax and the non-controlling interest in the subsidiaries of the associate or joint venture.

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

After applying the equity method, the Group determines whether it is necessary to recognize any impairment loss in the value of its investment in its associate or joint venture. At the date of the preparation of each consolidated financial statements, the Group ensures that there is objective evidence that the investment in an 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, then recognizes the loss as "share in earnings of an associate or joint venture" in the consolidated statement of Profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes the retained investment at fair value. The 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 retaining investment and disposal proceeds is recognized in the consolidated statement of Profit or loss.

### **5.3 Classification of assets and liabilities as "current" and "non-current"**

The Group presents assets and liabilities in the consolidated statement of financial position as current/ non-current.

Assets are current when they are:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- If it is acquired mainly for trading purposes.
- Expected to be realized within twelve months after the reporting period, or Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- When it is expected to be settled in the normal operating cycle.
- If it is acquired mainly for trading purposes.
- 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 financial period.

The Group classifies all other liabilities as "non-current".

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.4 Revenue from contracts with customer**

The Group recognizes revenue according to IFRS 15, using the following five-steps model:

Step 1: Identify the contract with the 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	A performance obligation is a contract with a customer to transfer a good or service to the customer.
Step 3: Identify 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: Allocation of transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Revenue recognition	The Group recognizes revenue as it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

#### **Identify the contract with the customer**

The Group carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognized only when performance obligations in contracts with customers are satisfied. A change in the scope or price of a contract (or both) is considered as a contract modification and the Group determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

#### **Identify the performance obligations**

Once the Group has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

#### **Identify the transaction price**

The Group determines transaction price as the amount which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e., the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer (if any). Variable considerations are limited to the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

#### **Allocation of transaction price**

Once the performance obligations have been identified and the transaction price has been determined, transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e., on a relative stand-alone selling price basis). When determining stand-alone selling prices, the Group is required to use observable information, if any. If stand-alone selling prices are not directly observable, the Group makes estimates based on information that is reasonably available.

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.4 Revenue from contracts with customer (continued)**

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

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.
- Revenues are measured at fair value of consideration received or receivable, after taking into account terms of payment contracted, net of taxes and levies. The Group reviews revenue arrangements according to specific criteria to determine whether it is acting as a principal or agent.
- Revenue is recognized to the extent that economic benefit will flow to the Group, and revenue and cost, if applicable can be measured reliably.

The Group provides transportation services within and outside the Kingdom of Saudi Arabia, as well as the related services. If the services under a single arrangement are rendered during different financial periods, then it is allocated on sale value basis between the different services.

Some tickets are neither used for travel and nor refundable. This is often referred to as "tickets breakage". In cases in which the Group is expected to be entitled to breakage, the estimated amount is recognized as revenue to the extent it is highly probable that there will be no significant revenue reversal. Where the Group cannot accurately estimate the breakage that there will be no significant revenue reversal, then the respective revenue is recognized only when the likelihood of the customer exercising its remaining rights becomes remote.

Revenue is recognized upon when services are rendered to customers. Rental income is recognised on straight line basis over the terms of respective agreements while other income is recognized when earned.

The Group also provides a number of secondary services as part of ticket or at an extra charge e.g. extra baggage, internet services, provision of food, etc. The Group determines that these secondary 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 recognized only to the extent of Group's commission on such sales.

The Group generates revenue from the following areas:

- a) Passenger transport
- b) Revenue from specialized services
- c) Revenue from government authorities
- d) Service concession arrangements with third parties

Revenue over time is recognized for each performance obligation by measuring progress towards satisfying the performance obligation. The non-cash consideration is measured at fair value. If the fair value of non-cash consideration cannot be reasonably estimated, the consideration is measured with reference to standalone selling price of other goods or services promised to the customers in exchange for the consideration.

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

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.4 Revenue from contracts with customer (continued)**

**(a) Revenue from passenger transport**

Revenue from passenger transport mainly includes cash collected from passengers at the time of purchase of tickets and is recognized when the service is provided to passengers. A deferred revenue is recognized for tickets purchased in advance till the date of travel or expiry of tickets. Revenue is recognized when the customer obtains the service. The revenue is recognized at a point in time. The performance obligations are represented in providing a passenger service to the customer.

**(b) Revenue from specialized services**

The key services provided through specialized services are as follows: -

- Rental services represented in the bus rental service for direct beneficiaries or special programs organizers.
- Continuous contract services represented in contracting with government authorities, companies and universities to transfer their employees and students.

Revenue is recognized when the customer obtains the passenger service. The revenue is recognized at a point in time. The performance obligations are represented in providing the service to the customer.

**(c) Revenue through government authorities**

It is represented in government support revenues for public transport projects in contracts concluded with the Public Transport Authority in Riyadh and Jeddah.

The revenue is recognized at a point in time.

**(d) Service concession arrangements**

***Service concession arrangements revenue recognition***

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

- The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date.
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company 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 Company 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 recognized, this gives rise to a contract liability.

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

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.4 Revenue recognition (continued)**

*Service concession arrangement:*

The subsidiary (Public Transportation Company "PTC", "the Operator") entered into a contract with the Royal Commission for Riyadh ("Commission" or "the Grantor") on 20 November 2014 for the execution of King Abdulaziz Project for Public Transport in Riyadh. Original contract term is 12 months. Under the arrangement, the Company purchases buses, constructs warehouses, manages operations (i.e. operations of buses - public transportation in various transport lines) and management of transport lines for the Commission. The contract is divided into two phases: mobilization phase and operational phase. At the end of the concession period, the grantor has the option of purchasing the infrastructure (buses and warehouses) along with other assets or transferring the legal right to the Company. Terms that give the grantor the right to terminate the agreement include poor company performance and a material breach of the terms of the agreement.

Based on the arrangement with the Riyadh Authority, the Company has an unconditional right to receive cash during the mobilization and operation period and does not have the right to use the infrastructure to recover cash from the general public. The company recognizes the financial assets arising from the concession arrangement when it has an unconditional contractual right to receive cash from the grantor in exchange for construction or upgrade services provided.

Below table summaries the type of projects and their revenue recognition.

<b>Type of Project</b>	<b>Nature and timing of satisfaction of performance obligations, including significant payment terms</b>	<b>Revenue recognition</b>
King Abdulaziz Project for Public Transport in Riyadh	<p>The Company recognizes revenue from the services over time when project-related costs are incurred for each of the separately identified performance obligation through the adoption of cost plus basis.</p> <p>A profit margin is based on cost by recognizing the revenue for each performance obligation.</p> <p>The Company has the following performance obligations:</p> <ol style="list-style-type: none"> <li>Preparation</li> <li>Purchase of buses</li> <li>Construction of warehouses</li> <li>Operation of buses</li> <li>Facility management</li> <li>Traffic control center</li> </ol> <p>Invoices are submitted to the customer based on the payment stages agreed upon in the contract and the mechanism for issuing monthly invoices. The customer acknowledges the work performed before issuing invoices. Invoices are payable within 60 days. Amounts not billed are presented as unbilled revenue.</p>	Revenue is recognized over time as per the contractual terms agreed and completion of work.



## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.4 Revenue recognition (continued)**

#### **(e) Finance income**

Finance income is recognized using effective commission rate method which represents the rate under which the estimated future cash receipts are discounted over the expected life of a financial instrument (or a shorter period, whichever is more appropriate, for the net book value of the financial asset. Commission income is included in finance income in the consolidated statement of profit or loss.

#### **(f) Dividends**

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

### **5.5 Financial instruments**

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

IFRS 9 introduces requirements for the presentation and measurement of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 requires all financial assets to be measured at amortized cost or fair value in subsequent financial periods following initial recognition.

#### **Recognition**

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

#### **Rating**

The Group classifies its financial assets and liabilities in the following measurement categories:

- 1) those to be measured subsequently at fair value either through other comprehensive income, or through profit or loss, and
- 2) those to be measured at amortised cost.

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

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

The Group has implemented the following classifications:

#### **Financial statements item**

Investments at fair value through other comprehensive income  
Investments in Murabaha deposits  
Trade receivables, unbilled receivables and other receivables  
Cash and cash equivalents  
Amounts due from a related party  
Murabaha financing  
Trade and other payables  
Amounts due to non-controlling interests of a subsidiary

#### **Classification under IFRS 9**

Fair value through other comprehensive income (FVOCI)  
Amortized cost  
Amortized cost  
Amortized cost  
Amortized cost  
Amortized cost  
Amortized cost

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.5 Financial instruments (continued)**

#### **Financial assets**

##### ***Initial recognition and measurement***

Financial assets are initially measured at their fair values. The subsequent measurement of financial asset depends on its classification either at amortized cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL).

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI) on the principal amount outstanding". This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

##### **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified into following categories:

Financial assets carried at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest revenue or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investment at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Currently, the Group does not have any debt instruments at fair value through other comprehensive income.

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.5 Financial instruments (continued)**

#### **Financial assets (continued)**

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

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

#### **Financial assets at FVTPL:**

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

Currently, the Group does not have any financial assets designated at FVTPL.

#### ***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group continuing involvement. In that case, the Group also continues to recognize the associated liabilities. The transferred asset and the associated liabilities are measured on a basis that reflects the rights and liabilities the Group has retained.

#### ***Impairment***

The Group recognizes loss allowances for Expected Credit Losses (ECLs) on:

- Financial assets that are measured at amortised cost; and
- Contract assets (as defined in IFRS 15).

Receivable balances for which credit risk has not increased significantly since initial recognition are measured at 12-month ECLs (i.e. the risk of default occurring over the expected life of the financial instrument).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort.

**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.5 Financial instruments (continued)**

***Impairment (continued)***

This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

**Measurement of ECLs**

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

**Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of the active market for a security because of financial difficulties.

**Presentation of allowance for ECLs in the statement of financial position**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

**Financial Liabilities**

***Initial recognition***

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

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

***Subsequent measurement***

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (long-term payables and lease liabilities).

