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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT

FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017

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Building a better working world

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Public Transport Company - A Saudi Joint Stock Company ("the Company") and its subsidiary (collectively referred to as "the Group) at 30 September 2017 and the related interim condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

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

Conclusion:

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

for Ernst & Young

Fahad M. Altoaimi
Certified Public Accountant
Registration No. 354

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12 Safar 1439H
(1 November 2017)
Riyadh

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three and nine months period ended 30 September 2017

	Note	For the three months period ended 30 September 2017 SAR'000	2016 (Note 4) SAR'000	For the nine months period ended 30 September 2017 SAR'000	2016 (Note 4) SAR'000
Revenue		**385,502**	375,556	**908,662**	916,766
Cost of revenue		**(276,916)**	(250,372)	**(730,525)**	(702,669)
Gross profit		**108,586**	125,184	**178,137**	214,097
Selling and distribution expenses		**(9,334)**	(9,624)	**(25,521)**	(36,170)
Administrative expenses		**(21,170)**	(22,646)	**(59,457)**	(62,168)
Operating income		**78,082**	92,914	**93,159**	115,759
Finance costs		**(5,075)**	(3,509)	**(13,795)**	(7,165)
Finance income		**624**	650	**1,856**	1,939
Other income		**4,630**	6,648	**26,781**	25,321
Share of (loss) profit of joint venture	7	**(11,672)**	(3,829)	**7,714**	1,992
Income before zakat		**66,589**	92,874	**115,715**	137,846
Zakat	15	**(3,277)**	(4,665)	**(9,416)**	(10,263)
Income for the period		**63,312**	88,209	**106,299**	127,583
Attributable to:					
-Equity holders of the parent		**62,455**	87,246	**103,607**	130,670
-Non-controlling interests		**857**	963	**2,692**	(3,087)
		63,312	88,209	**106,299**	127,583
Earnings per share (SAR):					
Basic and diluted attributable to equity holders of the parent	19	**0.50**	0.70	**0.83**	1.05

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the three and nine months period ended 30 September 2017

	For the three months period ended 30 September		For the nine months period ended 30 September	
	2017	2016 (Note 4)	**2017**	2016 (Note 4)`
	SAR'000	SAR'000	**SAR'000**	SAR'000
Income for the period	**63,312**	88,209	**106,299**	127,583
Other Comprehensive Income				
Other comprehensive income not to be reclassified to income in subsequent periods:				
Net fair value (loss) gain of investments in equity instruments designated as FVOCI	**(2,442)**	(13,292)	**5,110**	(16,410)
Net other comprehensive (loss) gain not be reclassified to income in subsequent periods	**(2,442)**	(13,292)	**5,110**	(16,410)
Total comprehensive income for the period	**60,870**	74,917	**111,409**	111,173
Total comprehensive income for the period attributable to:				
Equity holders of the parent	**60,013**	73,954	**108,717**	114,260
Non-controlling interests	**857**	963	**2,692**	(3,087)
	60,870	74,917	**111,409**	111,173

