

**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
**(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
**(A SAUDI JOINT STOCK COMPANY)**

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**FOR THE YEAR ENDED DECEMBER 31, 2012**

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## AUDITORS' REPORT

To the shareholders  
Saudi Public Transport Company - (SAPTCO)  
(A Saudi joint stock company)  
Riyadh, Kingdom of Saudi Arabia

### Scope of Audit

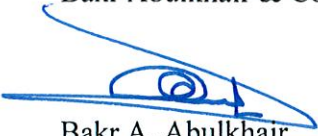
We have audited the accompanying balance sheet of Saudi Public Transport Company - (SAPTCO) (a Saudi Joint Stock Company) (the "Company") as at December 31, 2012, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 30 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Unqualified Opinion

In our opinion, the accompanying financial statements, taken as a whole, present fairly, in all material respects, the financial position of the Company as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Bylaws of the Company as these relate to the preparation and presentation of the financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.

  
Bakr A. Abulkhair  
License No. 101



Rabi Al-Thani 15, 1434  
February 25, 2013



**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
**(A SAUDI JOINT STOCK COMPANY)**

**BALANCE SHEET**  
**AS AT DECEMBER 31, 2012**

|  | Notes | 2012<br>SR'000   | 2011<br>SR'000   |
|--|-------|------------------|------------------|
| <b>ASSETS</b>  |       |                  |                  |
| <b>Current assets</b>  |       |                  |                  |
| Cash and cash equivalents  | 4     | 234,398          | 200,987          |
| Investment in Murabaha contracts   | 5     | 270,735          | 200,688          |
| Accounts receivable, net   | 6     | 68,354           | 48,389           |
| Inventory, net   | 7     | 71,203           | 74,275           |
| Prepaid expenses and other assets  | 8     | 26,200           | 29,356           |
| <b>Total current assets</b>  |       | <b>670,890</b>   | <b>553,695</b>   |
| <b>Non-current assets</b>  |       |                  |                  |
| Investments  | 9     | 88,110           | 77,175           |
| Property, machinery and equipment, net   | 10    | 1,350,762        | 1,291,958        |
| <b>Total non-current assets</b>  |       | <b>1,438,872</b> | <b>1,369,133</b> |
| <b>Total assets</b>  |       | <b>2,109,762</b> | <b>1,922,828</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |       |                  |                  |
| <b>Current liabilities</b>   |       |                  |                  |
| Accounts payable   |       | 70,654           | 38,432           |
| Current portion of Murabaha loans  | 11    | 99,353           | 59,916           |
| Accrued expenses and other liabilities   | 12    | 178,065          | 130,238          |
| Accrued dividends payable  | 13    | 75,874           | 73,778           |
| Provision for zakat  | 14    | 7,008            | 7,178            |
| <b>Total current liabilities</b>   |       | <b>430,954</b>   | <b>309,542</b>   |
| <b>Non-current liabilities</b>   |       |                  |                  |
| Non-current portion of Murabaha loans  | 11    | 122,354          | 72,373           |
| Deferred revenues  |       | 3,238            | 3,765            |
| End of service indemnities   | 15    | 96,274           | 88,827           |
| <b>Total non-current liabilities</b>   |       | <b>221,866</b>   | <b>164,965</b>   |
| <b>Total liabilities</b>   |       | <b>652,820</b>   | <b>474,507</b>   |
| <b>Shareholders' equity</b>  |       |                  |                  |
| Share capital  | 1     | 1,250,000        | 1,250,000        |
| Statutory reserve  | 16    | 118,199          | 110,816          |
| Contractual reserve  | 17    | 25,872           | 25,646           |
| Retained earnings  |       | 62,755           | 60,836           |
| Unrealized gains from revaluation of investments in available<br>for sale securities | 9     | 116              | 1,023            |
| <b>Total shareholders' equity</b>  |       | <b>1,456,942</b> | <b>1,448,321</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                    |       | <b>2,109,762</b> | <b>1,922,828</b> |

The accompanying notes form an integral part of these financial statements

**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
**(A SAUDI JOINT STOCK COMPANY)**

**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | Notes | 2012<br>SR'000 | 2011<br>SR'000 |
|---|-------|----------------|----------------|
| Revenues  | 19    | 914,931        | 809,970        |
| Cost of revenues                                | 20    | (754,346)      | (669,349)      |
| <b>Gross profit</b>                             |       | <b>160,585</b> | <b>140,621</b> |
| Selling and marketing expenses                  | 21    | (36,785)       | (31,184)       |
| General and administrative expenses             | 22    | (73,995)       | (51,815)       |
| <b>Income from operations</b>                   |       | <b>49,805</b>  | <b>57,622</b>  |
| Gain from investments in Murabaha contracts     |       | 4,971          | 1,754          |
| Finance expenses                                |       | (4,085)        | (2,406)        |
| Other income, net                               | 23    | 26,034         | 10,815         |
| <b>Income before zakat</b>                      |       | <b>76,725</b>  | <b>67,785</b>  |
| Zakat   | 14    | (2,897)        | (2,512)        |
| <b>NET INCOME</b>                               |       | <b>73,828</b>  | <b>65,273</b>  |
| <b>Basic earnings per share (Saudi Riyals):</b> | 24    |                |                |
| From income from operations                     |       | 0.40           | 0.46           |
| From net income                                 |       | 0.59           | 0.52           |