**Financial liabilities at fair value through profit or loss**

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

**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.5 Financial instruments (continued)**

Financial liabilities are classified as held for trading when they are acquired for the purpose of repurchasing in the near future. This category also includes derivative financial instruments used by the Group that are designated as hedging instruments in hedge relationships as defined by IFRS 9 (Financial Instruments). Separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

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

***Financial liabilities at amortized cost (lease liabilities and loans)***

This category is relevant to the Group. After initial recognition, lease liabilities and interest-bearing loans, and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss. This category applies to all interest-bearing loans.

***Derecognition***

A financial liability is derecognized when it is fulfilled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on entirely different terms, or substantially the terms of an existing liability, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

**Offsetting of financial instruments**

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

**Write-off**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

**Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication of impairment. 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 CGU's fair value less costs of disposal and value in use. The recoverable amount is determined for an individual asset, unless the asset does generate cash inflows into the Group that are largely independent of those from other assets or group 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.

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.5 Financial instruments (continued)**

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

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

For assets excluding goodwill, the Group assesses at each reporting date to determine the extent to which previously recognized impairment losses continue to exist or have decreased. If any such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed, except for impairment losses relating to goodwill, only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that have been previously determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is included in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as an increase in the revaluation.

### **5.6 Cash and cash equivalents**

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include of cash on hand and short-term deposits, as defined above, less bank overdrafts, if any as they are considered as an integral part of the Group's cash management.

### **5.7 Dividends**

The Group recognizes a liability to make cash or non-cash distributions to the shareholders when the distribution is approved and the distribution is no longer at the discretion of the Group.

### **5.8 Provisions**

#### *General*

Provisions are recognized when the Group has a legal present or expected obligation 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

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



## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.9 Government grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all related conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods to match the grant on a systematic basis to the cost to be compensated. Group applies the matching approach for the grant received from the High Commission for the Development of Riyadh ("Commission's Projects and Planning Center") which relates to the electronic systems of alternative private buses service project in Riyadh.

### **5.10 Assets held for sale**

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

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

### **5.11 Inventories**

Inventories are measured at the lower of cost or net realizable value, with appropriate provisions 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.

### **5.12 Property, plant and equipment, buses and trucks**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. This cost includes the cost of replacing part of property, plant and equipment and borrowing costs relating to long-term construction projects if the recognition criteria are met. If replacement of important parts of plant and equipment is required in stages, the Group depreciate these parts separately over their useful lives. In contrast, when a major test is performed, its cost is recognized in the carrying amount of plant and equipment as a replacement if its recognition criteria are met. All other repairs and maintenance costs are recognized in the consolidated statement of profit or loss when incurred.

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

<u>Asset categories</u>	<u>Estimated lives</u>
Buildings and building improvements	3 – 33 years
Buses, trucks and trailers	6 – 12 years
Plant and equipment	2 - 20 years
Furniture and fixtures	3 - 10 years
Vehicles	3 - 6 years

Depreciation is not calculated on lands.

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

An item of property, plant and equipment, buses, trucks and any significant part that is initially recognized on derecognition or where there are no future benefits expected from use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

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

Projects under construction are stated at incurred cost until the assets are prepared for its intended purpose. Then, such cost is capitalized on the relevant assets. This includes the cost of contractors, materials, services and capital advances.

### **5.13 Leases**

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

#### **5.13.1 Group as a lessee**

The Group applies a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets. The Group recognizes a lease liability to make lease payments and right-of-use assets represents the right to use the right-of-use assets.

##### **a) Right-of-use assets**

The Group recognizes right-of-use assets at the lease commencement date (i.e., the date of availability of right-of-use asset). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

##### **b) Lease liabilities**

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid against residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease terms give the Group right to terminate the lease. Variable lease payments that depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition of payment occurs.

#### **5.13.2 Group as a lessor**

Leases in which substantially all the risk and rewards of ownership are transferred to the Group are classified as operating lease. The arising rental income is calculated on a straight-line basis over the term of the lease and recognized under income in the consolidated statement of profit or loss due to its operating nature. Initial direct costs resulting from negotiating and arranging an operating lease are charged to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rental income are included as revenue in the period in which they are earned.

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.14 Investment properties**

Investments held to earn rentals or capital appreciation are classified as investment properties. Investment properties are measured initially at cost including transaction costs less any accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives. Depreciation is not calculated on lands.

Investment properties are derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefits is expected from it. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the 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 properties to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investments property, the Group accounts for this property in accordance with the policy stated under Property, plant and equipment up to the date of change in use.

### **5.15 Intangible assets**

On initial recognition, intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is charged to consolidated statement of income in the period in which the expenditure is incurred.

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expenses of intangible assets with finite lives are included in the consolidated statement of income as an expense and in line with the function of intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested annually for impairment either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to ensure that the assessment made for the indefinite useful life is still supported, otherwise the change from "indefinite useful life" to "definite useful life" is made prospectively.

Gain or losses arising on derecognition of intangible assets are measured as a difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of income when the asset is derecognized.

#### *Software*

Computer software are recognized at cost less accumulated amortization and accumulated impairment losses. Historical cost comprises all costs attributable directly to the acquisition of the items.

## **5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Amortization is charged to consolidated statement of income using the straight-line method in order to allocate the costs over the respective assets less the residual value over their estimated useful lives, as following:

Computer software 10 years

### **5.16 Foreign currencies**

#### **Foreign currency translation**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

#### **Foreign operations**

Foreign operations are translated into Saudi Riyal (SAR) at the relevant exchange rates. The income and expenses of foreign operations are translated into SAR at the average exchange rates for the relevant period.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant portion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### **5.17 Employee benefits**

The Group has defined contribution plan with General Organisation for Social Insurance ("GOSI") where the Group and the employees contribute fixed percentage of their salary towards the retirement of its employees. The Group implements defined benefit plans under the Saudi Arabian Labor Law applicable based on employees' accumulated periods of service at the date of the consolidated statement of financial position.

The cost of providing the benefits under the identified benefits programs separately for each program using the projected unit credit method.

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

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.17 Employee benefits (continued)**

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

- the date of the plan amendment or curtailment.
- the date that the Group recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net benefits obligations or assets. The Group recognizes the following changes in the net defined benefit obligation under “cost of revenue and administrative expenses” in the consolidated statement of income:

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

### **5.18 Finance costs**

General and specific loan costs and Murabaha financing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized over the period of time required to complete and prepare the asset for 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 capitalization. Other borrowing costs are expensed in the year in which they are incurred in the consolidated statement of income.

### **5.19 Zakat and income tax**

#### **Zakat**

The Group are subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia. Zakat provision is calculated according to the consolidated Zakat base of the Group and its directly or indirectly wholly owned subsidiaries. Any differences between the provision and the final assessment are recorded when the final assessment is approved. Provision for zakat is charged to consolidated statement of profit or loss.

#### **Income tax**

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

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

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

- Where the deferred tax liabilities arise from the initial recognition of goodwill or of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable income or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.19 Zakat and income tax (continued)**

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

- When the deferred tax assets relating to the deductible temporary difference arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it is likely to result in future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax regulations) that have been issued and effective on the date of the consolidated financial statements preparation. Deferred tax relating to items recognized outside the consolidated statement of income is included. Deferred tax items related to a transaction are recognized either in other comprehensive income or directly in equity.

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

**Value Added Tax (VAT)**

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of VAT included.

The net amount of value added tax (VAT) recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**Deferred tax**

The assessment of deferred tax assets and liabilities is based on management judgment. Deferred tax assets are only recognized if they can be utilized. Whether or not they can be used depends on whether the carry forward tax losses can be offset against future taxable profits. In order to assess the probability of their use future use, estimates are made of various factors such as future operating results etc. If actual values differ from the estimates, this can lead to a change in the assessment of recoverability of the deferred tax assets.

Additional Zakat liability, if any, related to prior years' assessments by ZATCA is accounted for in the year in which the assessments are finalized.

**Withholding Tax**

The Group withholds taxes on some transactions with non-resident parties in the Kingdom of Saudi Arabia in accordance with the income tax law in force in the Kingdom of Saudi Arabia.

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.20 Earnings per share**

Basic and diluted earnings per share is calculated by dividing:

- the profit attributable to the shareholders of the Group;
- By the weighted average number of ordinary shares outstanding during the financial period.

The Group has not issued any potential ordinary shares; therefore, the basic and diluted earnings per share are the same.

**6. OPERATING SEGMENTS**

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

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

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

The activities of the Company 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 business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on consolidated statement of profit or loss and is measured consistently with the consolidated statement of profit or loss in the consolidated financial statements.

The Group has no significant customer that contributes 10% or more to the Group's revenues for the year ended 31 December 2020 and 2021 respectively, except for certain government agencies which in aggregate account for 10% of the Group's revenue.