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	Note	**30 September 2017 SAR'000**	31 December 2016 SAR'000
Assets			
Non-current assets			
Property, plant and equipment	5	**1,435,873**	1,198,797
Intangible assets		**17,255**	18,059
Investment properties	6	**307,122**	307,122
Due from a related party – non-current portion	16	**20,034**	21,833
Investment in an associate and joint venture	7	**36,255**	28,541
Investments in equity instruments designated as at FVOCI	8	**120,677**	114,552
Other non-current assets		**7,649**	8,578
Total non-current assets		**1,944,865**	1,697,482
Current assets			
Inventories		**52,834**	49,885
Trade and other receivables	9	**281,272**	191,020
Due from a related party – current portion	16	**52,521**	50,119
Prepayments and other current assets		**37,474**	34,962
Investments in Murabaha deposits		**361,670**	101,492
Cash and cash equivalents		**281,158**	667,287
Total current assets		**1,066,929**	1,094,765
Total assets		**3,011,794**	2,792,247
Equity and liabilities			
Equity			
Issued capital	10	**1,250,000**	1,250,000
Statutory reserve	11	**170,006**	170,006
Consensual reserve	12	**42,730**	42,730
Investments revaluation reserve	8	**(25,049)**	(30,159)
Retained earnings		**211,569**	170,462
Equity attributable to equity holders of the parent		**1,649,256**	1,603,039
Non-controlling interests		**5,387**	2,695
Total equity		**1,654,643**	1,605,734
Liabilities			
Non-current liabilities			
Murabaha financing – non-current portion	13	**214,848**	137,981
Employees' defined benefit liabilities		**149,281**	145,385
Advance from a customer – non-current portion	14	**459,506**	449,421
Deferred revenue - non-current portion		**6,148**	4,701
Total non-current liabilities		**829,783**	737,488
Current liabilities			
Murabaha financing - current portion	13	**192,193**	109,392
Trade and other payables		**188,624**	176,416
Due to non-controlling interests of the subsidiary	16	**27,818**	24,915
Accrued expenses and other liabilities		**93,807**	100,825
Deferred revenue - current portion		**10,128**	10,097
Advance from a customer – current portion	14	**-**	10,085
Zakat payable	15	**14,798**	17,295
Total current liabilities		**527,368**	449,025
Total liabilities		**1,357,151**	1,186,513
Total equity and liabilities		**3,011,794**	2,792,247

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months period ended 30 September 2017

	Attributed to equity holders of the parent							
	Issued capital SAR'000	*Statutory Reserve SAR'000*	*Consensual reserve SAR'000*	*Investments revaluation reserve SAR'000*	*Retained earnings SAR'000*	*Total SAR'000*	*Non-controlling interests SAR'000*	*Total equity SAR'000*
1 January 2017	**1,250,000**	**170,006**	**42,730**	**(30,159)**	**170,462**	**1,603,039**	**2,695**	**1,605,734**
Income for the period	-	-	-	-	103,607	103,607	2,692	106,299
Other comprehensive income for the period	-	-	-	5,110	-	5,110	-	5,110
Total comprehensive income	-	-	-	**5,110**	**103,607**	**108,717**	**2,692**	**111,409**
Dividends (Note 21)	-	-	-	-	(62,500)	(62,500)	-	(62,500)
As at 30 September 2017	**1,250,000**	**170,006**	**42,730**	**(25,049)**	**211,569**	**1,649,256**	**5,387**	**1,654,643**
	Issued capital SAR'000	Statutory Reserve SAR'000	Consensual reserve SAR'000	Investments revaluation reserve SAR'000	Retained earnings SAR'000	Total SAR'000	Non-controlling interests SAR'000	Total Equity SAR'000
1 January 2016	1,250,000	157,246	36,353	(38,354)	119,614	1,524,859	4,278	1,527,137
Income for the period	-	-	-	-	130,670	130,670	(3,087)	127,583
Other comprehensive loss for the period	-	-	-	(16,410)	-	(16,410)	-	(16,410)
Total comprehensive income	-	-	-	(16,410)	130,670	114,260	(3,087)	111,173
Dividends (Note 21)	-	-	-	-	(62,500)	(62,500)	-	(62,500)
As at 30 September 2016	1,250,000	157,246	36,353	(54,764)	187,784	1,576,619	1,191	1,577,810

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months period ended 30 September 2017