The accompanying notes form an integral part of these financial statements



**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | 2012<br>SR'000   | 2011<br>SR'000   |
|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                  |                  |
| Income before zakat   | 76,725           | 67,785           |
| Adjustments:  |                  |                  |
| Depreciation  | 170,826          | 149,645          |
| Provision for doubtful debts  | 7,500            | 3,703            |
| Provision for slow moving inventory   | 5,000            | 4,210            |
| End-of-service indemnities  | 19,881           | 13,645           |
| Company's share in profits of an associated company                               | -                | (942)            |
| Gains from disposal of property, machinery and equipment                          | (1,643)          | (1,469)          |
| Gains from sale of investments in available for sale securities                   | (12,090)         | -                |
| <b>Operating income before changes in working capital</b>                         | <b>266,199</b>   | <b>236,577</b>   |
| <b>Changes in working capital:</b>  |                  |                  |
| Accounts receivable   | (26,983)         | 17,350           |
| Inventory   | (1,928)          | (2,676)          |
| Prepaid expenses and other assets   | 2,674            | (2,137)          |
| Accounts payable  | 32,222           | 12,365           |
| Accrued expenses and other liabilities  | 46,027           | 21,939           |
| Cash from operations  | 318,211          | 283,418          |
| Deferred revenues, net  | (527)            | (360)            |
| End-of-service indemnities paid   | (12,434)         | (7,631)          |
| Zakat paid  | (3,067)          | (1,953)          |
| <b>Net cash from operating activities</b>   | <b>302,183</b>   | <b>273,474</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                  |                  |
| Investments in Murabaha contracts   | (70,047)         | (200,688)        |
| Additions to property, machinery and equipment                                    | (232,455)        | (275,134)        |
| Proceeds from sale of property, machinery and equipment                           | 4,468            | 3,307            |
| Proceeds from sale of investments in available for sale securities                | 80,248           | -                |
| Investments in available for sale securities                                      | (80,000)         | (12,000)         |
| <b>Net cash used in investing activities</b>                                      | <b>(297,786)</b> | <b>(484,515)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                  |                  |
| Dividends paid  | (60,404)         | (59,745)         |
| Proceeds from Murabaha loans, net   | 89,418           | 81,393           |
| <b>Net cash from financing activities</b>   | <b>29,014</b>    | <b>21,648</b>    |
| Net change in cash and cash equivalents during the year                           | 33,411           | (189,393)        |
| Cash and cash equivalents, beginning of the year                                  | 200,987          | 390,380          |
| <b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>                                 | <b>234,398</b>   | <b>200,987</b>   |
| <b>Non-cash transactions:</b>   |                  |                  |
| Transfer from retained earnings to statutory reserve (Note 16)                    | 7,383            | -                |
| Transfer from retained earnings to contractual reserve (Note 17)                  | 3,691            | -                |
| Transfer from contractual reserve to retained earnings (Note 17)                  | 3,465            | -                |
| Net change in fair value of investments in available for sale securities (Note 9) | 907              | 1,823            |

The accompanying notes form an integral part of these financial statements

**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
(A SAUDI JOINT STOCK COMPANY)

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | Notes | Share capital<br>SR'000 | Statutory reserve<br>SR'000 | Contractual reserve<br>SR'000 | Retained earnings<br>SR'000 | Unrealized gains on revaluation of investments in available for sale securities<br>SR'000 | Total<br>SR'000 |
|---|-------|-------------------------|-----------------------------|-------------------------------|-----------------------------|---|-----------------|
| Balance at January 1, 2011  |       | 1,250,000               | 104,289                     | 22,382                        | 69,654                      | (776)   | 1,445,549       |
| Net Income for the year   |       | -                       | -                           | -                             | 65,273                      | -   | 65,273          |
| Transfer to statutory reserve   | 16    | -                       | 6,527                       | -                             | (6,527)                     | -   | -               |
| Transfer to contractual reserve   | 17    | -                       | -                           | 3,264                         | (3,264)                     | -   | -               |
| Dividends   | 18    | -                       | -                           | -                             | (62,500)                    | -   | (62,500)        |
| Board of directors' remunerations   | 18    | -                       | -                           | -                             | (1,800)                     | -   | (1,800)         |
| Unrealized gains on revaluation of investments in available for sale securities | 9(a)  | -                       | -                           | -                             | -                           | 1,799   | 1,799           |
| Balance at 31 December 2011   |       | 1,250,000               | 110,816                     | 25,646                        | 60,836                      | 1,023   | 1,448,321       |
| Transfer from contractual reserve   | 17    | -                       | -                           | (3,465)                       | 3,465                       | -   | -               |
| Dividends   | 18    | -                       | -                           | -                             | (62,500)                    | -   | (62,500)        |
| Board of directors' remunerations   | 18    | -                       | -                           | -                             | (1,800)                     | -   | (1,800)         |
| Net income for the year   |       | -                       | -                           | -                             | 73,828                      | -   | 73,828          |
| Transfer to statutory reserve   | 16    | -                       | 7,383                       | -                             | (7,383)                     | -   | -               |
| Transfer to contractual reserve   | 17    | -                       | -                           | 3,691                         | (3,691)                     | -   | -               |
| Unrealized loss on revaluation of investments in available for sale securities  | 9(a)  | -                       | -                           | -                             | -                           | (907)   | (907)           |
| Balance at 31 December 2012   |       | 1,250,000               | 118,199                     | 25,872                        | 62,755                      | 116   | 1,456,942       |