The Group's revenues are affected by seasons with high operating rates. These seasons are during the period of Hajj, summer vacation, holy month of Ramadan and public holidays. The financial information included for these segments is as follows:



# SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(Saudi Arabian Riyals in '000)

### 6. OPERATING SEGMENTS (CONTINUED)

#### Information on reportable segments (continued)

For the year ended 31 December 2021

	Passenger transport SR'000	Specialized services SR'000	Head office SR'000	Digital mobility solutions SR'000	Concession for the King Abdul-Aziz Project for Public Transport in Riyadh SR'000	Total segments SR'000	Adjustments and eliminations SR'000	Total SR'000
Total revenue (Note 30)	472,681	153,694	-	1,958	332,367	960,700	(127)	960,573
Cost of revenue	(408,024)	(248,398)	-	(6,598)	(312,953)	(975,973)	17,747	(958,226)
<b>Gross (loss)/profit</b>	<b>64,657</b>	<b>(94,704)</b>	<b>-</b>	<b>(4,640)</b>	<b>19,414</b>	<b>(15,273)</b>	<b>17,620</b>	<b>2,348</b>
<b>Provision for impairment of non-current assets</b>	<b>(43,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,000)</b>
<b>Loss before zakat and income tax</b>	<b>(16,838)</b>	<b>(116,246)</b>	<b>(67,092)</b>	<b>(16,486)</b>	<b>(22,334)</b>	<b>(238,996)</b>	<b>34,611</b>	<b>(204,385)</b>

For the year ended 31 December 2020

	Passenger transport SR'000	Specialized services SR'000	Head office SR'000	Digital mobility solutions SR'000	Concession for the King Abdul-Aziz Project for Public Transport in Riyadh SR'000	Total segments SR'000	Adjustments and eliminations SR'000	Total SR'000
Total revenue (Note 30)	350,171	108,949	-	-	710,542	1,169,662	-	1,169,662
Cost of revenue	(361,713)	(268,046)	-	-	(686,351)	(1,316,110)	26,304	(1,289,806)
<b>Gross (loss)/profit</b>	<b>(11,542)</b>	<b>(159,097)</b>	<b>-</b>	<b>-</b>	<b>24,191</b>	<b>(146,448)</b>	<b>26,304</b>	<b>(120,144)</b>
<b>Provision for impairment of non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss before zakat and income tax</b>	<b>(80,688)</b>	<b>(217,024)</b>	<b>(63,797)</b>	<b>-</b>	<b>(12,160)</b>	<b>(373,669)</b>	<b>10,218</b>	<b>(363,451)</b>

# SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARIES

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2021

(Saudi Arabian Riyals in '000)

### 6. OPERATING SEGMENTS (CONTINUED)

#### Information on reportable segments (continued)

As at 31 December 2021

	Passenger transport SR'000	Specialized services SR'000	Head office SR'000	Digital mobility solutions SR'000	Concession for the King Abdul- Aziz Project for Public Transport in Riyadh SR'000	Total segments SR'000	Adjustments and eliminations SR'000	Total SR'000
Total assets	416,164	726,044	737,028	19,550	2,905,671	4,804,457	(23,401)	4,781,057
Total liabilities	169,632	336,151	323,805	31,036	2,936,926	3,797,550	(66,001)	3,731,547
<b>Other disclosures:</b>								
Property, plant and equipment, buses and trucks	247,658	593,636	90,264	1,438	7,363	940,359	-	940,359
Investments in associates and joint venture	-	-	66,993	-	-	66,993	-	66,993

As at 31 December 2020

	Passenger transport SR'000	Specialized services SR'000	Head office SR'000	Digital mobility solutions SR'000	Concession for the King Abdul-Aziz Project for Public Transport in Riyadh SR'000	Total segments SR'000	Adjustments and eliminations SR'000	Total SR'000
Total assets	529,055	791,298	851,746	-	2,557,446	4,729,545	(31,835)	4,697,710
Total liabilities	176,287	374,111	351,039	-	2,566,591	3,468,028	(45,064)	3,422,962
<b>Other disclosures:</b>								
Property, plant and equipment, buses and trucks	372,471	670,626	90,264	-	3,295	1,136,656	-	1,136,656
Investments in associates and joint venture	-	-	94,311	-	-	94,311	-	94,311

**SAUDI PUBLIC TRANSPORT COMPANY AND ITS SUBSIDIARIES**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2021**

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**7. PROPERTY, PLANT AND EQUIPMENT, BUSES AND TRUCK**

	<b>Land SR'000</b>	<b>Buildings SR'000</b>	<b>Buses, trucks and trailers SR'000</b>	<b>Furniture &amp; Fixture SR'000</b>	<b>Motor vehicles SR'000</b>	<b>Machines and equipment SR'000</b>	<b>Total SR'000</b>
<b>Cost</b>							
<b>Balance as at 1 January 2020</b>	90,264	536,123	1,788,606	19,857	72,553	101,691	2,609,094
Additions during the year	-	484	97,954	2,050	3,616	3,108	107,212
Transfers during the year	-	10,943	-	-	299	-	11,242
Transfer of assets held for sale	-	-	(148,973)	-	-	-	(148,973)
Disposals during the year	-	-	-	-	(63)	-	(63)
<b>Balance as at 31 December 2020</b>	90,264	547,550	1,737,587	21,907	76,405	104,799	2,578,512
Additions during the year	-	3,180	2,912	328	8,676	5,458	20,554
Transfers during the year	-	2,248	2,418	307	868	56	5,897
Transfer of assets held for sale (note 34)	-	-	(78,448)	-	-	-	(78,448)
Disposals during the year	-	(229)	-	(497)	(12,493)	(1,612)	(14,831)
<b>Balance as at 31 December 2021</b>	<b>90,264</b>	<b>552,749</b>	<b>1,664,469</b>	<b>22,045</b>	<b>73,456</b>	<b>108,701</b>	<b>2,511,684</b>
<b>Accumulated depreciation and impairment</b>							
<b>Balance as at 1 January 2020</b>	-	371,720	882,128	13,716	54,069	64,833	1,386,466
Depreciation during the year	-	21,899	141,262	1,737	6,747	7,325	178,970
Disposals during the year	-	-	-	-	(62)	-	(62)
Transfer of assets held for sale	-	-	(99,253)	-	-	-	(99,253)
<b>Balance as at 31 December 2020</b>	-	393,619	924,137	15,453	60,754	72,158	1,466,121
Depreciation during the year	-	25,524	120,613	1,387	6,028	8,719	162,271
Disposals during the year	-	(230)	-	(449)	(10,360)	(1,591)	(12,630)
Transfer of assets held for sale (note 34)	-	-	(70,810)	-	-	-	(70,810)
Impairment provision	-	-	43,000	-	-	-	43,000
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>418,913</b>	<b>1,016,940</b>	<b>16,391</b>	<b>56,422</b>	<b>79,286</b>	<b>1,587,952</b>
<b>Net book value</b>							
<b>As at 31 December 2021</b>	<b>90,264</b>	<b>133,836</b>	<b>647,529</b>	<b>5,654</b>	<b>17,034</b>	<b>29,415</b>	<b>923,731</b>
As at 31 December 2020	90,264	153,931	813,450	6,454	15,651	32,641	1,112,391

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**7. PROPERTY, PLANT AND EQUIPMENT, BUSES AND TRUCKS, NET (CONTINUED)**

		<b>31 December 2021 <u>SR'000</u></b>	31 December 2020 <u>SR'000</u>
Property, plant and equipment, buses and trucks		<b>923,731</b>	1,112,391
Projects in progress	(7-3)	<b><u>16,628</u></b>	<u>24,265</u>
		<b><u>940,359</u></b>	<u>1,136,656</u>

**7.1 Impairment test of buses and trucks**

Management performs buses and trucks and associated assets test to ensure that there is no impairment at the end of each financial year. During the year ended 31 December 2021, management tested the buses and trucks and associated assets to determine whether impairment exists or not. The management determined that the carrying value of certain buses and trucks and associated assets was higher than its recoverable amount by SR 43 million for the year ended 31 December 2021 (2020: SR nil). The recoverable value was determined on the basis of value-in-use calculation and it is the present value of the future cash flows expected to be obtained from the discounted cash-generating unit for these buses, trucks and related assets. The management drew on its previous experience taking into consideration the market indicators and used a discount rate estimated based on the weighted average cost of capital.

The company operates through two main sectors which are the passenger sector, which includes intercity transport services, intra-city transport services, and the specialized services sector. Accordingly, the Company has determined three cash-generating units, which are as follows:

- The intercity transport services and the related assets, which is represented in passenger transport services on the road network connecting the Kingdom's various cities and villages.
- The intra-city transport services and related assets, which is represented in the public transport service through a network of lines covering the main cities in the Kingdom (Riyadh - Jeddah - Madinah),
- The specialized services and related assets are various services provided by SAPTCO according to the desire of its customers who are keen to act as direct beneficiaries or special programs organizers as part of the company's endeavor to extrapolate the needs of the beneficiaries of customers, improve and develop the services provided in line with their aspirations and meet and achieve their desires.

The value in use was used to arrive at the recoverable amount and is as follows:

	<b>Carrying amount Saudi Riyals <u>in millions</u></b>	<b>Recoverable amount (Value in use) Saudi Riyals <u>in millions</u></b>	<b>Impairment (loss) Saudi Riyals <u>in millions</u></b>
<b><u>Cash-generating units and associated assets</u></b>			
Specialized services	573.1	683.1	110
Intercity transportation	172.8	184.8	(24.1)
Intra-city transportation	62.7	43.8	(18.9)
<b>Total carrying amount/ total impairment</b>	<b>808.6</b>		<b>(43)</b>

The recoverable amount has been determined based on actual value and the discounted future cash flows. The WACC rate was 9.7% for intercity transportation services, 9.5% for intra-city transportation, and 9.5% for specialized services. Based on an impairment test, recoverable amounts of buses and trucks are lower than their carrying amounts as at 31 December 2021. The impairment loss on buses and trucks for intercity transportation services and intra-city transportation services is SR 24.1 and 18.9 million, respectively, without a decrease in the specialized services.

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**7. PROPERTY, PLANT AND EQUIPMENT, BUSES AND TRUCKS, NET (CONTINUED)**

**7.1 Impairment test of buses and trucks (CONTINUED)**

An increase / decrease in the WACC rate of 1% for intercity transportation services will lead to an increase / decrease in the impairment of SR 1.3 million, SR1.3 million, respectively.

An increase/decrease in the WACC rate by 1% for intra-city transportation services will lead to an increase/decrease in the impairment of SR 737 thousand, SR 757 thousand, respectively.

An increase/decrease in the WACC rate of 1% for specialized services will not result in a decrease.

**7.2 Re-assessment of the residual values at the end of the useful life**

During the year ended 31 December 2021, the Group's management re-assessed the residual values at the end of the useful life for certain items of property, plant and equipment (buses and trucks). This resulted in a decrease in the depreciation charged to the consolidated statement of profit or loss for the year ended 31 December 2021, a decrease in costs and an increase in profit for the year by the same amount as follows:

	Before re- assessment SR'000	After re- assessment SR'000	Effect on profit or loss SR'000
Change in depreciation value	133,350	125,789	7,561

**7.3 Projects and buses under progress/ preparation**

Projects and buses under progress include advances to suppliers for the construction and development of buildings, furniture and buses.