	Note	**30 September 2017 SAR'000**	30 September 2016 SAR'000
OPERATING ACTIVITIES			
Income before zakat		**115,715**	137,846
Adjustments to reconcile income before zakat to net cash flows:			
Depreciation and amortization	5	**139,934**	119,471
Allowance for impairment in account receivables		**-**	9,013
Share of profit of a joint venture	7	**(7,714)**	(1,992)
Amortisation of deferred revenue		**(1,230)**	(1,350)
Finance income		**(1,856)**	(1,939)
Employee's defined benefit liabilities		**12,963**	19,855
Gain on disposal of property, plant and equipment		**(2,993)**	(1,318)
		254,819	279,586
Working capital adjustments:			
Trade and other receivables	9	**(90,252)**	(45,149)
Inventories, net		**(2,949)**	(7,132)
Amounts due from / to related parties, net	16	**2,300**	(8,358)
Prepayments and other current assets		**(2,512)**	(27,209)
Other non-current assets		**929**	614
Trade and other payables		**12,208**	60,302
Accrued expenses and other liabilities		**(7,018)**	(52,633)
Deferred revenues		**248**	396
Advance from a customer	14	**-**	(6,901)
Cash from operations		**167,773**	193,516
Zakat paid		**(11,913)**	(33,286)
Employees' benefits paid		**(9,067)**	(9,124)
Net cash flows from operating activities		**146,793**	151,106
INVESTING ACTIVITIES			
Investments in Murabaha deposits, net		**(260,178)**	(101,492)
Movement in investments in equity instruments designated as at FVOCI	8	**(1,015)**	5,502
Proceeds from sale of property, plant and equipment		**6,269**	5,944
Purchase of property, plant and equipment	5	**(372,753)**	(294,504)
Purchase of non-intangible assets		**(2,413)**	-
Net cash flows used in investing activities		**(630,090)**	(384,550)
FINANCING ACTIVITIES			
Proceeds from Murabaha financing	13	**296,978**	228,608
Repayment of Murabaha financing	13	**(137,310)**	(73,697)
Dividends	21	**(62,500)**	(62,500)
Net cash flows from/(used in) financing activities		**97,168**	92,411
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(386,129)**	(141,033)
Cash and cash equivalents at 1 January		**667,287**	833,485
Cash and cash equivalents at 30 September		**281,158**	692,452
SIGNIFICANT NON-CASH TRANSACTIONS:			
Net fair value gain (loss) of investments in equity instruments designated as FVOCI	8	**5,110**	(16,410)

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

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

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

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

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

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

On 29 Dhul-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), for a period of five years starting 1 Rajab 1437H (corresponding to 8 April 2016), and without giving the Company or any other Company any competitive advantage when issuing tenders for providing public transportation services between the cities of the Kingdom.

The interim condensed consolidated financial statements of Saudi Public Transport Company and its Subsidiary (collectively, the "Group") for the nine months period ended 30 September 2017 were authorised for issue in accordance with a resolution of the board of directors on 12 Safar 1439H (corresponding to 1 November 2017).

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

Subsidiary	Year of incorporation	Ownership interest			Principal Activity	Country of Incorporation
		30 September 2017	31 December 2016	30 September 2016		
Public Transport Company ("PTC")	2014	**80%**	80%	80%	Executing King Abdulaziz Project for Public Transport in Riyadh	Kingdom of Saudi Arabia

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

1 CORPORATE INFORMATION (continued)

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

Investment in an associate and joint venture	Relationship	Shareholding			Principal Activity	Country of Incorporation
		30 September 2017	30 September 2016	31 December 2016		
Saudi Bahraini Transport Company*	Associate	**40%**	40%	40%	Transportation activities	Kingdom of Saudi Arabia
Saudi Emirates Intergrated Transport Company	Joint Venture	**50%**	50%	50%	Educational transportation services	Kingdom of Saudi Arabia

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

2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

For all periods up to 31 December 2016, the Group has prepared and presented its annual and interim consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP) issued by SOCPA in KSA (previous SOCPA GAAP).

From 1 January 2017, and pursuant to SOCPA board of directors' resolution regarding the transition to IFRS, the Group is required to prepare and present its Financial Statements in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in KSA and other Standards and Pronouncements that are issued by Saudi Organization For Certified Public Accountants (SOCPA). In compliance with these requirements, these interim condensed consolidated financial statements have been prepared.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 30 September 2017.