The accompanying notes form an integral part of these financial statements



**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**1. ORGANIZATION AND ACTIVITY**

Saudi Public Transport Company “The Company” is a Saudi Joint Stock Company formed under the Royal Decree No. M/11, dated Rabi Al Awal 7, 1399H (corresponding to February 5, 1979). The formation was declared pursuant to the resolution of his Excellency, the Minister of Commerce, No. 254, dated Sha’ban 14, 1399H (corresponding to July 9, 1979) under commercial registration number 1010024335 dated Ramadan 5, 1399H (corresponding to July 29, 1979).

The Council of Ministers in its resolution No. 57 issued on Jumada Al Thani 1, 1414H (corresponding to November 15, 1993) approved the renewal of the franchise contract signed between the Government and the Saudi Public Transport Company, whereby the Company commits to carry passengers by buses according to the commitment contract signed between the Company and the Ministry of Transportation and issued in accordance with Royal Decree (M/48) dated Dhul Hijja 22, 1399H for a period of fifteen years starting from Rajab 1, 1414H. On Jumada Al Awal 21, 1429H, the commitment contract was renewed for another five-year renewable period starting from Rajab 1, 1429H (corresponding to July 4, 2008).

The share capital of the Company is SR 1,250 million divided into 125 million ordinary nominal cash shares of SR 10 each.

The Company and its branches are engaged in passenger public road network transportation in the Kingdom inside and outside the cities and outside the Kingdom, as well as transferring of non-postal parcels, cargo, school transport, teachers transport, car rental, sand and gravel transport, operating and maintaining trains, metro, cars, and trucks, organizing tours and transporting pilgrims and visitors inside and outside the Kingdom, and importing spare parts and chemical detergents for vehicles.

These accompanying financial statements include the accounts of the Company and its branches. The fiscal year of the Company starts from the beginning of January and ends at the end of December of every Gregorian year according to the Company’s Bylaws.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted by the Company are as follows:

**Accounting convention**

The financial statements, expressed in Saudi Riyals, are prepared under the historical cost convention except for the investments in available for sale securities which are presented at fair value.



**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of estimates**

The preparation of the financial statements in conformity with the generally accepted accounting standards requires the use of estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions at the date of issuance of the financial statements, actual results may ultimately differ from those estimates.

**Cash and cash equivalents**

Cash and cash equivalents consist of bank balances, cash on hand, and Murabaha investments that are readily convertible into known amounts of cash and have a maturity of three months or less from purchase date.

**Inventory**

Inventories consist of spare parts and are stated at cost. Cost is determined using the weighted average basis. Material repair costs of spare parts are capitalized. An appropriate provision is provided for any obsolete or slow moving items or decline in value, if any.

**Accounts receivable**

Accounts receivable are stated at their estimated net realizable value after establishing an appropriate allowance for doubtful debts. An estimate for the allowance is done when the amounts' collection is no longer probable and are written off when deemed uncollectible.

**Property, machinery and equipment**

Property, machinery and equipment, except for land, are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful life of the principal classes of assets are as follows:

|                            | <i><u>Years</u></i> |
|----------------------------|---------------------|
| Buildings                  | 33                  |
| Buses, trucks and trailers | 6 – 10              |
| Machinery and equipment    | 5 – 20              |
| Betterment                 | 3                   |
| Motor vehicles             | 3 – 6               |
| Furniture and fixtures     | 3 – 10              |

Gain or loss from disposal of assets, which represents the difference between the proceeds from disposal and the net book value of the assets, is recognized in the statement of income.

**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

*(a) Investments in available for sale securities*

Investments bought neither with the intention of being held to maturity nor for trading purposes, are classified as investments in available for sale securities and stated at fair value and are included under non-current assets unless there is intention to sell them in the next fiscal year. Unrealized gains or losses on revaluation at fair value of these investments are recorded in the statement of changes in shareholders' equity. Other than temporary decline in the value of investments is charged to the statement of income. Income from investments is recognized when declared.

