

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

FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

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(A SAUDI JOINT STOCK COMPANY)

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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, 2014, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 31 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, 2014, 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 Company's Bylaws as these relate to the preparation and presentation of the financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.



Bakr A. Abulkhair
License No. 101



Jumada Al Oula 4, 1436
February 23, 2015

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

BALANCE SHEET
AS AT DECEMBER 31, 2014

	Notes	2014 SR'000	2013 SR'000
ASSETS			
Current assets			
Cash and cash equivalents	4	379,379	468,693
Investment in Murabaha contracts	5	-	100,705
Accounts receivable, net	6	80,988	70,194
Inventory, net	7	56,221	59,715
Prepaid expenses and other assets	8	35,071	28,365
Total current assets		551,659	727,672
Non-current assets			
Investments	9	102,010	7,310
Due from a related party	10	30,153	-
Property, machinery and equipment, net	11	1,405,375	1,406,598
Total non-current assets		1,537,538	1,413,908
Total assets		2,089,197	2,141,580
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		37,999	51,977
Current portion of Murabaha loans	12	101,833	142,679
Accrued expenses and other liabilities	13	191,568	184,322
Accrued dividends payable	14	80,241	78,214
Provision for zakat	15	7,877	7,470
Total current liabilities		419,518	464,662
Non-current liabilities			
Non-current portion of Murabaha loans	12	63,499	107,683
Deferred revenues		727	1,048
End of service indemnities	16	112,094	98,079
Total non-current liabilities		176,320	206,810
Total liabilities		595,838	671,472
Shareholders' equity			
Share capital	1	1,250,000	1,250,000
Statutory reserve	17	136,162	125,957
Contractual reserve	18	33,308	28,205
Retained earnings		88,392	65,946
Unrealized losses from revaluation of investments in available for sale securities	9	(14,503)	-
Total shareholders' equity		1,493,359	1,470,108
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,089,197	2,141,580

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, 2014

	Notes	2014 SR'000	2013 SR'000
Revenues	20	1,019,203	967,853
Cost of revenues	21	(831,612)	(793,507)
Gross profit		187,591	174,346
Selling and marketing expenses	22	(33,132)	(34,940)
General and administrative expenses	23	(80,887)	(82,824)
Income from operations		73,572	56,582
Gain from investments in Murabaha contracts		1,388	4,331
Company's share in net profits/ (losses) of investments accounted for using equity method	9	1,153	(284)
Finance expenses		(5,420)	(4,448)
Other income, net	24	35,125	25,322
Income before zakat		105,818	81,503
Zakat	15	(3,764)	(3,921)
NET INCOME		102,054	77,582
Basic earnings per share (Saudi Riyals):	25		
From income from operations		0.59	0.45
From net income		0.82	0.62