Movement in projects under progress during the year is as follows:

	<b>31 December 2021 SR'000</b>	31 December 2020 SR'000
<b>At the beginning of the year</b>	<b>24,265</b>	22,128
Additions during the year	-	23,625
Transfers during the year	(5,897)	(11,242)
Transfer of intangible assets during the year (Note 9)	(1,740)	(10,246)
<b>At the end of the year</b>	<b>16,628</b>	24,265

The company expects to complete the projects in progress during the second half of the fiscal year ended on 31 December 2022.

**8. INVESTMENT PROPERTIES**

Investment properties of the Group comprise of lands in the Kingdom of Saudi Arabia amounting to SR 307 million as at 31 December 2021 and 31 December 2020. The Group intends to hold these lands for the purposes of appreciation in value. Such lands are carried at cost less impairment, if any.

The fair value of investment properties have been determined by external and independent property valuers. The lands were assessed by "Olaat Valuation Company", license number (1210000397) at the Saudi Authority for Accredited Valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers determine the fair value of the Group's investment properties portfolio on an annual basis or upon request by the management. The recent fair valuation was performed as at 31 December 2021, and the fair value determined at SR 437 million (2020: SR 412.8 million).

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**8. INVESTMENT PROPERTIES (CONTINUED)**

The above-mentioned investment properties are measured at fair value using the market approach, which is a valuation technique that uses pricing and other relevant information generated by market transactions including similar or comparable assets and adjusted to reflect differences in size, location, frontage/visibility, view and utilization, and are classified under Level 2 using other observable inputs.

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

**9. INTANGIBLE ASSETS, NET**

	<b>31 December 2021 SR'000</b>	31 December 2020 SR'000
Software and licenses (a)	<b>36,139</b>	35,804
Other intangible assets (b)	<b>615,648</b>	548,354
	<b><u>651,787</u></b>	<u>584,158</u>

**a) Software and licenses**

	<b>SR'000</b>
<b>Cost</b>	
Balance as at 1 January 2020	75,670
Additions	2,829
Transferred from projects under progress	10,246
Balance as at 31 December 2020	<b>88,745</b>
Additions	<b>4,256</b>
Transferred from projects under progress	<b>1,740</b>
<b>Balance as at 31 December 2021</b>	<b><u>94,741</u></b>
<b>Accumulated amortization</b>	
Balance as at 1 January 2020	39,535
Additions	13,406
Balance as at 31 December 2020	<b>52,941</b>
Additions	<b>5,661</b>
<b>Balance as at 31 December 2021</b>	<b><u>58,602</u></b>
<b>Net book value</b>	
<b>As at 31 December 2021</b>	<b><u>36,139</u></b>
As at 31 December 2020	<u>35,804</u>

**b) Other intangible assets**

Intangible assets represent the subsidiary's right to the residual value of the buses and garages of Riyadh Public Transport Project after the completion of the project. Under the project's contract, the grantor (the Royal Commission for Riyadh) has an option to purchase these buses and garages at their net book value. If this option is not exercised, its subsidiary has the right to retain these buses.

The additions during 2021 amounted to SR 67.6 million (2020: SR 238.5 million).

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**10. RIGHT-OF-USE ASSETS, NET**

The Group has leases for buildings (workshops and sites) and Cars. The lease terms range from 2 to 10 years. The Group depreciates these contracts over the lease term on a straight-line basis. The Group also has some leases for residential buildings of 12 months or less and low value leases. The Group applies an exemption from recognition for these short-term leases and leases of low-value assets. The Group has recognized a rental expense for these contracts of SR 6.4 million for the year ended 31 December 2021 (31 December 2020: SR 5 million).

	<b>Buildings SR'000</b>
Cost	
As at 1 January 2020	14,583
Additions	29,722
<b>Balance as at 31 December 2020</b>	<b>44,305</b>
Additions	13,689
<b>Balance as at 31 December 2021</b>	<b>57,994</b>
Accumulated depreciation	
As at 1 January 2020	3,573
Charge for the year	4,844
<b>Balance as at 31 December 2020</b>	<b>8,417</b>
Charge for the year	5,724
<b>Balance as at 31 December 2021</b>	<b>14,141</b>
<i>Net book value</i>	
<b>As at 31 December 2021</b>	<b>43,854</b>
As at 31 December 2020	35,888

**11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE**

	<b>31 December 2021 SR'000</b>	31 December 2020 SR'000
Share in joint venture (SEITCO) (a)	<b>66,993</b>	94,311
Share in an associate (CAMCO) (b)	<b>(2,207)</b>	(2,724)
Share in an associate (Saudi Bahraini Transport Company) (c)	-	-

**(a) Movement of investment in joint venture during the year was as follows:**

	<b>31 December 2021 SR'000</b>	31 December 2020 SR'000
Balance at beginning of the year	<b>94,311</b>	138,352
Share of losses	<b>(33,581)</b>	(44,041)
Share in comprehensive income	<b>964</b>	-
Additions	<b>5,299</b>	-
<b>Balance at the end of the year</b>	<b>66,993</b>	94,311



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**11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)**

**a) The investment balance in joint venture is as follows:**

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

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

The following table summarizes SEITCO's financial information:

	<b>31 December 2021</b>	31 December 2020
	<u>SR'000</u>	<u>SR'000</u>
<b>Statement of balance sheet</b>		
Assets		
Current assets	<b>50,188</b>	98,472
Non-current assets	<b>255,640</b>	285,457
<b>Total assets</b>	<b><u>305,828</u></b>	<u>383,929</u>
Liabilities		
Current liabilities	<b>72,287</b>	110,912
Non-current liabilities	<b>99,555</b>	78,427
<b>Total liabilities</b>	<b><u>171,842</u></b>	<u>189,339</u>

Continuation to the table of SEITCO's financial information:

	<b>31 December 2021</b>	31 December 2020
	<u>SR'000</u>	<u>SR'000</u>
<b>Statement of Income</b>		
Revenues	<b>43,959</b>	65,736
Cost of revenue	<b>(101,780)</b>	(139,870)
Total losses	<b>(57,821)</b>	(74,134)
General and administrative expenses	<b>(10,072)</b>	(8,744)
Operating losses	<b>(67,893)</b>	(82,878)
Loss after Zakat	<b>(67,161)</b>	(88,059)

No dividends were distributed by SEITCO during the years ended 31 December 2021 and 31 December 2020.

**b) The balance of the investment in the associate is as follows:**

	<b>31 December 2021</b>	31 December 2020
	<u>SR'000</u>	<u>SR'000</u>
Balance at beginning of the year	<b>(2,724)</b>	(2,968)
Share of profit for the year	<b>517</b>	244
Balance at the end of the year	<b><u>(2,207)</u></b>	<u>(2,724)</u>

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**11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)**

On 2 Rabi' I 1439H (corresponding to 20 November 2017), the Saudi Public Transport Company has entered into as a new partner in the Capital Metro Company Limited ("CAMCO") through an acquisition of 3600 new shares issued by CAMCO amounting to SR 3,600 thousand which represents 20% of the company's capital. The contribution to the Company's capital was made on 24 Rabi' II 1439H (corresponding to 11 January 2018).

CAMCO is an associate which was established in accordance with the Saudi Regulations with a capital of SR 18 million divided into 18,000 shares of SR 1,000 each. The purpose of the company is construction works and road maintenance. The Group's share in CAMCO is accounted for according to the equity method. The credit balance of investment in the associate has been classified under current liabilities as provision against loss in the associate under accrued expenses as the Company has guaranteed the obligation of the associate.

**(b) The following table summarizes the financial information of CAMCO:**

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>
<b>Statement of balance sheet</b>		
Assets		
Current assets	<b>251,389</b>	301,083
Non-current assets	<b>18,891</b>	18,387
Total assets	<b><u>270,280</u></b>	<u>319,470</u>
Liabilities		
Current liabilities	<b>202,079</b>	256,247
Non-current liabilities	<b>77,050</b>	75,121
Total liabilities	<b><u>279,129</u></b>	<u>331,368</u>
	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>
<b>Statement of Income</b>		
Revenues	<b>191,637</b>	243,936
Cost of revenue	<b>(166,120)</b>	(219,288)
Total income	<b>25,517</b>	24,648
General and administrative expenses	<b>(10,879)</b>	(10,620)
Net income before Zakat	<b><u>2,773</u></b>	<u>3,329</u>

**(c) The balance of the investment in an associate is as follows:**

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>
Balance at beginning of the year	<b>7,459</b>	7,459
Less: impairment of investment	<b>(7,459)</b>	(7,459)
Balance at the end of the year	<b><u>-</u></b>	<u>-</u>

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**11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)**

The Group has 40% share in Saudi Bahraini Transport Company, a limited liability company registered in the Kingdom of Saudi Arabia. Group’s share in associate is accounted for using the equity method in the consolidated financial statements. The audited financial statements of the associate have not been issued from 2014 to 2020 until the date of the consolidated financial statements. On 31 December 2015, the partners’ extraordinary general assembly in Saudi Bahraini Transport Company decided to dissolve and liquidate the company and appoint a liquidator to liquidate it. Accordingly, the entire value of the investment has been reduced as the Group is unable to determine the recoverable amount of such investment. The Group does not expect that no provision would be made as a result of liabilities on Saudi Bahraini Transport Company.

**12. UNBILLED RECEIVABLES**

Unbilled receivables are revenue recognized but not yet billed. The Company issues a bill to the customer according to the agreed schedule. Current unbilled receivables are amounts that will be billed over the next 12 months.