Fair value is determined by reference to the market value if an open market exists or on the basis of other alternative methods; otherwise, cost is considered to be the fair value. Where partial investment holdings are sold, the weighted average method is used to determine the cost.

*(b) Investments in an associated company*

Investments, where the Company holds between 20% to 50% of equity interest and it exercises significant control over the investee, are accounted for using the equity method of accounting, under which the investment's current value is adjusted thereafter for the post acquisition change in the Company's share of the net assets of the investee. These adjustments are included in the statement of income.

**Accounts payable and accrued expenses and other liabilities**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed by the suppliers.

**Impairment in assets' value**

The Company regularly reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of income.



**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Islamic Murabaha contracts**

Murabaha costs relating to the property, machinery and equipment acquired under Islamic Murabaha contracts, are shown as deferred Murabaha loan commissions and are amortized over the period of the Murabaha contract, as per the practices followed with respect to Islamic Murabaha transactions in the Kingdom of Saudi Arabia.

**Revenue recognition**

Revenues from transportation are recognized when services are rendered to the customers. Revenues from rent and contracts are recognized evenly over the terms of these agreements and contracts. Other income is recognized when earned.

**Expenses**

Marketing expenses consist mainly from expenses related to the commission of the sales agents advertising and promotions and other marketing expenses as well as the provision for doubtful debts. All other operating expenses are classified as general and administration expenses.

**Deferred income**

Deferred income represents the fair market value of the buses and equipment granted to the Company, and is amortized using the straight-line method over the estimated useful life.

**Operating leases**

Rental value under operating leases is charged using straight line method over the term of the lease to the statement of income.

**Buses, trucks and trailers renovation costs**

All costs associated with the renovation of buses, trucks and trailers are capitalized and included in the cost of the renovated buses, trucks and trailers.

Buses, trucks and trailers renovation costs are depreciated from their date of operating using equal annual installments over their expected remaining useful lives.

**Foreign currency translation**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

**End-of-service indemnities**

End-of-service indemnities are provided in the financial statements in accordance with the requirements of Saudi Arabian labor law based on the employees' length of service in the Company.



**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Zakat**

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The Zakat charge is computed based on the Zakat base. Any difference in the estimate is recorded when the final assessment is approved at which time the provision is cleared.

**Segment information**

A segment is a main part of the Company that either provides certain services (business segment) or provides services in a certain economic environment, whereby its gains and losses vary from those of other segments. The Company uses business segment only since it operates most of its activities in the Kingdom of Saudi Arabia.

**3. BUSINESS RESULTS AND SEASONAL EFFECTS**

The Company's revenues are affected by the seasons in which the operation levels increase such as during the periods of Hajj, summer vacation, Holy month of Ramadan and holidays.

During the year 2011 and in conjunction with the Royal Decree to pay two-month salary to the government employees, the Company's Board of Directors resolved to pay two-month salary to its Saudi employees in the amount of SR 11.6 million of which an amount of SR 10.5 million has been charged to direct costs and SR 1.1 million has been charged to general and administrative expenses during the year ended December 31, 2011.

**4. CASH AND CASH EQUIVALENTS**

|                     | <b>2012</b>    | <b>2011</b>    |
|---------------------|----------------|----------------|
|                     | <b>SR'000</b>  | <b>SR'000</b>  |
| Cash on hand        | <b>881</b>     | <b>777</b>     |
| Bank balances       | <b>133,282</b> | <b>100,080</b> |
| Short-term Murabaha | <b>100,235</b> | <b>100,130</b> |
|                     | <b>234,398</b> | <b>200,987</b> |

**5. INVESTMENT IN MURABAHA CONTRACTS**

This caption represents the amount invested in Murabaha contracts with local banks in addition to related accrued income as at December 31 noting that the maturity of Murabaha contracts are more than 3 months from the date of acquisition.

**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**6. ACCOUNTS RECEIVABLE, NET**

|   | <b>2012</b>     | <b>2011</b>   |
|---|-----------------|---------------|
|   | <b>SR'000</b>   | <b>SR'000</b> |
| Account receivables - Government and semi-government institutions | <b>41,651</b>   | 24,172        |
| Account receivables - Private sector                              | <b>40,404</b>   | 30,900        |
|   | <b>82,055</b>   | 55,072        |
| Less: provision for doubtful debts                                | <b>(13,701)</b> | (6,683)       |
|   | <b>68,354</b>   | 48,389        |

The movement of provision for doubtful debts for the year ended December 31 is as follows:

|                        | <b>2012</b>   | <b>2011</b>   |
|------------------------|---------------|---------------|
|                        | <b>SR'000</b> | <b>SR'000</b> |
| Beginning of the year  | <b>6,683</b>  | 3,341         |
| Provision for the year | <b>7,018</b>  | 3,342         |
| End of the year        | <b>13,701</b> | 6,683         |