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, 2014

	2014 SR'000	2013 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before zakat	105,818	81,503
Adjustments:		
Depreciation	178,505	183,428
Provision for doubtful debts and other doubtful receivables, net of write back	12	6,085
Provision for slow moving inventory	-	2,000
End-of-service indemnities	23,097	13,606
Gains from disposal of property, machinery and equipment	(4,017)	(1,215)
Gains from sale of investments in available for sale securities	(19,876)	(7,791)
Company's share in net losses of an associate	(1,153)	284
Deferred revenues, net	(321)	(2,189)
Operating income before changes in working capital	282,065	275,711
Changes in working capital:		
Accounts receivable	(10,794)	(7,925)
Inventory	3,494	9,488
Prepaid expenses and other assets	(6,718)	(2,165)
Accounts payable	(13,978)	(18,277)
Accrued expenses and other liabilities	7,246	6,256
Cash from operations	261,315	263,088
End-of-service indemnities paid	(9,082)	(11,801)
Zakat paid	(3,357)	(3,459)
Net cash from operating activities	248,876	247,828
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in Murabaha contracts, net	100,705	170,030
Additions to property, machinery and equipment	(181,831)	(242,712)
Proceeds from sale of property, machinery and equipment	8,566	4,663
Proceeds from sale of investments in available for sale securities	219,876	87,791
Investments accounted for using equity method	(8,050)	-
Investments in available for sale securities	(300,000)	-
Due from a related party	(30,153)	-
Net cash (used in) from investing activities	(190,887)	19,772
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid and Board of Directors' remunerations	(62,273)	(61,960)
Proceeds from Murabaha loans, net	(85,030)	28,655
Net cash used in financing activities	(147,303)	(33,305)
Net change in cash and cash equivalents during the year	(89,314)	234,295
Cash and cash equivalents, beginning of the year	468,693	234,398
CASH AND CASH EQUIVALENTS, END OF THE YEAR	379,379	468,693
Non-cash transactions:		
Dividends from investment in an associate against accounts payable	-	400
Transfer from retained earnings to statutory reserve (Note 17)	10,205	7,758
Transfer from retained earnings to contractual reserve (Note 18)	5,103	3,879
Transfer from contractual reserve to retained earnings (Note 18)	-	1,546
Net change in fair value of investments in available for sale securities (Note 9)	(14,503)	116

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, 2014

	Notes	Share capital SR'000	Statutory reserve SR'000	Contractual reserve SR'000	Retained earnings SR'000	Unrealized (losses)/ gains on revaluation of investments in available for sale securities SR'000	Total SR'000
Balance at January 1, 2013		1,250,000	118,199	25,872	62,755	116	1,456,942
Transfer from contractual reserve	18	-	-	(1,546)	1,546	-	-
Dividends	19	-	-	-	(62,500)	-	(62,500)
Board of directors' remunerations	19	-	-	-	(1,800)	-	(1,800)
Net income for the year		-	-	-	77,582	-	77,582
Transfer to statutory reserve	17	-	7,758	-	(7,758)	-	-
Transfer to contractual reserve	18	-	-	3,879	(3,879)	-	-
Change in fair value of investments in available for sale securities	9(a)	-	-	-	-	(116)	(116)
Balance at December 31, 2013		1,250,000	125,957	28,205	65,946	-	1,470,108
Dividends	19	-	-	-	(62,500)	-	(62,500)
Board of directors' remunerations	19	-	-	-	(1,800)	-	(1,800)
Net income for the year		-	-	-	102,054	-	102,054
Transfer to statutory reserve	17	-	10,205	-	(10,205)	-	-
Transfer to contractual reserve	18	-	-	5,103	(5,103)	-	-
Change in fair value of investments in available for sale securities	9(a)	-	-	-	-	(14,503)	(14,503)
Balance at December 31, 2014		1,250,000	136,162	33,308	88,392	(14,503)	1,493,359

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, 2014

1. ORGANIZATION AND ACTIVITY

Saudi Public Transport Company – (SAPTCO) (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’s 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 – (SAPTCO), 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 by Royal Decree (M / 48) dated Dhul Hijja 22, 1399H (corresponding to November 12, 1979) for a period of fifteen years starting from Rajab 1, 1414H. On Jumad Al Awal 21, 1429H, the contract was renewed for another five-year renewable period starting from Rajab 1, 1429H (corresponding to July 4, 2008).

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

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 the transfer 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.

On December 23, 2013 the Company agreed with the Public Emirates Transport and Services Establishment to establish the Saudi Emirates Integrated Transport Company (SEITCO) with a share capital amounting to SR 100,000 whereas each party owns 50% of the share capital. The main operations will be in the Kingdom of Saudi Arabia and its main operations will be in public and private educational transportation. The operations of this company began in the third quarter of year 2014.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014

1- ORGANIZATION AND ACTIVITY(Continued)

On December 30, 2014, the Public Transportation Company, a subsidiary, was established where the Saudi Public Transport Company (SAPTCO) owns 80% of the total share capital amounting to SR 10 million to carry King Abdulaziz Project for Public Transport in Riyadh. The subsidiary did not have any activity as at December 31, 2014; accordingly, the subsidiary's financial statements have not been consolidated in the accompanying financial statements.