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparing these interim condensed consolidated financial statements are explained in note (2) to the interim condensed consolidated financial statements for the three months period ended 31 March 2017.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. the amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The International Accounting Standards Board (IASB) has indefinitely adjourned the effective date of these amendments. However, the entity early adopts the amendments is required to apply it prospectively.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of inventories

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

Revenue recognition

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

Satisfaction of performance obligations

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

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

Allocation of transaction price to performance obligation in contracts with customers

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

Estimates and assumptions

The estimates at 30 September 2016 and 31 December 2016 are consistent with those made for the same dates in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2016, the date of transition to IFRS and as at 30 September 2016 and 31 December 2016.

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

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

Impairment of non-financial assets

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

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

End of service benefit plans

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Fair value measurement of financial instruments

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

Contingent liabilities

As disclosed in note 20 to these interim condensed consolidated financial statements, the Group is exposed to various contingent liabilities in the normal course of business. Management evaluates the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the interim condensed consolidated financial statements where, based on the managements' evaluation, a present obligation has been established.

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

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

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

From the period beginning 1 January 2017, the Group is required to prepare its first set of financial statements in accordance with the requirements of IRFRS as endorsed in KSA and other standards and pronouncements that are endorsed by SOCPA.

For reconciliation of interim condensed consolidated financial position upon transition from SOCPA to IFRS as at 1 January 2016 and 31 December 2016, please refer to the interim condensed consolidated financial statements for the period ended 31 March 2017.

Exemptions applied

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

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

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

The estimates at 30 September 2016 and 31 December 2016 are consistent with those made for the same dates in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of SOCPA GAAP did not require estimation:

- Employees' defined benefit liabilities

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

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

Group reconciliation of financial position as at 30 September 2016

	Note	**SOCPA GAAP** *SAR'000*	**Adjustments** *SAR'000*	**IFRS** *SAR'000*
Assets				
Property, plant and equipment	A,B,C	1,555,526	(320,952)	1,234,574
Intangible assets	C	-	19,076	19,076
Investment properties	A	-	307,122	307,122
Due from a related party - non-current portion	D	24,375	(1,193)	23,182
Investments	E,F	110,137	(110,137)	-
Investments in an associate and a joint venture	E,M	-	15,318	15,318
Investments in equity investments designated as at FVOCI	F	-	85,925	85,925
Other non-current assets	G	34,548	(25,765)	8,783
Non-current assets		**1,724,586**	**(30,606)**	**1,693,980**
Inventories		60,643	-	60,643
Trade and other receivables	H	127,881	63,136	191,017
Due from a related party - current portion		48,231	-	48,231
Prepayments and other current assets	B	47,798	3,178	50,976
Investment in Murabha contracts		101,492	-	101,492
Cash and cash equivalents		692,452	-	692,452
Current assets		**1,078,497**	**66,314**	**1,144,811**
Total assets		**2,803,083**	**35,708**	**2,838,791**
Equity and liabilities				
Issued capital		1,250,000	-	1,250,000
Statutory reserve		157,246	-	157,246
Consensual reserve		36,353	-	36,353
Investment revaluation reserve		(54,764)	-	(54,764)
Retained earnings		173,844	13,940	187,784
Equity attributable to equity holders of the Parent		**1,562,679**	**13,940**	**1,576,619**
Non-controlling interests		(6,106)	7,297	1,191
Total equity		**1,556,573**	**21,237**	**1,577,810**
Liabilities				
Murabaha financing - non-current portion		158,358	3,842	162,200
Employee's defined benefit liabilities	J	138,498	7,868	146,366
Advance from a customer - non-current portion		454,796	-	454,796
Deferred revenue - non-current portion	K	2,684	2,441	5,125
Non-current liabilities		**754,336**	**14,151**	**768,487**
Murabaha financing - current portion		115,724	(2,289)	113,435
Trade and other payables	I	42,634	180,543	223,177
Due to non-controlling interests of the subsidiary		32,447	-	32,447
Accrued expenses and other liabilities	I	188,292	(89,467)	98,825
Advance from a customer - current portion		9,643	-	9,643
Dividends payable	I	88,467	(88,467)	-
Zakat payable		14,967	-	14,967
Current liabilities		**492,174**	**320**	**492,494**
Total liabilities		**1,246,510**	**14,471**	**1,260,981**
Total equity and liabilities		**2,803,083**	**35,708**	**2,838,791**