**7. INVENTORY, NET**

|   | <b>2012</b>     | <b>2011</b>   |
|---|-----------------|---------------|
|   | <b>SR'000</b>   | <b>SR'000</b> |
| Spare part inventory                      | <b>92,110</b>   | 90,182        |
| Less: Provision for slow moving inventory | <b>(20,907)</b> | (15,907)      |
|   | <b>71,203</b>   | 74,275        |

The movement of the provision for slow moving inventory for the year ended December 31 is as follows:

|                        | <b>2012</b>   | <b>2011</b>   |
|------------------------|---------------|---------------|
|                        | <b>SR'000</b> | <b>SR'000</b> |
| Beginning of the year  | <b>15,907</b> | 11,697        |
| Provision for the year | <b>5,000</b>  | 4,210         |
| End of the year        | <b>20,907</b> | 15,907        |

**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**8. PREPAID EXPENSES AND OTHER ASSETS**

|                                    | 2012<br>SR'000 | 2011<br>SR'000 |
|------------------------------------|----------------|----------------|
| Other receivables                  | 9,467          | 9,209          |
| Advance payments to suppliers      | 7,764          | 12,687         |
| Loans and employees' receivables   | 7,413          | 5,036          |
| Prepaid rents                      | 3,695          | 3,582          |
| Cash deposits                      | 1,545          | 1,733          |
| Letters of credit                  | 41             | 352            |
|                                    | 29,925         | 32,599         |
| Less: provision for doubtful debts | (3,725)        | (3,243)        |
|                                    | 26,200         | 29,356         |

**9. INVESTMENTS**

|   | 2012<br>SR'000 | 2011<br>SR'000 |
|---|----------------|----------------|
| Investments in available for sale securities(a) | 80,116         | 69,181         |
| Investment in associated company (b)            | 7,994          | 7,994          |
|   | 88,110         | 77,175         |

(a) The movement of investments in available for sale securities is summarized as follows:

|  | 2012<br>SR'000 | 2011<br>SR'000 |
|--|----------------|----------------|
| <b><u>Cost:</u></b>                            |                |                |
| Beginning of the year                          | 68,158         | 56,158         |
| Additions                                      | 80,000         | 12,000         |
| Disposals                                      | (68,158)       | -              |
| End of the year                                | 80,000         | 68,158         |
|  | 2012<br>SR'000 | 2011<br>SR'000 |
| <b><u>Unrealized gains on revaluation:</u></b> |                |                |
| Beginning of the year                          | 1,023          | (776)          |
| Fair value adjustment                          | (907)          | 1,799          |
| End of the year                                | 116            | 1,023          |
| Net book value at end of the year              | 80,116         | 69,181         |



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**9. INVESTMENTS (Continued)**

(b) The movement of the investment in an associated company is summarized as follows:

|   | <b>2012</b>   | <b>2011</b>   |
|---|---------------|---------------|
|   | <b>SR'000</b> | <b>SR'000</b> |
| Beginning of the year                     | <b>7,994</b>  | 7,052         |
| Share in profits of an associated Company | -             | 942           |
| End of the year                           | <b>7,994</b>  | 7,994         |

Investments in an associated company represented the Company's 40% share in the Saudi Bahraini Transport Company, a limited liability company registered in Kingdom of Saudi Arabia. Investment in this Company is accounted for using the equity method based on the availability of the latest financial statements. No financial statements were issued for the associated company for the years 2011 and 2012.

**SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**10. PROPERTY, MACHINERY AND EQUIPMENT, NET**

|                                 | Land<br>SR'000 | Buildings<br>SR'000 | Buses &<br>Trucks &<br>Trailers<br>SR'000 | Machinery<br>&<br>equipment<br>SR'000 | Furniture<br>&<br>fixtures<br>SR'000 | Motor<br>vehicles<br>SR'000 | Project<br>buildings &<br>buses in<br>progress<br>SR'000 | Total<br>SR'000  |
|---------------------------------|----------------|---------------------|---|---------------------------------------|--------------------------------------|-----------------------------|--|------------------|
| <b>Cost</b>                     |                |                     |   |                                       |                                      |                             |  |                  |
| January 1, 2012                 | 355,782        | 439,251             | 2,295,456                                 | 114,222                               | 16,470                               | 44,858                      | 447  | 3,266,486        |
| Additions                       | -              | 3,435               | 204,858                                   | 4,221                                 | 1,077                                | 15,332                      | 3,532  | 232,455          |
| Disposals                       | -              | -                   | -   | (2,056)                               | (1,025)                              | (7,200)                     | -  | (10,281)         |
| Transfers                       | -              | 2,725               | -   | 108                                   | -                                    | -                           | (2,833)  | -                |
| <b>December 31, 2012</b>        | <b>355,782</b> | <b>445,411</b>      | <b>2,500,314</b>                          | <b>116,495</b>                        | <b>16,522</b>                        | <b>52,990</b>               | <b>1,146</b>   | <b>3,488,660</b> |
| <b>Accumulated depreciation</b> |                |                     |   |                                       |                                      |                             |  |                  |
| January 1, 2012                 | -              | 287,914             | 1,592,701                                 | 55,876                                | 10,350                               | 27,687                      | -  | 1,974,528        |
| Charge for the year             | -              | 10,788              | 143,262                                   | 8,505                                 | 947                                  | 7,324                       | -  | 170,826          |
| Disposals                       | -              | -                   | -   | (2,022)                               | (1,009)                              | (4,425)                     | -  | (7,456)          |
| <b>December 31, 2012</b>        | <b>-</b>       | <b>298,702</b>      | <b>1,735,963</b>                          | <b>62,359</b>                         | <b>10,288</b>                        | <b>30,586</b>               | <b>-</b>   | <b>2,137,898</b> |
| <b>Net book value</b>           |                |                     |   |                                       |                                      |                             |  |                  |
| At December 31, 2012            | <b>355,782</b> | <b>146,709</b>      | <b>764,351</b>                            | <b>54,136</b>                         | <b>6,234</b>                         | <b>22,404</b>               | <b>1,146</b>   | <b>1,350,762</b> |
| At December 31, 2011            | 355,782        | 151,337             | 702,755                                   | 58,346                                | 6,120                                | 17,171                      | 447  | 1,291,958        |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**11. MURABAHA LOANS**

