

**SAUDI PUBLIC TRANSPORT COMPANY**  
A SAUDI JOINT STOCK COMPANY

**INTERIM FINANCIAL STATEMENTS AND  
LIMITED REVIEW REPORT  
FOR THE THREE AND NINE-MONTH PERIODS ENDED  
SEPTEMBER 30, 2012**

**SAUDI PUBLIC TRANSPORT COMPANY**  
A SAUDI JOINT STOCK COMPANY

**INTERIM FINANCIAL STATEMENTS AND LIMITED REVIEW REPORT**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

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## **LIMITED REVIEW REPORT**

To the shareholders  
Saudi Public Transport Company  
(A Saudi Joint Stock Company)  
Riyadh, Saudi Arabia

### **Scope of Review**

We have reviewed the accompanying interim balance sheet of **Saudi Public Transport Company** (a Saudi joint stock company) (the “Company”) as at September 30, 2012 and the related interim statement of income for the three and nine-month periods ended September 30, 2012, and the interim statement of cash flows for the nine-month period then ended including the notes 1 to 15 which form an integral part of these interim financial statements as prepared by the Company. These interim financial statements are the responsibility of the Company’s management and submitted to us with all the necessary information and explanations which we required.

We conducted our limited review in accordance with the standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. The limited review consists principally of applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. The scope of the limited review is less than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### **Review Result**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Deloitte & Touche  
Bakr Abulhair & Co.

Bakr A. Abulhair  
License No. 101  
Dhual Qa’dah 30, 1433  
October 16, 2012

**SAUDI PUBLIC TRANSPORT COMPANY**  
A SAUDI JOINT STOCK COMPANY

**INTERIM BALANCE SHEET (Unaudited)**  
**AS AT SEPTEMBER 30, 2012**

	Notes	2012 SR'000	2011 SR'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	245,320	322,793
Investments in Murabaha contracts		201,858	-
Accounts receivable, net		69,343	51,273
Inventories, net		81,827	83,553
Prepaid expenses and other assets		31,675	100,841
<b>Total current assets</b>		<b>630,023</b>	<b>558,460</b>
<b>Non-current assets</b>			
Investments		85,768	72,377
Property, machinery and equipment, net		1,347,317	1,134,237
<b>Total non-current assets</b>		<b>1,433,085</b>	<b>1,206,614</b>
<b>TOTAL ASSETS</b>		<b>2,063,108</b>	<b>1,765,074</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		51,693	42,335
Short-term loan and current portion of long-term Murabaha loans	6	23,734	7,622
Accrued expenses and other liabilities		180,480	130,911
Accrued dividends payable		75,760	74,003
Provision for zakat		6,429	5,442
<b>Total current liabilities</b>		<b>338,096</b>	<b>260,313</b>
<b>Non-current liabilities</b>			
Long-term Murabaha loan	6	205,568	19,880
Deferred revenues		3,386	1,563
End-of-service indemnities		94,746	89,015
<b>Total non-current liabilities</b>		<b>303,700</b>	<b>110,458</b>
<b>Total liabilities</b>		<b>641,796</b>	<b>370,771</b>
<b>Shareholders' equity</b>			
Share capital	1	1,250,000	1,250,000
Statutory reserve	7	110,813	104,289
Contractual reserve	8	22,182	22,382
Retained earnings		40,544	20,464
Unrealized losses from revaluation of investments in available for sale securities		(2,227)	(2,832)
<b>Total shareholders' equity</b>		<b>1,421,312</b>	<b>1,394,303</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,063,108</b>	<b>1,765,074</b>

The accompanying notes form an integral part of these interim financial statements

**SAUDI PUBLIC TRANSPORT COMPANY**  
A SAUDI JOINT STOCK COMPANY

**INTERIM STATEMENT OF INCOME (Unaudited)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

	Notes	For the three-month period ended September 30		For the nine-month period ended September 30	
		2012 SR'000	2011 SR'000	2012 SR'000	2011 SR'000
Revenues		<b>239,315</b>	219,013	<b>608,860</b>	542,634
Cost of revenues		<b>(196,212)</b>	(167,919)	<b>(528,268)</b>	(473,926)
<b>Gross profit</b>		<b>43,103</b>	51,094	<b>80,592</b>	68,708
Marketing expenses		<b>(9,343)</b>	(8,980)	<b>(21,851)</b>	(20,770)
General and administrative expenses		<b>(17,789)</b>	(16,620)	<b>(38,841)</b>	(39,258)
<b>Income from operations for the period</b>		<b>15,971</b>	25,494	<b>19,900</b>	8,680
Income from investments in murabaha contracts		<b>1,184</b>	57	<b>3,515</b>	846
Finance expenses		<b>(1,046)</b>	(554)	<b>(3,182)</b>	(1,661)
Other income, net	10	<b>1,949</b>	1,891	<b>22,627</b>	8,023
<b>Income before Zakat</b>		<b>18,058</b>	26,888	<b>42,860</b>	15,888
Zakat		<b>(1,227)</b>	(626)	<b>(2,319)</b>	(776)
<b>NET INCOME FOR THE PERIOD</b>		<b>16,831</b>	26,262	<b>40,541</b>	15,112
<b>Basic earnings per share (in Saudi Riyals):</b>	11				
- From income from operations for the period		<b>0.13</b>	0.20	<b>0.16</b>	0.07
- From net income for the period		<b>0.13</b>	0.21	<b>0.32</b>	0.12