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

Group reconciliation of total comprehensive income for the three nine months period ended 30 September 2016

		For the three months period ended 30 September 2016			For the nine months period ended 30 September 2016		
	Note	SOCPA GAAP SAR'000	Adjustments SAR'000	IFRS SAR'000	SOCPA GAAP SAR'000	Adjustments SAR'000	IFRS SAR'000
Revenue	H	360,352	15,204	375,556	886,106	30,660	916,766
Cost of revenues	L	(242,571)	(7,801)	(250,372)	(687,260)	(15,409)	(702,669)
Gross profit		**117,781**	**7,403**	**125,184**	**198,846**	**15,251**	**214,097**
Selling and distribution expenses		(9,624)	-	(9,624)	(36,170)	-	(36,170)
Administrative expenses		(21,288)	(1,358)	(22,646)	(58,256)	(3,912)	(62,168)
Operating profit		**86,869**	**6,045**	**92,914**	**104,420**	**11,339**	**115,759**
Finance costs		(1,957)	(1,552)	(3,509)	(5,613)	(1,552)	(7,165)
Finance income	D	-	650	650	-	1,939	1,939
Other income		6,648	-	6,648	25,321	-	25,321
Share of (loss) profit of a joint venture	M	(4,245)	416	(3,829)	2,428	(436)	1,992
		87,315	5,559	92,874	126,556	11,290	137,846
Profit before zakat and non-controlling interest							
Zakat		(4,665)	-	(4,665)	(10,263)	-	(10,263)
Non-controlling interest share in net loss of a subsidiary		(223)	(740)	(963)	4,777	(1,690)	3,087
Profit for the period		**82,427**	**4,819**	**87,246**	**121,070**	**9,600**	**130,670**
Other comprehensive income							
Other comprehensive income not to be reclassified to income statement in subsequent periods:							
Net movement on Fair value movements of investments classified as fair value through other comprehensive income "FVOCI"		-	(13,292)	(13,292)	-	(16,410)	(16,410)
Net other comprehensive loss not to be reclassified to income statement in subsequent periods		-	(13,292)	(13,292)	-	(16,410)	(16,410)
Total comprehensive income for the period		**82,427**	**(8,473)**	**73,954**	**121,070**	**(6,810)**	**114,260**

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

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

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

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

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

D) Discounting of loans to joint venture
Under SOCPA GAAP, the Group loans that were provided to the joint venture at low/zero value are not discounted at present value. In accordance with the requirements of IFRS 9, these loans are recorded at fair value based on market rate of interest. Impacts on the date of transition have been taken into retained earnings in the opening statement of financial position. The unwinding effect of income on such loans has been taken to the interim consolidated statement of income for the period ended 30 September 2017 and 30 September 2016.

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

F) Investments held at fair value through other comprehensive income
Under SOCPA GAAP, equity instruments were classified as investments in available for sale securities under the investments caption. Upon transition, the Group elected the irrevocable option of classifying these investment as investments in equity instruments designated as at FVOCI.

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

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

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

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

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

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

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

K) Guarantees provided to third parties on behalf of the Group companies

The Group has issued guarantees on behalf of the Group's subsidiary and joint venture to assist in their financing facilities without any commission. Under IFRS, these are fair valued using market rate of interest and commission income on such guarantees at market rate of interest has been recorded in interim consolidated statement of income during the periods ended 30 September 2017 and 30 September 2016.