The Company obtained banking facilities that are in conformity with Islamic Shariah law from a local commercial bank in the form of Murabaha loans to finance the purchase of buses, in addition to letters of credit and letters of guarantees. These facilities are secured by promissory notes. The Company signed two Murabaha loans agreements on August 19, 2009 and August 15, 2011 which are repayable over 3 years from the date of each agreement. Furthermore, the Company signed an agreement on May 6, 2012 repayable till April 30, 2013. Murabaha costs are charged based on rates prevailing for Murabaha transactions in the Kingdom of Saudi Arabia.

Following are the details of the loans:

|                               | 2012<br>SR'000 | 2011<br>SR'000 |
|-------------------------------|----------------|----------------|
| <b>Current portion</b>        |                |                |
| Total loans' amount           | 103,029        | 62,930         |
| Deferred Murabaha commissions | (3,676)        | (3,014)        |
|                               | <u>99,353</u>  | <u>59,916</u>  |
| <b>Non-current portion</b>    |                |                |
| Total loans' amount           | 126,905        | 75,256         |
| Deferred Murabaha commissions | (4,551)        | (2,883)        |
|                               | <u>122,354</u> | <u>72,373</u>  |
|                               | <u>221,707</u> | <u>132,289</u> |

**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

|  | 2012<br>SR'000 | 2011<br>SR'000 |
|--|----------------|----------------|
| Accrued expenses                           | 76,472         | 58,717         |
| Accrued insurance                          | 61,064         | 43,254         |
| Advanced revenues                          | 22,495         | 14,134         |
| Suppliers' performance guarantee retention | 5,855          | 6,690          |
| Other                                      | 12,179         | 7,443          |
|  | <u>178,065</u> | <u>130,238</u> |

**13. ACCRUED DIVIDENDS PAYABLE**

This caption represents dividends declared in prior years and amounts accrued to the shareholders relating to the shares issued in prior years. These amounts have not yet been claimed by the respective shareholders up to the date of these financial statements.



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
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**14. ZAKAT**

Zakat for the year is calculated as follows:

|  | 2012<br>SR'000   | 2011<br>SR'000   |
|--|------------------|------------------|
| Shareholders' equity                                 | 1,382,994        | 1,376,671        |
| Beginning of period provisions and other adjustments | 287,558          | 243,456          |
| Book value of long-term assets                       | (1,991,502)      | (1,888,280)      |
|  | <u>(320,950)</u> | <u>(268,153)</u> |
| Income for the year subject to Zakat                 | 115,880          | 100,484          |
| Zakat base   | <u>115,880</u>   | <u>100,484</u>   |

The differences between the income as per the financial statements and the income subject to zakat mainly resulted from provisions which are not allowed in the calculation of income subject to zakat.

The Movement in Zakat provision for the year ended December 31 is as follows:

|                           | 2012<br>SR'000 | 2011<br>SR'000 |
|---------------------------|----------------|----------------|
| Beginning of the year     | 7,178          | 6,619          |
| Provision during the year | 2,897          | 2,512          |
| Paid during the year      | (3,067)        | (1,953)        |
| End of the year           | <u>7,008</u>   | <u>7,178</u>   |

The Company obtained zakat certificates up to year 2004. The Company filed the zakat returns for the years from 2005 to 2011 and settled the related zakat dues accordingly. The final zakat assessments for the said years have not yet been received till the date of issuance of these financial statements.