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 accompanying financial statements are 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 and investments stated using the equity method.

Use of estimates

The preparation of 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 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 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 Shariah compliant Murabaha investments that are readily convertible into known amounts of cash and have a maturity of three months or less from purchase date.

Inventory

Inventory consists of spare parts and are stated at the lower of cost or market. 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. The provision is made when the amounts' collection is no longer probable, and debts are written off when deemed uncollectible.

SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, machinery and equipment

Property, machinery and equipment, except for land and projects in progress, 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 lives 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
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 these assets, is recognized in the 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. Non-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.

b) Investments accounted for using the equity method

- 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.

SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

b) Investments accounted for using the equity method (Continued)

- *Investments in joint ventures*

A joint venture is a contractual arrangement whereby the company and other parties undertake an economic activity which is subject to joint control that is when the strategic financial and operating decisions related to the activities of the joint venture require the unanimous consent of all the parties sharing control. Contractual arrangements that involve a separate entity in which each venture has an interest are referred to as jointly controlled entities. Accordingly, the company accounts for its investments in joint ventures by using the equity method as per the accounting standard No. 16 (accounting for investment under equity method) issued by the Saudi Organization for Certified Public Accountants (SOCPA).

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

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.

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 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.

SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 administrative expenses.

Deferred revenues

Deferred revenues represent 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.

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 operations 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.

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 higher of Zakat base or adjusted net income. Any difference between the provision and the final assessment 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.

SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014

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 financial results may not be an accurate indicator of the business results of the whole year.

4. CASH AND CASH EQUIVALENTS

	2014 SR'000	2013 SR'000
Cash and bank balances	229,326	168,225
Short-term Murabaha	150,053	300,468
	379,379	468,693

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.

6. ACCOUNTS RECEIVABLE, NET

	2014 SR'000	2013 SR'000
Account receivables - Government and semi-government institutions	45,187	39,286
Account receivables - Private sector	53,192	50,396
	98,379	89,682
Less: provision for doubtful debts	(17,391)	(19,488)
	80,988	70,194

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

	2014 SR'000	2013 SR'000
Balance, beginning of the year	19,488	13,701
Provision for the year	-	6,032
Write off of provision	(2,097)	(245)
Balance, end of the year	17,391	19,488

SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014

7. INVENTORY, NET

	2014	2013
	SR'000	SR'000
Spare part inventory	79,128	82,622
Less: Provision for slow moving inventory	(22,907)	(22,907)
	56,221	59,715

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

	2014	2013
	SR'000	SR'000
Balance, beginning of the year	22,907	20,907
Provision for the year	-	2,000
Balance, end of the year	22,907	22,907

8. PREPAID EXPENSES AND OTHER ASSETS

	2014	2013
	SR'000	SR'000
Other receivables	11,217	9,766
Advances and employees' receivables	10,972	7,371
Prepaid rents	8,023	4,192
Advance payments to suppliers	6,543	9,058
Cash margins and letters of credit	2,106	1,756
	38,861	32,143
Less: provision for other doubtful receivables	(3,790)	(3,778)
	35,071	28,365

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

	2014	2013
	SR'000	SR'000
Balance, beginning of the year	3,778	3,725
Provision for the year	12	53
Balance, end of the year	3,790	3,778

SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014

9. INVESTMENTS

	2014 SR'000	2013 SR'000
Investments in available for sale securities (a)	85,497	-
Investments under equity method (b)	8,513	7,310
Investments in the Public Transport Company (c)	8,000	-
	102,010	7,310

(a) The summary of the movement of investments in available for sale securities for the year ended December 31 is as follows:

	2014 SR'000	2013 SR'000
Cost:		
Balance, beginning of the year	-	80,000
Additions	100,000	-
Disposals	-	(80,000)
Balance, end of the year	100,000	-