L) Discounts and free tickets

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

M) Share of profit of joint venture

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

N) Statement of cash flows

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

5 PROPERTY, PLANT AND EQUIPMENT

	30 September 2017 SAR'000	31 December 2016 SAR'000
Property, plant and equipment	**1,405,061**	1,169,897
Projects and busses in progress	**30,812**	28,900
	1,435,873	1,198,797

5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land SAR'000	*Buildings* SAR'000	*Buses, trucks and trailers* SAR'000	*Furniture and fixtures* SAR'000	*Motor vehicles* SAR'000	*Plant and Equipment* SAR'000	*Total* SAR'000
Cost							
Balance as at 1 January 2016	36,264	457,997	2,499,171	15,259	77,593	69,099	**3,155,383**
Additions during the year	-	3,109	255,891	1,237	9,637	6,764	**276,638**
Transfers during the year	-	44,079	-	201	-	4,545	**48,825**
Disposals during the year	-	-	(176,884)	-	(19,404)	-	**(196,288)**
Balance as at 31 December 2016	36,264	505,185	2,578,178	16,697	67,826	80,408	**3,284,558**
Additions during the period	54,000	1,057	291,922	1,345	13,103	3,246	**364,673**
Transfers during the period	-	-	(519,534)	-	(1,186)	-	**(520,720)**
Disposals during the period	-	7,127	(1,607)	-	1,607	3,357	**10,484**
Balance as at 30 September 2017	90,264	513,369	2,348,959	18,042	81,350	87,011	**3,138,995**

	Land SAR'000	*Buildings* SAR'000	*Buses, trucks and trailers* SAR'000	*Furniture and fixtures* SAR'000	*Motor vehicles* SAR'000	*Plant and Equipment* SAR'000	*Total* SAR'000
Accumulated depreciation							
Balance as at 1 January 2016	-	324,859	1,729,785	7,650	53,347	36,536	**2,152,177**
Depreciation during the year	-	10,308	126,324	1,453	10,340	6,270	**154,695**
Disposals during the year	-	-	(176,646)	-	(15,565)	-	**(192,211)**
Balance as at 31 December 2016	-	335,167	1,679,463	9,103	48,122	42,806	**2,114,661**
Depreciation during the period	-	8,455	114,527	1,146	7,361	5,228	**136,717**
Disposals during the period	-	-	(516,443)	-	(1,001)	-	**(517,444)**
Transfers during the period	-	-	(746)	-	746	-	-
Balance as at 30 September 2017	-	343,622	1,276,801	10,249	55,228	48,034	**1,733,934**
Net book values							
As at 30 September 2017	**90,264**	**169,747**	**1,072,158**	**7,793**	**26,122**	**38,977**	**1,405,061**
As at 31 December 2016	36,264	170,018	898,715	7,594	19,704	37,602	1,169,897

5 PROPERTY, PLANT AND EQUIPMENT (continued)

PROJECTS AND BUSES IN PROGRESS

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

	30 September 2017 SAR'000	31 December 2016 SAR'000
At the beginning of the period/year	**28,900**	57,911
Additions during the period/year	**13,797**	20,001
Movements in capital advances during the period/year	**744**	(187)
Transfers during the period/year	**(12,629)**	(48,825)
At the end of the period/year	**30,812**	28,900

6 INVESTMENT PROPERTIES

	Total SAR'000
Cost	
Balance as at 31 December 2016 and 30 September 2017	**307,122**

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

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

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

Fair values of investment properties

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

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

7 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURE

	30 September 2017 SAR'000	31 December 2016 SAR'000
Interest in joint venture (A)	**36,255**	28,541
Interest in an associate (B)	-	-
	36,255	28,541

7 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURE (continued)

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

	30 September 2017 SAR'000	31 December 2016 SAR'000
At the beginning of the period/ year	28,541	13,326
Share of profits	7,714	15,215
At the end of the period/year	36,255	28,541

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 educational transportation services, owning of buses, fleet management for other companies and the provision of transport services by automobiles. SEITCO started its operations during the third quarter of 2014. In accordance with the articles of association of SEITCO, the Company and the other investor in the joint venture have agreed to distribute profits after deduction of statutory reserves in proportion of their capital structure which is currently at 50% each respectively.