**15. END OF SERVICE INDEMNITIES**

The movement for end of service indemnities for the year ended December 31 is as follows:

|                           | 2012<br>SR'000 | 2011<br>SR'000 |
|---------------------------|----------------|----------------|
| Beginning of the year     | 88,827         | 82,813         |
| Provision during the year | 19,881         | 13,645         |
| Paid during the year      | (12,434)       | (7,631)        |
| End of the year           | <u>96,274</u>  | <u>88,827</u>  |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**16. STATUTORY RESERVE**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Bylaws, the Company establishes a statutory reserve by the appropriation of 10% of the net income for the year until this reserve equals 50% of the share capital. This statutory reserve is not available for dividend distribution.

**17. CONTRACTUAL RESERVE**

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

The Board of Directors resolved in their meeting held on Rabi Al Thani 26, 1433H (corresponding to March 19, 2012) to transfer an amount of SR 3,464,950 from the contractual reserve to retained earnings for the Company to distribute dividends to shareholders for the fiscal year 2011.

**18. DIVIDENDS**

The Company's Board of Directors proposed in their meeting held on Rabi Al-Awal 27, 1433H (corresponding to February 19, 2012) to distribute dividends to the shareholders in the amount of SR 62.5 million equivalent to 50 Halalas per share. Additionally, the Board of Directors proposed paying to its members a remuneration amounting to SR 1.8 million.

The General Assembly approved the Board of Directors' proposals mentioned above on Jumada Al-Awal 9, 1433H (corresponding to April 1, 2012).

The Company's Board of Directors proposed in their meeting held on Safar 19, 1432H (corresponding to January 23, 2011) to distribute dividends to the shareholders in the amount of SR 62.5 million equivalent to 50 Halalas per share. Additionally, the Board of Directors proposed in their meeting held on Rabi Al-Awal 13, 1432 H (corresponding to February 16, 2011) paying to its members a remuneration amounting to SR 1.8 million.

The General Assembly approved the Board of Directors' proposals mentioned above on Rabi Al-Thani 29, 1432H (corresponding to April 3, 2011).

**19. REVENUES**

|                       | 2012<br>SR'000 | 2011<br>SR'000 |
|-----------------------|----------------|----------------|
| Passenger transport   | 615,736        | 550,351        |
| Contracts and leasing | 248,959        | 238,581        |
| Head office           | 50,236         | 21,038         |
|                       | <u>914,931</u> | <u>809,970</u> |



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**20. COST OF REVENUES**

|                                     | 2012<br>SR'000 | 2011<br>SR'000 |
|-------------------------------------|----------------|----------------|
| Salaries and benefits               | 312,469        | 286,993        |
| Depreciation (Note 10)              | 168,485        | 147,445        |
| Maintenance and repairs             | 137,848        | 131,665        |
| Contractual services                | 30,090         | 27,581         |
| Insurance                           | 34,637         | 20,582         |
| General services                    | 16,871         | 14,876         |
| Passenger services                  | 13,703         | 13,188         |
| Rentals                             | 11,154         | 12,422         |
| Visa fees                           | 16,613         | 7,362          |
| Provision for slow moving inventory | 5,000          | 4,210          |
| Other                               | 7,476          | 3,025          |
|                                     | <b>754,346</b> | <b>669,349</b> |

**21. SELLING AND MARKETING EXPENSES**

|                                   | 2012<br>SR'000 | 2011<br>SR'000 |
|-----------------------------------|----------------|----------------|
| Local agents' commissions         | 21,522         | 19,662         |
| Provision for doubtful debts      | 7,500          | 3,703          |
| International agents' commissions | 4,183          | 4,210          |
| Publicity and promotions          | 2,002          | 1,409          |
| Advertising                       | 1,578          | 2,200          |
|                                   | <b>36,785</b>  | <b>31,184</b>  |

**22. GENERAL AND ADMINISTRATION EXPENSES**

|   | 2012<br>SR'000 | 2011<br>SR'000 |
|---|----------------|----------------|
| Salaries and related                          | 36,328         | 32,224         |
| Consulting fees                               | 27,632         | 10,474         |
| Depreciation (Note 10)                        | 2,341          | 2,200          |
| Rent  | 1,752          | 1,673          |
| Maintenance and facilities' cleaning expenses | 1,686          | 1,252          |
| Telephone, electricity and water              | 926            | 891            |
| Board of Directors' expenses                  | 868            | 799            |
| Committees' membership remuneration           | 318            | 275            |
| Other   | 2,144          | 2,027          |
|   | <b>73,995</b>  | <b>51,815</b>  |



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**23. OTHER INCOME, NET**

|   | 2012<br>SR'000 | 2011<br>SR'000 |
|---|----------------|----------------|
| Gains on sale of investments in available for sale securities | 12,090         | -              |
| Income from insurance claims                                  | 4,000          | -              |
| Penalties from suppliers                                      | 2,628          | 3,786          |
| Rental income   | 1,929          | 1,602          |
| Gains on disposal of property, machinery and equipment, net   | 1,643          | 1,469          |
| Gain on sale of scrap   | 1,359          | 949            |
| Company's share in profits of an associated company           | -              | 942            |
| Other   | 2,385          | 2,067          |
|   | <b>26,034</b>  | <b>10,815</b>  |

**24. EARNINGS PER SHARE**

Earnings per share attributable to income from operations and net income for the year ended December 31, 2012, is calculated on the basis of income from operations and net income for the year divided by the weighted average number of shares amounting to 125 million shares (2011: 125 million shares) (Note 1).