	2014 SR'000	2013 SR'000
Unrealized gains/ (losses) on revaluation:		
Balance, beginning of the year	-	116
Change in fair value	(14,503)	(116)
Balance, end of the year	(14,503)	-
Net book value, end of the year	85,497	-

(b) The summary of the movement of investments under equity method for the year ended December 31 is as follows:

1. Investment in an associated company

	2014 SR'000	2013 SR'000
Balance, beginning of the year	7,310	7,994
Company's share in the associated company's net profits (losses)	149	(284)
Dividends	-	(400)
Balance, end of the year	7,459	7,310

Investments in an associated company represent the Company's share of the Saudi Bahraini Transport Company, a limited liability company 40% registered in the Kingdom of Saudi Arabia. This investment is accounted for under the equity method according to the last available financial statements. The financial statements of the associated company for 2014 have not been issued up to the date of the preparation of these financial statements.

SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014

9. INVESTMENTS (Continued)

II. Investment in a joint venture

	2014 SR'000	2013 SR'000
Additions	50	-
Company's share in the joint venture's net profits	1,004	-
Balance, end of the year	1,054	-
Total investments recorded under equity method	8,513	7,310

- (c) On December 30, 2014, the Public Transportation Company was established where the Saudi Public Transport Company (SAPTCO) owns 80% of the total share capital amounting to SR 10 million (The Company's share amounts to SR 8 million) to carry King Abdulaziz Project for Public Transport in Riyadh. The Company did not have any activity as at December 31, 2014; accordingly, the subsidiary's financial statements have not been consolidated in the accompanying financial statements (Note 1).

10. DUE FROM A RELATED PARTY

During the year ended December 31, 2014, the Company has transacted with the Saudi Emirates Integrated Transport Company (SEITCO) whereby it financed its operating activities with an amount of SR 30.2 million. The main operations will be in the Kingdom of Saudi Arabia and its main operations will be in public and private educational transportation. The operations of this company began in the third quarter of year 2014. This amount is not subject to interest (Note 1).

SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014

11. PROPERTY, MACHINERY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Buses, Trucks and Trailers SR'000	Machinery and equipment SR'000	Furniture and fixtures SR'000	Motor vehicles SR'000	Projects in progress SR'000	Total SR'000
Cost								
January 1, 2014	391,590	446,448	2,386,894	119,011	17,744	63,086	12,313	3,437,086
Additions	2,208	9,712	117,669	11,095	1,346	9,696	30,105	181,831
Disposals	-	-	(85,702)	-	-	(14,030)	-	(99,732)
December 31, 2014	393,798	456,160	2,418,861	130,106	19,090	58,752	42,418	3,519,185
Accumulated depreciation								
January 1, 2014	-	309,535	1,601,067	70,995	11,356	37,535	-	2,030,488
Charge for the year	-	9,284	148,854	9,299	1,117	9,951	-	178,505
Disposals	-	-	(85,702)	-	-	(9,481)	-	(95,183)
December 31, 2014	-	318,819	1,664,219	80,294	12,473	38,005	-	2,113,810
Net book value								
At December 31, 2014	393,798	137,341	754,642	49,812	6,617	20,747	42,418	1,405,375
At December 31, 2013	391,590	136,913	785,827	48,016	6,388	25,551	12,313	1,406,598

Projects in progress represent the buildings for the residential and service complex of the Company's main office in Riyadh and the betterments of buses.

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11. PROPERTY, MACHINERY AND EQUIPMENT, NET (Continued)

Depreciation expense is distributed as follows:

	2014	2013
	SR'000	SR'000
Cost of revenues	175,851	180,931
General and administrative expenses	2,654	2,497
	178,505	183,428

12. MURABAHA LOANS

The Company obtained Islamic Sharia' compliant banking facilities from a local commercial bank for an amount of SR 176 million in the form of Murabaha loans to finance the purchase of buses, and in the form of letters of guarantee. These facilities are secured by promissory notes. The loan agreement was signed on August 15, 2011 and matures over three years from the date of this agreement. The Company obtained the last payment of these facilities in February 2012 and matures over three years from the date of obtaining this payment.