The accompanying notes form an integral part of these interim financial statements

**SAUDI PUBLIC TRANSPORT COMPANY**  
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**INTERIM STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2012**

	2012 SR'000	2011 SR'000
<b>OPERATING ACTIVITIES:</b>		
Income before Zakat	42,860	15,887
Adjustments:		
Depreciation	124,929	110,163
Provision for doubtful debts	500	1,500
Provision for obsolete and slow moving spare parts	-	2,000
End-of-service indemnities	16,280	11,930
Gains from disposal of property, machinery and equipment	(743)	(1,469)
Gains from sale of investments in available for sale securities	(12,090)	-
Amortization of deferred revenues	(379)	(567)
<b>Operating income before changes in working capital</b>	<b>171,357</b>	<b>139,444</b>
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(35,546)	2,576
Inventories	(7,552)	(9,743)
Prepaid expenses and other assets	11,773	(59,529)
Accounts payable	(29,993)	(19,833)
Accrued expenses and other liabilities	91,696	56,717
Cash from operations	201,735	109,632
End-of-service indemnities paid	(10,361)	(5,727)
Zakat paid	(3,068)	(1,954)
<b>Net cash from operating activities</b>	<b>188,306</b>	<b>101,951</b>
<b>INVESTING ACTIVITIES</b>		
Investments in Murabaha contracts	(201,858)	-
Additions to property, machinery and equipment	(181,913)	(77,931)
Proceeds from sale of property, machinery and equipment	2,368	3,307
Proceeds from sale of investments in available for sale securities	80,247	-
Investments in available for sale securities	(80,000)	(12,000)
<b>Net cash used in investing activities</b>	<b>(381,156)</b>	<b>(86,624)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(60,518)	(59,520)
Proceeds from (repayment of ) Murabaha loans, net	97,013	(23,394)
<b>Net cash from (used in) financing activities</b>	<b>36,495</b>	<b>(82,914)</b>
Net change in cash and cash equivalents during the period	(156,355)	(67,587)
Cash and cash equivalents, beginning of the period	401,675	390,380
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<b>245,320</b>	<b>322,793</b>
<b>Non-cash transactions:</b>		
Transfer from contractual reserve to retained earnings (Note 8)	3,465	-
Net change in fair value of investments in available for sale securities	(3,250)	1,823

The accompanying notes form an integral part of these interim financial statements

**SAUDI PUBLIC TRANSPORT COMPANY**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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 his Excellency, the Minister of Commerce, resolution No. 254 dated Shaaban 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 interim 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 accompanying interim financial statements are prepared in accordance with the Interim Financial Reporting Standard issued by the Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia. The significant accounting policies used in preparation of these interim financial statements as summarized below are consistent with those presented in the annual audited financial statements for the year ended December 31, 2011. The interim financial statements and accompanying notes should be read in conjunction with the annual audited financial statements and the related notes for the year ended December 31, 2011.

**SAUDI PUBLIC TRANSPORT COMPANY**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

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

**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.

**Use of estimates**

The preparation of interim financial statements in conformity with 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 interim financial statements and the reported amounts of revenues and expenses during that period. Although these estimates are based on management's best knowledge of current events and actions at the date of issuance of the interim financial statements, actual results may ultimately differ from those estimates.

**Cash and cash equivalents**

Cash and cash equivalents consists 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.

**Inventories**

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, if required.

**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 made 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:

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



**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

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

**Property, machinery and equipment (Continued)**

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

**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 fair valuation 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 interim 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 interim 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**

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 interim statement of income.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

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

**Impairment (Continued)**

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 interim statement of income.

**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 applied in respect of Murabaha transactions in the Kingdom of Saudi Arabia.

**Revenue recognition**

Revenue from transportation is 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 interim 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 its date of operating using equal annual installments over their expected remaining useful lives.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

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

**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 interim 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 interim statement of income.

**End-of-service indemnities**

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

**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. The Company's interim financial results may not be an accurate indicator of the business results of the full year.

During the year 2011 and in conjunction with the Royal Decree to pay two months' salary to the government employees, the Company's Board of Directors resolved to pay two months' 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 for the nine-month period ended September 30, 2011.