**25. CONTINGENT LIABILITIES**

As at December 31, 2012, the Company has contingent liabilities in the form of letters of guarantee and acceptances issued by banks with whom the Company conducts business with, on its behalf, and during the normal course of business, with a maximum limit of SR 1.5 million (2011: SR 1.7 million).

**26. SEGMENT INFORMATION**

The Company's operating activities are mainly conducted inside the Kingdom of Saudi Arabia, and in accordance with the resources' allocation policy, the Company has three main operating segments as follows:

**- Passenger Transport segment**

Includes scheduled transport services which consists of passenger buses transport between and inside the cities of the Kingdom of Saudi Arabia, as well as international transport services which is considered the major segment of the Company.

**- Contracts and Leasing segment**

Includes transport services through lease agreements signed between the Company and others either Governmental or Non-governmental parties inside and outside the Kingdom.

**- Head Office segment**

Includes the headquarter of the Company and the financial information attributable to the activities of the support units and activities under establishment.

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**26. SEGMENT INFORMATION (Continued)**

The following are the selected financial information for these segments for the two years ended December 31, 2012 and 2011 represented in the following operating segments:

|  | Passenger<br>transport<br>SR'000 | Contracts and<br>leasing<br>SR'000 | Head<br>Office<br>SR'000 | Total<br>SR'000 |
|--|----------------------------------|------------------------------------|--------------------------|-----------------|
| <b><u>December 31, 2012</u></b>        |                                  |                                    |                          |                 |
| Revenues                               | 615,736                          | 248,959                            | 50,236                   | 914,931         |
| Gross profit (loss)                    | 121,469                          | 49,847                             | (10,731)                 | 160,585         |
| Property, machinery and equipment, net | 484,512                          | 398,979                            | 467,271                  | 1,350,762       |
| Total assets                           | 551,199                          | 491,853                            | 1,066,710                | 2,109,762       |
| Total liabilities                      | 305,196                          | 232,111                            | 115,513                  | 652,820         |
| <b><u>December 31, 2011</u></b>        |                                  |                                    |                          |                 |
| Revenues                               | 550,351                          | 238,581                            | 21,038                   | 809,970         |
| Gross profit (loss)                    | 90,039                           | 55,667                             | (5,085)                  | 140,621         |
| Property, machinery and equipment, net | 439,039                          | 395,443                            | 457,476                  | 1,291,958       |
| Total assets                           | 498,893                          | 483,320                            | 940,615                  | 1,922,828       |
| Total liabilities                      | 237,782                          | 123,116                            | 113,609                  | 474,507         |

**27. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND FAIR VALUE**

Financial instruments included in the balance sheet comprise mainly of cash and cash equivalents, accounts receivable and other assets, accounts payable, Murabaha term loans and other liabilities.

***Commission rate risk***

Commission rate risk represents risk of fluctuation in the financial instruments value due to fluctuations in the prevailing market commission rates. The Company is subject to commission rate risk on its commission bearing assets and liabilities, including Islamic Murabaha deposits and loans.

***Credit risk***

Credit risk is the risk that a party will fail to fulfill its obligations which causes the other party to incur a financial loss. The Company seeks to limit its credit risk with respect to agents by setting credit limits for each agent and monitoring outstanding receivables. At the balance sheet date, no significant concentrations of credit risks were identified by management, except for transactions with governmental parties.

The Company is exposed to passenger transportation activity risk which is affected by the increase in properties' insurance cost resulting from the increase in casualties' claims. The Company estimates the cost of buses' damages and passengers' claims and records it in the accrued expenses' accounts until its payment.



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**27. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND FAIR VALUE (Continued)**

***Liquidity risk***

It represents risk faced by the Company to have cash to meet its obligations related to its financial instruments. Liquidity risk occurs when the Company is unable to sell a financial asset for an amount which approximates its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

***Foreign currency risk***

It represents the risks that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company undertakes in the normal course of its business transactions in Saudi Riyals, US Dollars and Euros. The Euros is subject to higher exchange fluctuations than US Dollars. The Company has no significant receivables or payables balances in Euros at the end of the year.

***Fair value***

It represents the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties on arms' length basis. Since the Company's financial statements are prepared based on the historical cost convention, except for investment in available for sale securities which are shown at fair value, differences may arise between the book value and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

**28. SUBSEQUENT EVENTS**

The Board of Directors of Saudi Public Transport Company – (SAPTCO) proposed on Safar 24, 1434 H (corresponding to January 6, 2013) to distribute 50 Halala per share cash dividends to the shareholders for the financial year 2012.

**29. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on February 25, 2013.

**30. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation in the current year.