The unbilled receivables balance has been presented as follows in the consolidated statement of financial position:

	<b>31 December 2021 <u>SR’000</u></b>	31 December 2020 <u>SR’000</u>
Current portion recognized under current assets	<b>2,062,976</b>	482,390
Non-current portion recognized under non-current assets	<u>-</u>	<u>1,329,587</u>
	<b><u>2,062,976</u></b>	<b><u>1,811,977</u></b>

**Amending the contract of King Abdulaziz Project for Public Transport in Riyadh**

The company’s management is in discussions with the Royal Commission for Riyadh (the grantor) regarding amendments to certain clauses (change orders received from the Commission) on the contract of the King Abdul-Aziz Project for Public Transport in Riyadh, which will result in a change in the performance obligations and the estimated margin for each performance obligation.

The company’s management is expected to finalize the amendment in the near future, and the Group is eligible to bill the entire unbilled amount during the year 2022, accordingly, the entire unbilled receivables amount has been classified as current.

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**13. INVENTORIES, NET**

	<b>31 December 2021 SR'000</b>	31 December 2020 SR'000
Spare parts inventory	<b>62,519</b>	64,274
Less: provision for slow moving inventory	<b>(46,076)</b>	(46,205)
	<b><u>16,443</u></b>	<u>18,069</u>

An analysis of the Movement in provision for slow moving inventory for the year ended 31 December is as follows:

	<b>31 December 2021 SR'000</b>	31 December 2020 SR'000
Balance at beginning of the year	<b>46,205</b>	37,852
Charged during the year (Note 31)	<b>205</b>	8,353
Sales from obsolete inventory	<b>(334)</b>	-
Balance at the end of the year	<b><u>46,076</u></b>	<u>46,205</u>

**14. TRADE RECEIVABLES, NET**

	<b>31 December 2021 SR '000</b>	31 December 2020 SR'000
<b>Trade receivables:</b>		
Government and semi-government institutions	<b>133,027</b>	198,350
Private sector	<b>40,120</b>	43,876
<b>Total trade receivables</b>	<b><u>173,147</u></b>	<u>242,226</u>
Less: impairment losses on accounts receivables	<b>(49,010)</b>	(46,939)
<b>Trade receivables, net</b>	<b><u>124,137</u></b>	<u>195,287</u>

Group's receivables do not usually carry any commission and are collected primarily within 90 days. On 31 December 2021, the impaired trade receivables amounted to SR 49 million (31 December 2020: SR 47 million).

**The movement in impairment of trade receivables:**

	<b>31 December 2021 SR'000</b>	31 December 2020 SR'000
Balance at beginning of the year	<b>(46,939)</b>	43,957
Charge for the year	<b>(2,071)</b>	20,646
Amount written off during the year	<b>-</b>	(17,664)
Balance at the end of the year	<b><u>(49,010)</u></b>	<u>(46,939)</u>

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**15. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<b>31 December 2021 <u>SR'000</u></b>	31 December 2020 <u>SR'000</u>
Value Added Tax	<b>33,586</b>	39,568
Advances to suppliers	<b>2,508</b>	3,460
Prepaid rent	<b>1,247</b>	3,355
Other receivables	<b>25,789</b>	14,571
	<b>63,130</b>	60,954
Less: impairment	<b>(5,271)</b>	(3,509)
	<b><u>57,859</u></b>	<b><u>57,445</u></b>

**The movement in impairment:**

	<b>31 December 2021 <u>SR'000</u></b>	31 December 2020 <u>SR'000</u>
Balance at beginning of the year	<b>(3,509)</b>	(5,348)
Charge for the year	<b>(1,762)</b>	-
Amount written off during the year	<b>-</b>	1,839
Balance at the end of the year	<b><u>(5,271)</u></b>	<b><u>(3,509)</u></b>

**16. CASH AND CASH EQUIVALENTS**

	<b>31 December 2021 <u>SR'000</u></b>	31 December 2020 <u>SR'000</u>
Cash in hand	<b>1,430</b>	641
Cash and bank	<b>286,582</b>	149,135
Short-term deposits	<b>122,118</b>	201,807
	<b><u>410,130</u></b>	<b><u>351,583</u></b>

**17. SHARE CAPITAL**

As at 31 December 2021, the fully paid-up share capital of the Company is SR 1,250 million (31 December 2020: SR 1,250 million) divided into 125 million shares (31 December 2020: 125 million shares) at SR 10 each.

**18. STATUTORY RESERVE**

In accordance with the Company's By-laws, the Group is required to set aside 10% of its net income for the year as statutory reserve and the Ordinary General Assembly may discontinue when said reserve totals 30% of the capital. This reserve is not available for distributions.

The Board of Directors, in its meeting held on 22 Rabi` II 1442H (corresponding to 7 December 2020), approved to amortize part of the accumulated losses of the Company by transferring an amount of SR 183,4 million from the statutory reserve of the Company.

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**19. CONSENSUAL RESERVE**

In accordance with the Company's by-law, the Ordinary General Assembly may, based on a proposal of the Board of Directors, set aside a percentage of 5% of the Group's net income to form a consensual reserve and allocate it for a specific purpose(s). On 14 Ramadan 1442H (corresponding to 26 April 2021), the Company's Ordinary General Assembly agreed to amortize part of the accumulated losses of the Group by transferring the consensual reserve amount of SR 42.7 million to the accumulated losses.

**20. MURABAHA FINANCING**

The Group has entered into Murabaha arrangements with banks to obtain Murabaha facilities. These loans have been availed during 2017 to 2021 and have a maturity of three to five years from the date of the Murabaha financing agreement and are secured by promissory notes bearing prevailing commission rates ranging between 1%-2% plus SIBOR. The Group has obtained these loans in order to finance the procurement of buses.

During 2020, the Subsidiary entered into an agreement with a local bank to restructure short-term Murabaha financing amounted to SR 499 million, to be long-term Murabaha financing and increase the bank facilities to SR 800 million due in quarterly installments for a period of 7 years and is secured by promissory notes bearing prevailing commission rates 1,50% plus SIBOR.

During 2021, Public Transportation Company entered into an extension agreement with a local bank in relation to the above-mentioned long-term Murabaha facilities of (SR 800 million plus SR 150 million) and withdrew an additional amount of SR 200 million during the year.

Short-term Murabaha financing

During current year, the Company obtained short-term bank facilities from local banks amounted to SR 120 million in the form of Murabaha to finance operating activities.

The balance used from Murabaha financing amounted to SR 1,557 million as at 31 December 2021 (31 December 2020: SR 1,210 million).

Murabaha and long-term financing are as follows:

	<u>Currency of the loan</u>	<u>Maturity date</u>	<u>Credit limit</u>	<b>31 December 2021 SR'000</b>	<b>31 December 2020 SR'000</b>
Local Bank 1	SR	2028	<b>1,282,000</b>	<b>1,262,000</b>	180,000
Local Bank 2	SR	2022	<b>150,000</b>	-	70,000
Local Bank 3	SR	2027	<b>800,000</b>	-	559,000
Local Bank 4	SR	2023	<b>61,500</b>	<b>14,320</b>	27,096
Local Bank 4	SR	2023	<b>136,598</b>	<b>41,511</b>	69,545
Local Bank 5	SR	2024	<b>83,000</b>	<b>42,825</b>	59,483
Local Bank 4	SR	2025	<b>101,000</b>	<b>75,221</b>	94,661
<b>Total value</b>				<b>1,435,877</b>	1,059,785
<b>Less: Current portion of long-term Murabaha</b>				<b>(118,817)</b>	(116,634)
<b>Net change in deferred interests costs</b>				<b>812</b>	612
<b>Non-current portion of long-term Murabaha</b>				<b>1,317,872</b>	943,763

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**20. MURABAHA FINANCING (CONTINUED)**

The short-term current Murabaha financing and current portion of long-term Murabaha are as follows:

	<b>Currency of the loan</b>	<b>Credit limit</b>	<b>31 December 2021 SR'000</b>	<b>31 December 2020 SR'000</b>
Local Bank 1 - Current balance of long-term Murabaha	SR	<b>1,282,000</b>	<b>40,000</b>	40,000
Bank 4 - Current balance of long-term Murabaha	SR	<b>61,500</b>	<b>13,239</b>	12,730
Bank 4 - Current balance of long-term Murabaha	SR	<b>136,598</b>	<b>29,123</b>	27,932
Bank 5 - Current balance of long-term Murabaha	SR	<b>83,000</b>	<b>16,600</b>	16,600
Bank 4 - Current balance of long-term Murabaha	SR	<b>101,000</b>	<b>19,855</b>	19,372
Short-term Murabaha financing from local banks	SR	<b>250,000</b>	<b>120,291</b>	150,295
<b>Total value</b>			<b>239,108</b>	266,929
<b>Net change in deferred interests costs</b>			<b>(276)</b>	(120)
<b>Total short-term Murabaha financing and current portion of long-term Murabaha</b>			<b>238,832</b>	266,809

A summary of the Murabaha transaction is as follows:

	<b>31 December 2021 SR'000</b>	<b>31 December 2020 SR'000</b>
Balance at beginning of the year	<b>1,210,572</b>	760,053
Proceeds during the year	<b>1,142,926</b>	1,242,748
Payments during the year	<b>(796,794)</b>	(792,229)
Balance at the end of the year	<b>1,556,704</b>	1,210,572

The balance of Murabaha was presented in the consolidated statement of financial position as follows:

	<b>31 December 2021 SR'000</b>	<b>31 December 2020 SR'000</b>
Current portion under current liabilities	<b>238,832</b>	266,809
Non-current portion recognized under non-current liabilities	<b>1,317,872</b>	943,763
	<b>1,556,704</b>	1,210,572

**21. ADVANCE FROM A CUSTOMER**

The balance of advance from a customer represents an amount of SR 1,519 million as an advance payment for executing King Abdulaziz Project for Public Transport in Riyadh. The company received SR 471 million in 2015, SR 548 million in 2019 and SR 549 million in 2020. The balance at the end of the period was classified under current and non-current items with balances of SR 413 million and SR 1,106 million, respectively (31 December 2020: SR 118 million and SR 1,438 million, respectively). The value of the advance payment is amortized according to the completed works by the Public Transportation Company, with a percentage of the total cumulative works submitted.