**4. ADJUSTMENTS FOR THE PERIOD**

The Company's management has prepared all adjustments that are identified as significant for the interim financial statements to present fairly the financial position of the Company at the end of the interim period and the results of operations for the period.

**SAUDI PUBLIC TRANSPORT COMPANY**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

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**5. CASH AND CASH EQUIVALENTS**

	<b>2012</b>	2011
	<b>SR'000</b>	SR'000
Cash on hand and bank balances	<b>175,261</b>	142,784
Investments in Murabaha contracts – less than 3 months	<b>70,059</b>	180,009
	<b>245,320</b>	322,793

**6. BANK FACILITIES**

The Company obtained Islamic Sharia' compliant banking facilities from local commercial bank in the form of Murabaha loans to finance the purchase of property, machinery and equipment, and in the form of letters of credit and letters of guarantee. These facilities are secured by promissory notes. The loan agreement dated August 15, 2011 will mature over three years from the date of this agreement, while the agreement dated May 6, 2012 will mature on April 30, 2013. Murabaha costs are charged based on the prevailing rates of Murabaha transactions in the Kingdom of Saudi Arabia.

**7. 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 net income until this reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

**8. 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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

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**9. 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).

**10. OTHER INCOME, NET**

	<b>2012</b>	2011
	<b>SR'000</b>	SR'000
Gains from sale of investments in available for sale securities	<b>12,090</b>	-
Proceeds from insurance claims	<b>4,000</b>	-
Penalties from suppliers	<b>1,923</b>	3,151
Rental income	<b>1,434</b>	1,410
Gains from sale of property and equipment, net	<b>743</b>	1,469
Other	<b>2,437</b>	1,993
	<b>22,627</b>	8,023

**11. EARNINGS PER SHARE**

Earnings per share from income from operations and from net income for the period ended September 30, 2012 is calculated by dividing income from operations and net income for the period by the average number of shares amounting to 125 million shares (2011: 125 million share) (Note 1).

**12. CONTINGENT LIABILITIES**

As at September 30, 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 22.1 million (September 30, 2011: SR 10.6 million).

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

**13. SEGMENT INFORMATION**

The Company's operating activities are mainly conducted in the Kingdom of Saudi Arabia. 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 the Kingdom of Saudi Arabia and within the cities, as well as international transport services which is considered the major segment of the Company.
- Contracts and Leasing Segment: includes transportation services through lease agreements signed between the Company and others whether governmental or non-governmental parties inside and outside the Kingdom.
- Head Office Segment: includes the headquarter of the Company and the financial information of the activities of the support units and activities under establishment.

The following are the selected financial information for these segments for the six-month periods ended September 30, 2012 and 2011 represented in the following operating segments:

	<b>Passenger Transport SR'000</b>	<b>Contracts and Leasing SR'000</b>	<b>Head Office SR'000</b>	<b>Total SR'000</b>
<b><u>September 30, 2012:</u></b>				
Revenues	<b>456,567</b>	<b>116,122</b>	<b>36,171</b>	<b>608,860</b>
Gross profit (loss)	<b>98,366</b>	<b>(18,331)</b>	<b>557</b>	<b>80,592</b>
Property, machinery and equipment	<b>486,612</b>	<b>397,305</b>	<b>463,400</b>	<b>1,347,317</b>
Total assets	<b>563,798</b>	<b>496,702</b>	<b>1,002,608</b>	<b>2,063,108</b>
Total liabilities	<b>301,803</b>	<b>225,263</b>	<b>114,730</b>	<b>641,796</b>
<b><u>September 30, 2011:</u></b>				
Revenues	414,505	114,707	13,422	542,634
Gross profit (loss)	79,468	(8,351)	(2,409)	68,708
Property, machinery and equipment	351,005	316,832	466,400	1,134,237
Total assets	461,907	434,592	868,575	1,765,074
Total liabilities	152,669	107,302	110,800	370,771

**14. RISK MANAGEMENT**

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

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**14. RISK MANAGEMENT (Continued)**

**Commission rate risk**

Commission rate risk represents the risks of fluctuations in the value of the financial instruments due to the fluctuations in the prevailing market commission rates. The Company has commission rate risk with respect to 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 the outstanding receivables. At the interim balance sheet, no significant concentration of credit risks was 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 costs 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.

**Liquidity risk**

It represents risks faced by the Company to provide 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 a financial instrument will fluctuate due to changes in foreign exchange rates. The Company undertakes in the normal course of its business transactions in Saudi Riyals, US Dollar and Euro. The Euro is subject to higher exchange fluctuations than US Dollar. The Company has no significant accounts receivable or accounts payable balances in Euro at the end of the period.

**Fair value**

It represents the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties on arm's length basis. Since the Company's interim financial statements are prepared at historical cost basis, 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.

**15. COMPARATIVE FIGURES**

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