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

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

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

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

8 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	30 September 2017 SAR'000	31 December 2016 SAR'000
At the beginning of the period / year	114,552	107,837
Addition	1,015	-
Disposal	-	(1,480)
Changes in fair value	5,110	8,195
At the end of the period / year	120,677	114,552

Movement in fair values of equity instruments

	30 September 2017 SAR'000	31 December 2016 SAR'000
At the beginning of the period / year	(30,159)	(38,354)
Change in fair value	5,110	8,195
At the end of the period / year	(25,049)	(30,159)

9 TRADE AND OTHER RECEIVABLES

	30 September 2017 SAR'000	31 December 2016 SAR'000
Receivables – government and quasi government institutions	**145,341**	121,939
Receivables– private sector	**51,865**	43,912
Total trade receivables	**197,206**	165,851
Unbilled receivables	**107,070**	48,921
Employees receivables	**9,797**	9,049
Less: Allowance for impairment	**(32,801)**	(32,801)
Trade and other receivables, net	**281,272**	191,020

The Group receivables are generally non-interest bearing and are recovered within 90 days. On 30 September 2017, trade receivables with an initial carrying amount of SAR 32.8 million (31 December 2016: SAR 32.8 million) were impaired and are fully provided.

Movement in allowance for impairment:

	30 September 2017 SAR'000	31 December 2016 SAR'000
At the beginning of the period/year	**32,801**	27,355
Charge for the period/year	-	8,083
Amount written off during the period/year	-	(2,637)
At the end of the period/year	**32,801**	32,801

10 ISSUED CAPITAL

The Group's share capital at 30 September 2017 amounted to SR 1,250 million (31 December 2016: SR 1,250 million) consisting of 125 million (31 December 2016: 125 million) fully paid and issued shares of SR 10 each.

11 STATUTORY RESERVE

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

12 CONSENSUAL RESERVE

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

13 MURABAHA FINANCING

	30 September 2017 SAR'000	31 December 2016 SAR'000
Murabaha financing	**407,041**	247,373
Less: Current portion	**(192,193)**	(109,392)
Non-current portion	**214,848**	137,981

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

14 ADVANCE PAYMENT FROM A CUSTOMER

During 2015, Public Transport Company received an amount of SR 471 million as an advance payment for executing King Abdulaziz project for buses public transport in Riyadh. The advance payment represents 6% of the total contract value.

15 ZAKAT

Charge for the period

Zakat charge for the period is SR 9.4 million (30 September 2016: SR 4.8 million).

Movement in provision during the period

The movement in zakat provision is as follows:

	30 September 2017 SAR'000	31 December 2016 SAR'000
At beginning of the period/year	**17,295**	37,990
Provided during the period/year	**9,416**	12,574
Paid during the period/year	**(11,913)**	(33,269)
At the end of the period/year	**14,798**	17,295

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

16 RELATED PARTY TRANSACTIONS AND BALANCES

Subsidiary, associate and joint venture

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

		Financings provided*	Share in earnings	Services provided	Amounts owed from/to related parties
		SAR'000	*SAR'000*	*SAR'000*	*SAR'000*
Joint venture:					
Saudi Emirates Intergrated Transport Company	**30 September 2017**	-	**7,714**	**1,749**	**72,555**
	31 December 2016	40,000	15,215	1,104	71,952
Due to non-controlling interests of the subsidiary:					
RATP Development (a French company)	**30 September 2017**	-	-	**4,711**	**14,670**
	31 December 2016	-	-	12,634	8,718
RATP Dev Saudi Arabia LLC	**30 September 2017**	-	-	**19,270**	**13,148**
	31 December 2016	-	-	22,318	16,197
Total amounts due to non-controlling interests of the subsidiary:	**30 September 2017**				**27,818**
	31 December 2016				24,915

* During 2014, the Company has funded the operations of the Saudi Emirates Integrated Transport Co., Ltd. ("SEITCO") with an amount of SR 30 million. This amount is not subject to any interest and is repayable within four years effective from July 2015. However, the partners agreed on rescheduling of repayment to be started from January 2017. During the year, the partners have agreed to delay the instruments from April to November of this year.

In addition, during the second quarter of 2016, the Company has provided an additional finance amounting to SR 20 million to finance the operation of transportation contracts to government schools. This amount does not carry any interest and it will be recovered upon receiving the accruals of SEITCO.