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**22. EMPLOYEES' BENEFITS LIABILITIES**

	<b>31 December 2021 <u>SR'000</u></b>	<b>31 December 2020 <u>SR'000</u></b>
Opening balance - present value of the defined benefit obligation	<b>145,612</b>	137,516
Current service cost	<b>18,325</b>	18,495
Benefits paid	<b>(15,239)</b>	(11,387)
Commission cost	<b>2,109</b>	2,541
Re-measurement of defined benefits obligations	<b>5,943</b>	(1,553)
<b>Closing balance - present value of the defined benefit obligation</b>	<b><u>156,750</u></b>	<u>145,612</u>
Employees' benefits liabilities		
	<b>31 December 2021 <u>SR'000</u></b>	<b>31 December 2020 <u>SR'000</u></b>
Current service cost	<b>18,325</b>	18,495
Commission cost on benefit liability	<b>2,109</b>	2,541
<b>Total employee benefit liabilities recognized in profit or loss</b>	<b><u>20,434</u></b>	<u>21,036</u>
Gains on revaluation recognized in OCI:		
	<b>31 December 2021 <u>SR'000</u></b>	<b>31 December 2020 <u>SR'000</u></b>
<b>Gains on revaluation in defined benefit scheme:</b>		
Financial assumptions	<b>(6,918)</b>	9,181
Demographic assumptions	<b>(1,289)</b>	-
experience adjustments	<b>14,150</b>	(10,734)
<b>Total re-measurement recognized in OCI</b>	<b><u>5,943</u></b>	<u>(1,553)</u>

The re-measurement (losses)/ gains on defined benefit liabilities account appears in the statement of other comprehensive income is the amount of SR (4,772) after adding / deducting the Group's share in the associates.

The weighted average duration of the defined benefit obligation as at 31 December 2021 is 6.86 years (31 December 2020: is 7.69 years). An analysis of the maturity of the undiscounted benefit payments as at 31 December is as follow:

	<b>31 December 2021 <u>SR'000</u></b>	<b>31 December 2020 <u>SR'000</u></b>
Within one year	<b>21,766</b>	15,252
After one year but not more than five years	<b>54,862</b>	34,608
More than five years	<b>113,913</b>	118,471
	<b><u>190,541</u></b>	<u>168,331</u>

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**22. EMPLOYEES' BENEFITS LIABILITIES (CONTINUED)**

The significant assumptions used in determining the defined benefits obligations are as follows:

	<b>31 December 2021</b>	31 December 2020
<b>Key actuarial assumption</b>		
Financial assumptions:		
- Discount rate - present value of the defined benefit obligation	<b>2.5%</b>	1,50%
- Discount rate - expenses in consolidated statement of income	<b>1.5%</b>	2.55%
- Future salary increases	<b>2%</b>	1.50%
- Withdrawal rate	<b>Moderate</b>	Moderate
Demographic assumptions:		
- Retirement age	<b>60 years</b>	60 years
- Employee turnover rates:		
a. Service up to 6 years	<b>12%</b>	10.3%
b. Service from 7 to 25 years	<b>9%</b>	9%
c. Service more than 25 years	<b>4%</b>	2%

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

A quantitative sensitivity analysis for significant assumptions on the employees' benefits are shown below:

	<b>31 December 2021 Impact on defined benefit scheme</b>	31 December 2020 Impact on defined benefit scheme
<b>Discount rate</b>		
Increase by 1%	<b>4,294</b>	10,309
Decrease by 1%	<b>(4,211)</b>	(11,872)
<b>Future salary increase</b>		
Increase by 1%	<b>17,333</b>	12,492
Decrease by 1%	<b>(14,810)</b>	(11,041)
<b>Withdrawal rate</b>		
Increase by 1%	<b>805</b>	281
Decrease by 1%	<b>(782)</b>	(281)
<b>Mortality rate</b>		
Increase by 1%	<b>(6,011)</b>	(5)
Decrease by 1%	<b>6,021</b>	5

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**23. LEASE LIABILITIES**

	<b>31 December 2021 <u>SR'000</u></b>	<b>31 December 2020 <u>SR'000</u></b>
Balance as at beginning of the year	<b>32,491</b>	10,308
Additions during the year	<b>13,683</b>	30,197
Paid during the year	<b>(3,520)</b>	(10,019)
annual interest cost	<b>1,922</b>	2,005
Balance as at the end of the year	<b><u>44,576</u></b>	<u>32,491</u>
	<b>31 December 2021</b>	<b>31 December 2020</b>
Current portion	<b>7,629</b>	1,450
Non-current portion	<b>36,947</b>	31,041
Total	<b><u>44,576</u></b>	<u>32,491</u>
<b>Future minimum lease payments</b>		<b>Present value of the minimum lease payments</b>
	<b><u>Future lease payments</u></b>	<b><u>Interest</u></b>
Within one year	9,457	1,827
Two to five years	31,939	4,954
Later than five years	10,750	789
<b>Total</b>	<b><u>52,146</u></b>	<b><u>7,570</u></b>

**24. CONTRACT LIABILITIES**

	<b>31 December 2021 <u>SR'000</u></b>	<b>31 December 2020 <u>SR'000</u></b>
Passenger advance revenues	<b>9,949</b>	18,804
Deferred capital revenues	<b>-</b>	5,627
	<b><u>9,949</u></b>	<u>24,431</u>
Current portion	<b>9,949</b>	19,756
Non-current portion	<b>-</b>	4,675
	<b><u>9,949</u></b>	<u>24,431</u>

**25. TRADE AND RETENTION PAYABLES**

	<b>31 December 2021 <u>SR'000</u></b>	<b>31 December 2020 <u>SR'000</u></b>
Trade payables	<b>118,550</b>	142,933
Restricted suppliers performance guarantees	<b>8,466</b>	10,387
	<b><u>127,016</u></b>	<u>153,320</u>

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**26. RELATED PARTIES**

Related parties of the Group comprise of shareholders having control or significant influence, key management personnel and affiliates where shareholders have control or significant influence. The transactions with related parties are made on terms approved by the Board of the Directors of the Group. The Group and its related parties transact with each other in the ordinary course of business. The significant transactions and balances between the Group and its related parties are as follows:

			<b>31 December 2021 SR'000</b>	<b>31 December 2020 SR'000</b>
<b><u>Related party</u></b>	<b><u>Nature of relationship</u></b>	<b><u>Nature of Transactions</u></b>		
Saudi Emirates Integrated Transport Company (SEITCO)	Joint Venture	Finance income	<b>337</b>	1,975
		Share in loss of the joint venture	<b>(33,581)</b>	(44,041)
		Services rendered	<b>947</b>	1,009
Capital Metro Company Ltd (CAMCO)	Associate	Share in profits of the joint venture	<b>517</b>	244
RATP Development (French company)	Non-controlling interests of the subsidiary	Services rendered	<b>6,845</b>	6,408
RATP Dev Saudi Arabia (LLC)	Non-controlling interests of the subsidiary	Services rendered	<b>46,539</b>	45,451

Significant balances resulted from the above transactions the Group and its related parties are as follows:

		<b>31 December 2021 SR'000</b>	<b>31 December 2020 SR'000</b>
<b><u>Related party</u></b>	<b><u>Recognized under</u></b>		
Saudi Emirates Integrated Transport Company	Due from a related party	<b>89,990</b>	92,827
Capital Metro Company Ltd (CAMCO)	Due from a related party	<b>1,902</b>	884
RATP Development (French company)	Due to related party	<b>6,908</b>	2,349
RATP Dev Saudi Arabia (LLC)	Due to related party	<b>4,668</b>	4,134

**The joint venture**

\* During 2014, the Company has funded the operating activities of Saudi Emirates Integrated Transport Co., Ltd. ("SEITCO") in an amount of SR 30 million. This amount is not subject to any interest and an amount of SR 20 million from the value of the loan has been paid up to 30 September 2021 and management expects to pay the remaining amount during 2024 and 2025. The loan has been recognized at the present value.

In addition, during 2016, the Company has provided two additional finances totaling to SR 40 million to finance operations for the implementation of government school transport contracts. The amount will be recovered upon receiving the accruals of SEITCO. The loan has been recognized at the present value. Management expects to pay the remaining amount during 2024 and 2025.

During 2019, the Company sold 350 buses to Saudi Emirates Integrated Transport Company (SEITCO) to be paid in annual installments.

This balance has been classified under current assets as the Company expects to collect the amount during 2022. The balance in 2021 and 2020 amounted to SR 32 million.

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**26. RELATED PARTIES (CONTINUED)**

The significant transactions between the Group and key management personnel are as follows:

**Transactions with key management personnel:**

	<b>31 December 2021 <u>SR'000</u></b>	31 December 2020 <u>SR'000</u>
Board expenses and allowances	<b>4,806</b>	3,904
Compensations of the key management personnel (*)	<b>12,515</b>	14,184

(\*) Compensations of the key management personnel:

	<b>31 December 2021 <u>SR'000</u></b>	31 December 2020 <u>SR'000</u>
Short-term employees' benefits	<b>11,825</b>	10,425
Long-term benefits	<b>690</b>	3,759
	<b><u>12,515</u></b>	<b><u>14,184</u></b>

Key management personnel compensation includes salaries and employees' defined benefit liabilities.

**27. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<b>31 December 2021 <u>SR'000</u></b>	31 December 2020 <u>SR'000</u>
Accrued expenses:	<b>127,015</b>	146,142
Employee accruals	<b>54,096</b>	42,638
Other payables	<b>77,208</b>	68,380
	<b><u>258,319</u></b>	<b><u>257,160</u></b>

**28. ZAKAT AND INCOME TAX**

**a. Zakat**

The Zakat charge for the year amounts to SR 16 million (31 December 2020: SR 14 million).

***Movement in Zakat Provision***

The movement in the provision for zakat is as follows:

	<b>31 December 2021 <u>SR'000</u></b>	31 December 2020 <u>SR'000</u>
At the beginning of the year	<b>36,715</b>	29,447
Zakat differences	<b>10,995</b>	6,883
Zakat for the year	<b>5,274</b>	7,208
Paid during the year	<b>(4,575)</b>	(6,823)
At the end of the year	<b><u>48,409</u></b>	<b><u>36,715</u></b>

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**28. ZAKAT AND INCOME TAX (CONTINUED)**

**a. Zakat (continued)**

Zakat is calculated on the basis of the Zakat base of the Company and its subsidiaries separately. The Company filed Zakat returns for the years 2005-2020 and obtained the necessary Zakat certificates until 2022. The Zakat, Tax and Customs Authority (“ZTCA”) has raised its Zakat assessments for the Company up to 2018. The Group has paid the Zakat payable under the amended assessments and cleared its Zakat status for all the year up to the year 2018. During November 2021, the Company received the initial assessment for year 2019 and 2020 from ZTCA with a Zakat difference of SR 27 million. The Company has filed an objection against the mentioned ZTCA assessment. The company has the sufficient provisions to face the zakat differences.

The main components of zakat base for Saudi Public Transport Company and its subsidiaries were as follows:

The Company’s Zakat base is calculated as follows:

<b>Description</b>	<b>31 December 2021 SR’000</b>	<b>31 December 2020 SR’000</b>
Share capital	1,258,000	1,258,000
Total adjusted loss	(193,676)	(324,949)
Provisions and reserves carried forward	262,485	440,208
Retained earnings	-	163,785
Murabaha loans	174,413	251,203
Others	671,117	600,353
Total	2,172,339	2,388,600
Less:		
Property, plant and equipment, net	937,884	1,169,211
Long term investments	66,993	94,684
Inventories of spare parts	62,648	64,274
Carried forward losses	38,288	6,025
Others	867,760	784,633
Zakat base	198,766	269,773
<b>Zakat payable</b>	<b>5,274</b>	<b>7,208</b>

**b. Income tax**

**Charge for the year**

The income tax charge for the year is SR 229 thousand (31 December 2020: SR 210 thousand).

**Movement of Provision for income tax**

The movement in the provision for income tax was as follows:

	<b>31 December 2021 SR’000</b>	<b>31 December 2020 SR’000</b>
Balance at beginning of the year	5	-
Charged during the year	229	147
Paid during the year	(156)	(142)
Balance at the end of the year	78	5

The subsidiary filed the Zakat and tax return to the Zakat, Tax and Customs Authority (“ZTCA”) up to the year 2020.

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**28. ZAKAT AND INCOME TAX (CONTINUED)**

No Zakat assessment has yet been made by the ZTCA.

Charged to statement of profit or loss is as follows:

	<b>31 December 2021 SR'000</b>	<b>31 December 2020 SR'000</b>
Zakat charged during the year	<b>16,270</b>	14,091
Income tax	<b>229</b>	147
Deferred tax payable from subsidiary	<b>(418)</b>	-
Zakat differences	<b>-</b>	26
	<b><u>16,081</u></b>	<b><u>14,264</u></b>

**29. CONTINGENT LIABILITIES**

As at 31 December 2021, the Group's bankers have issued on its behalf during the normal course of business guarantees, acceptances and documentary credit with a maximum of SR 2,130 million (31 December 2020: SR 2,072 million).

**30. REVENUES**

	<b>31 December 2021 SR'000</b>	<b>31 December 2020 SR'000</b>
Revenues from concession arrangements for the King Abdul- Aziz Project for Public Transport in Riyadh	<b>332,367</b>	710,542
Revenues from passenger transport	<b>416,894</b>	301,967
Revenues from specialized services	<b>153,694</b>	108,949
Revenues from digital mobility solutions	<b>1,831</b>	-
Revenues from government support (*)	<b>55,787</b>	48,204
	<b><u>960,573</u></b>	<b><u>1,169,662</u></b>

(\*) The Royal Commission for Riyadh ("Commission's Projects and Planning Center") and Saudi Public Transport Company (SAPTCO) ("Operator") agreed to implement the alternative bus service in Riyadh as an alternative service provided by the existing local buses in the Riyadh city for two years, including the provision of materials, equipment, workers and any matters technically and practically required for the implementation of the project. The operation start date is 11 Jumada' II 1439H (corresponding to 27 February 2018) for transport on service runways and stop points in Riyadh city, which is to be determined by approval of the Public Transport Authority.

The total of the annual support amount for the year ended 31 December 2021 was SR 36,5 million which was disbursed in equal monthly installments. Due to the ends of the agreement, during 2021, the Group agreed with the Royal Commission for Riyadh to continue to implementing, where King Abdulaziz Project for Public Transport has not started yet.

Jeddah Municipality and SAPTCO agreed to implement the alternative bus service project in Jeddah for a period of five years, including the provision of materials, equipment, workers and all matters technically and practically required for implementing the project. The operation start date is 11 Jumada' II 1439H (corresponding to 27 February 2018) for transport on service runways and stop points in Jeddah city, which is to be determined by approval of the Public Transport Authority. The total of the annual support amount was SR 20 million which was disbursed in equal monthly installments.



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**31. COST OF REVENUES**

	<b>31 December 2021 <u>SR'000</u></b>	31 December 2020 <u>SR'000</u>
Mobilization phase expenses for King Abdulaziz Project for public transportation in Riyadh	<b>291,601</b>	660,047
Salaries and other related expenses	<b>289,056</b>	250,533
Depreciation and amortization expenses	<b>167,101</b>	187,895
Bus repairs and maintenance	<b>84,065</b>	58,210
Visa and iqama fees	<b>39,731</b>	46,416
Contractual services	<b>41,703</b>	32,452
Maintenance and general fees	<b>16,791</b>	17,332
Rent	<b>9,956</b>	12,249
Provision of slow moving inventory (note 13)	<b>205</b>	8,353
Property insurance expense	<b>8,610</b>	3,748
Passenger services	-	1,317
Others	<b>9,406</b>	11,254
	<b><u>958,225</u></b>	<u>1,289,806</u>

**32. SELLING AND DISTRIBUTION EXPENSES**

	<b>2021 <u>SR'000</u></b>	2020 <u>SR'000</u>
Local agents' commissions	<b>13,105</b>	10,886
Advertisement and promotion	<b>149</b>	4,258
International agents' commissions	<b>510</b>	576
Advertisements	<b>1,098</b>	386
	<b><u>14,862</u></b>	<u>16,106</u>

**33. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2021 <u>SR'000</u></b>	2020 <u>SR'000</u>
Salaries and other related expenses	<b>46,605</b>	45,231
Management consulting expenses	<b>15,057</b>	13,165
Repairs and maintenance expenses	<b>2,783</b>	11,202
IT services expenses	<b>5,891</b>	8,959
Depreciation and amortization expenses	<b>6,555</b>	9,325
Contractual services	<b>6,575</b>	3,922
Remunerations, expenses and allowances of the Board of Directors and sub-committees (note 26)	<b>4,806</b>	3,904
Telephone and internet expenses	<b>3,036</b>	2,761
Rent	<b>42</b>	1,542
Visa and iqama fees	<b>490</b>	999
Research and Development	<b>3,899</b>	-
Property insurance expense	<b>629</b>	359
Others	<b>4,524</b>	2,463
	<b><u>100,892</u></b>	<u>103,832</u>

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**34. ASSETS HELD FOR SALE**

During the year ended 31 December 2021, the Group's management decided to sell some of its assets (buses) that are used in passenger transportation operations. Accordingly, such assets have been reclassified as assets held for sale. The measurement process resulted in losses of SR 4.2 million, which represents the difference between the estimated recoverable value of SR 3.4 million and the net book value of SR 7.6 million for these fixed assets. Accordingly, these differences have been recognized as impairment losses of assets in the consolidated statement of profit or loss.

During the year ended 31 December 2020, the Group's management decided to sell some of its assets (buses) that are used in passenger transportation operations. The disposal process resulted in losses of SR 42.7 million, which represents the difference between the recoverable value and the net book value of those fixed assets. Accordingly, these differences have been recognized as impairment losses of assets in previous periods. As at 14 July 2021, the Company sold these assets for an amount of SR 13.8 million. This resulted in a reversal of impairment losses of assets amounting to SR 6.6 million.

The balance in the statement of income is in the amount of SR 2.4 million, which is represented in the reversal of provision of SR 6.6 million and make a provision of SR 4.2 million during 2021.

**35. OTHER INCOME**

	<b>31 December 2021 SR'000</b>	31 December 2020 SR'000
Gains on sale of property, plant, busses and equipment	<b>3,604</b>	13
Settlement of insurance claims	<b>1,819</b>	5,316
Drivers renting	<b>800</b>	1,333
Gains on sale of scrap	<b>1,078</b>	431
Penalties	<b>409</b>	1,191
Rental income	<b>1,561</b>	2,364
Amortization of deferred revenues	<b>6,733</b>	-
Advertising revenue on intra-city transport busses	<b>-</b>	220
Provisions no longer required	<b>7,470</b>	-
Others	<b>1,037</b>	1,815
	<b>24,511</b>	12,683

**36. LOSS PER SHARE**

Basic and adjusted earnings per share (EPS) is calculated by dividing the income for the year attributable to ordinary shareholders of the parent company by the weighted average number of the outstanding ordinary shares during the year.

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**36. LOSS PER SHARE (CONTINUED)**

The following table reflects the income and share data used in the calculation of basic and adjusted earnings per share:

	<u>2021</u> SR'000	<u>2020</u> SR '000
Loss attributable to ordinary shareholders of the parent company for basic loss.	<b>(216,188)</b>	(375,160)
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares for basic loss per share	<b>125,000,000</b>	125,000,000
	<u>2021</u> SR	<u>2020</u> SR
Basic and adjusted loss per share	<b>(1.73)</b>	(3.00)

**37. FINANCIAL INSTRUMENTS**

The table below shows the carrying values of financial assets and liabilities not held at fair value as their carrying value represents a reasonable estimate of the fair value.