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

Compensation of key management personnel of the Group

	30 September 2017 SAR'000	31 December 2016 SAR'000
Transactions with key management personnel		
Board and committees reimbursements and allowances	**3,263**	3,136
Compensation of key management personnel of the Group (*)	**7,536**	13,035

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	30 September 2017 SAR'000	31 December 2016 SAR'000
Short-term employee benefits	**7,237**	12,606
Post-employment benefits	**299**	429
Total compensation paid to key management personnel	**7,536**	13,035

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

17 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Nine months ended 30 September 2017	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	**Consolidated SAR'000**
Total revenues	500,948	291,270	61,650	54,794	908,662	-	**908,662**
Gross profit (loss)	87,820	82,972	(21,003)	14,162	163,951	14,186	**178,137**
Net profit/(loss)	64,138	70,221	(29,205)	13,190	118,344	(14,737)	**103,607**

Nine months ended 30 September 2016	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportation Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total revenues	557,916	247,185	61,341	50,324	916,766	-	916,766
Gross profit (loss)	124,333	108,946	(39,927)	14,672	208,024	6,073	214,097
Net profit/(loss)	79,7093	58,090	(16,729)	(19,193)	101,877	28,793	130,670

17 SEGMENT INFORMATION (continued)

At 30 September 2017	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportati on Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total assets	637,279	919,821	958,361	532,643	3,048,104	(36,310)	**3,011,794**
Total liabilities	390,852	322,701	152,655	505,704	1,371,912	(14,761)	**1,357,151**
Other disclosures:							
Property, machinery and equipment, net	512,285	747,921	175,650	17	1,435,873	-	**1,435,873**
Investments in an associate and joint venture	-	-	36,255	-	36,255	-	**36,255**

At 31 December 2016	Passenger transport SAR'000	Contracts and leasing SAR'000	Head Office SAR'000	Public Transportati on Project SAR'000	Total Segments SAR'000	Adjustments and eliminations SAR'000	Consolidated SAR'000
Total assets	511,443	734,445	1,041,970	514,278	2,802,136	(9,889)	2,792,247
Total liabilities	288,729	255,038	157,481	500,532	1,201,780	(15,267)	1,186,513
Other disclosures:							
Property, machinery and equipment, net	451,266	617,251	130,258	22	1,198,797	-	1,198,797
Investments in an associate and joint venture	-	-	28,541	-	28,541	-	28,541

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

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

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

18 FINANCIAL INSTRUMENTS - FAIR VALUES

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

Fair value hierarchy

30 September 2017	***Carryin g value*** SAR'000	***Level 1*** SAR'000	***Level 2*** SAR'000	***Level 3*** SAR'000	***Fair value total*** SAR'000
Measured at fair value:					
Investments at fair value through other comprehensive income ("FVOCI")	120,677	120,677	-	-	**120,677**

31 December 2016	*Carrying value* SAR'000	*Level 1* SAR'000	*Level 2* SAR'000	*Level 3* SAR'000	*Fair value total* SAR'000
Measured at fair value:					
Investments at fair value through other comprehensive income ("FVOCI")	114,552	114,552	-	-	114,552

18 FINANCIAL INSTRUMENTS - FAIR VALUES (continued)

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

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

19 EARNINGS PER SHARE

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

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

	For the nine months period ended 30 September	
	2017	2016
	SR	SR
Income attributable to ordinary equity holders of the parent for basic earnings	**0,83**	1,05

	For the nine months period ended 30 September	
	2017	2016
Weighted average number of ordinary shares for basic EPS	**125,000,000**	125,000,000

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

20 CAPITAL COMMITMENTS AND CONTINGENCIES

Contingencies
As at 30 September 2017, the Group's bankers have issued, on its behalf during the normal course of business, guarantees and acceptances limited to SR 817.1 million (31 December 2016: SR 800 million).

Capital commitments
The Group also has capital commitments of SR 61.5 million to purchase 50 new buses and are expected to be delivered during December 2017.

21 DIVIDENDS

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

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

22 EVENTS AFTER THE REPORTING PERIOD

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