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**37. FINANCIAL INSTRUMENTS (CONTINUED)**

	31 December 2021 (SR'000)			31 December 2020 (SR'000)		
	Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
<b>Financial assets not measured at fair value</b>						
Trade receivables	124,137	-	124,137	195,287	-	195,287
Due from related parties	91,892	-	91,892	93,711	-	93,711
Cash and cash equivalents	410,130	-	410,130	351,583	-	351,583
Unbilled receivables	2,062,976	-	2,062,976	1,811,977	-	1,811,977
	<b>2,689,135</b>	<b>-</b>	<b>2,689,135</b>	<b>2,452,558</b>	<b>-</b>	<b>2,452,558</b>
<b>Financial liabilities not measured at fair value</b>						
Murabaha financing	-	1,556,704	1,556,704	-	1,210,572	1,210,572
Amounts due to related parties	-	11,576	11,576	-	6,483	6,483
Trade payables	-	127,016	127,016	-	153,320	153,320
Accrued expenses and other current liabilities	-	258,319	258,319	-	257,160	257,160
	<b>-</b>	<b>1,953,615</b>	<b>1,953,615</b>	<b>-</b>	<b>1,627,535</b>	<b>1,627,535</b>

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**38. NON-CONTROLLING INTERESTS IN THE SUBSIDIARY**

Following is the summary of financial information of the subsidiary having non-controlling interests as shown in note (1):

	<b>31 December 2021 SR'000</b>	<b>31 December 2020 SR'000</b>
Non-controlling interests percentage	<b>20%</b>	20%
Assets		
Current assets	<b>2,274,673</b>	668,893
Non-current assets	<b>630,997</b>	1,888,553
<b>Total assets</b>	<b>2,905,670</b>	2,557,446
Liabilities		
Current liabilities	<b>602,727</b>	356,013
Non-current liabilities	<b>2,334,199</b>	2,210,578
<b>Total liabilities</b>	<b>2,936,926</b>	2,566,591
Revenues	<b>332,367</b>	710,542
Loss	<b>(22,403)</b>	(12,773)
Total comprehensive loss	<b>(22,139)</b>	(12,773)
Cash flow generated from/ (used in) from:		
Operating activities	<b>(217,721)</b>	(90,073)
Investing activities	<b>(74,578)</b>	(243,108)
Financing activities	<b>428,398</b>	273,259
	<b>136,099</b>	(59,922)
Share of non-controlling interests in net assets	<b>(140)</b>	4,085
Share of non-controlling interests in net loss	<b>(4,278)</b>	(2,555)

**39. RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's activities expose it to a variety of financial risks that include liquidity risk, market risk, and credit risk comprising currency risk, fair value risk and credit risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

***Liquidity Risk***

Liquidity risk represents the Group's difficulties in providing funds to meet commitments relating to financial instruments. The Group's policy in managing liquidity risk is to ensure that it will have sufficient cash liquidity and adequate funding to meet its liabilities when due.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	<b>31 December 2021</b>				
	<b>On demand</b>	<b>Less than one year</b>	<b>1-2 years</b>	<b>More than two years</b>	<b>Total</b>
<b><i>Financial liabilities</i></b>					
Trade and other payables	<b>110,807</b>	<b>11,860</b>	<b>4,349</b>	-	<b>127,016</b>
Accrued expenses and other current liabilities	-	<b>258,319</b>	-	-	<b>258,319</b>
Murabaha financing		<b>118,817</b>	<b>161,126</b>	<b>1,156,470</b>	<b>1,436,413</b>
Short-term Murabaha financing		<b>120,291</b>			<b>120,291</b>
Lease liabilities		<b>7,629</b>	<b>12,086</b>	<b>24,861</b>	<b>44,576</b>
	<b>110,807</b>	<b>516,916</b>	<b>177,561</b>	<b>1,181,331</b>	<b>1,986,615</b>

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**39. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

	31 December 2020				Total
	On demand	Less than one year	1-2 years	More than two years	
<i>Financial liabilities</i>					
Trade and other payables	137,070	140,204	10,046	-	287,320
Accrued expenses and other current liabilities	-	257,160	-	-	257,160
Murabaha financing	-	104,944	263,302	607,363	975,609
Short-term Murabaha financing	-	150,699	-	-	150,699
Lease liabilities	-	1,750	5,550	34,300	41,600
	<u>137,070</u>	<u>654,757</u>	<u>278,898</u>	<u>641,663</u>	<u>1,712,388</u>

***Market risk***

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

***Equity price risk***

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

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

No sensitivity analysis to equity price risk is presented as the Group sold its investments during 2020.

***Foreign currency risk***

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

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

***Credit Risk***

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

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**39. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

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

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

<b>31 December 2021</b>					
<b>TRADE RECEIVABLES</b>					
	<b><u>Total</u></b>	<b><u>Less than</u></b>	<b><u>90 days</u></b>	<b><u>1-2</u></b>	<b><u>More than</u></b>
	<b><u>SR'000</u></b>	<b><u>90 days</u></b>	<b><u>to 1 year</u></b>	<b><u>years</u></b>	<b><u>two years</u></b>
	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>
Carrying amount of trade receivables	<b>173,146</b>	<b>79,086</b>	<b>19,393</b>	<b>15,701</b>	<b>58,966</b>
Expected credit loss as at 31 December 2021	<b>49,010</b>	<b>1,725</b>	<b>3,546</b>	<b>7,246</b>	<b>36,493</b>
<b>31 December 2020</b>					
<b>Trade receivables</b>					
	<b><u>Total</u></b>	<b><u>Less than</u></b>	<b><u>90 days</u></b>	<b><u>1-2</u></b>	<b><u>More than</u></b>
	<b><u>SR'000</u></b>	<b><u>90 days</u></b>	<b><u>to 1 year</u></b>	<b><u>years</u></b>	<b><u>two years</u></b>
	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>	<b><u>SR'000</u></b>
Carrying amount of trade receivables	242,226	12,561	99,796	96,582	33,287
Expected credit loss as at 31 December 2020	46,939	3,576	2,569	10,891	29,903

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

High credit grade pertains to receivables with no default; medium grade pertains to receivables up to 3 defaults; and low grade pertains to receivables with more than 3 defaults. All receivables classified as past due or impaired in the table above are graded "high".

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

***Capital management***

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

The Group manages its capital to ensure:

- Its ability to continue as a going concern.
- Financing its working capital and the requirements of strategic investments efficiently and in an optimal manner.
- Increasing returns to the shareholders to the maximum extent possible.
- Maintaining an appropriate composition of debt and equity.

The Company monitors capital using the movement rate, which is net debt divided by total capital plus debt. The Company includes within the debt current and non-current portion of the loans.



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**39. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

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

	<b>31 December 2021 SR'000</b>	31 December 2020 SR'000
Long-term and short-term Murabaha loans	<b>1,556,704</b>	1,210,572
Accounts payable, accrued expenses and other liabilities	<b>385,335</b>	410,480
Less: cash and cash equivalents	<b>(410,130)</b>	(351,583)
Net debt	<b>1,531,909</b>	1,269,469
Equity	<b>1,043,657</b>	1,274,748
Share capital and net debt	<b>2,575,566</b>	2,544,217
Debt ratio	<b>59%</b>	50%

No changes were made in the Group's objectives, policies or processes during the year ended 31 December 2021 and 2020. The Group has no externally imposed capital requirements as at 31 December 2021 and 2020.

***Interest rate risk***

Interest rate risk is the exposure to various risk associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages interest rate risk by regularly monitoring the interest rate levels of its interest-bearing financial instruments. The Company is not exposed to significant interest sensitivity risk.

**40. DIVIDEND**

The Board of Directors recommended in its meeting held on 24 Sha'ban 1443H (corresponding to 27 March 2022) not to distribute cash dividends for the financial year 2021. The Board of Directors also recommended paying a remuneration of SR 1,8 million to the board members in accordance with the approved policies.

**41. SUBSEQUENT EVENTS**

On a date subsequent to the consolidated financial statements date and based on the Board of Directors decision issued on 27 March 2022, the Group's management has re-assessed the useful lives of some items of property, plant and equipment (buses, trucks) from 12 years to 10 years. The depreciation method is an accounting estimate and allows changes to be made to the estimates and applied prospectively. The impact of this estimate has been determined for the year ending on 31 December 2022 and subsequent years as set out in the table below:

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Change in depreciation value	15,710	15,710	15,710	11,471	3,504

**42. COMPARATIVE FIGURES**

Certain prior period figures have been reclassified to conform to the nature of the item in the consolidated statement of financial position. The reclassification did not affect the profits of the previous years, equity or cash flows.

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**42. COMPARATIVE FIGURES (CONTINUED)**

**Consolidated statement of Financial Position:**

	<b>Balances previously reported for the year ended 31 December 2020</b>	<b>Reclassification</b>	<b>Balance reclassified for the year ended 31 December 2020</b>
Trade and retention payables	287,320	(134,000)	153,320
Accrued expenses and other current liabilities	123,160	134,000	257,160

	<b>Balances previously reported for the year ended 31 December 2020</b>	<b>Reclassification</b>	<b>Balance reclassified for the year ended 31 December 2020</b>
Trade receivables	683,056	(487,769)	195,287
Unbilled receivables	-	482,390	482,390
Prepayments and other current assets	52,066	5,379	57,445

	<b>Balances previously reported for the year ended 31 December 2020</b>	<b>Reclassification</b>	<b>Balance reclassified for the year ended 31 December 2020</b>
Amounts due from a related party - current portion	48,262	11,824	60,086
Amounts due from a related party - non-current portion	45,449	(11,824)	33,625

	<b>Balances previously reported for the year ended 31 December 2020</b>	<b>Reclassification</b>	<b>Balance reclassified for the year ended 31 December 2020</b>
Property, plant, equipment, buses and trucks	1,172,544	(35,888)	1,136,656
Right-of-use assets	-	35,888	35,888

**43. APPROVAL OF THE FINANCIAL STATEMENTS**

The consolidated financial statements have been approved by the Board of Directors on 24 Shaban 1443H (corresponding to 27 March 2022).