During the second quarter of 2012, the Company obtained Islamic Sharia' compliant banking facilities from a local commercial bank for an amount of SR 120 million in the form of Murabaha loan to finance the purchase of buses. These facilities are secured by promissory notes. The loan agreement was signed on June 2, 2012 and matures over three years from the date of this agreement.

During the second quarter of 2013, the Company obtained Islamic Sharia' compliant banking facilities from a local commercial bank for an amount of SR 103 million in the form of Murabaha loan to finance the purchase of buses. These facilities are secured by promissory notes. The loan agreement dated April 23, 2013 and matures over three years from the date of this agreement.

During the third quarter of 2013, the Company obtained Islamic Sharia' compliant banking facilities from a local commercial bank for an amount of SR 48 million in the form of Murabaha loan to finance the purchase of trucks. These facilities are secured by promissory notes. The loan agreement was signed on August 29, 2013 and matures over three years from the date of this agreement.

During the third quarter of 2014, the Company obtained Islamic Sharia' compliant banking facilities from a local commercial bank for an amount of SR 64 million in the form of Murabaha loans to finance the purchase of buses. These facilities are secured by promissory notes. The loan agreement was signed on August 20, 2014 and matures over three years from the date of this agreement.

Murabaha costs are charged based on the prevailing rates of Murabaha transactions in the Kingdom of Saudi Arabia.

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12. MURABAHA LOANS (Continued)

The details of the loans are as follows:

	2014 SR'000	2013 SR'000
Current portion		
Total loans' amount	105,304	147,903
Deferred Murabaha commissions	(3,471)	(5,224)
	<u>101,833</u>	<u>142,679</u>
Non-current portion		
Total loans' amount	65,597	111,459
Deferred Murabaha commissions	(2,098)	(3,776)
	<u>63,499</u>	<u>107,683</u>
	<u>165,332</u>	<u>250,362</u>

The details of the loans' obligations are as follows:

	2014 SR'000	2013 SR'000
Maturity date		
2014	-	142,679
2015	101,833	91,918
2016	48,651	15,765
2017	14,848	-
Total	<u>165,332</u>	<u>250,362</u>

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	2014 SR'000	2013 SR'000
Accrued expenses	86,659	83,372
Accrued insurance	63,934	63,028
Revenues received in advance	21,197	17,769
Suppliers' performance guarantee retention	7,856	6,331
Other	11,922	13,822
	<u>191,568</u>	<u>184,322</u>

14. 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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15. PROVISION FOR ZAKAT

Zakat for the year is calculated as follows:

	2014	2013
	SR'000	SR'000
Shareholders' equity	1,493,359	1,470,107
Beginning period provisions and other adjustments	414,045	361,101
Book value of long-term assets	(1,949,871)	(1,868,975)
	(42,467)	(37,767)
Income for the year subject to Zakat	151,551	131,543
Zakat base	151,551	131,543

The differences between the income as per the financial statements and the income subject to Zakat resulted mainly 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:

	2014	2013
	SR'000	SR'000
Balance, beginning of the year	7,470	7,008
Provision for the year	3,764	3,921
Paid during the year	(3,357)	(3,459)
Balance, end of the year	7,877	7,470

Zakat returns for the years from 2005 to 2013 have been filed and the due amounts were settled.

On January 11, 2015, the Department of Zakat and Income Tax (DZIT) issued the zakat assessment for the years from 2005 to 2012 which showed additional Zakat due from the Company amounting to SR 39.4 million. As the Company is entitled to object to this assessment within 60 days from the date of receiving the assessment letter, the Company is in the progress of preparing the objection letter with the Zakat advisor.

Accordingly, the Company has not booked any additional provision for this assessment as it is still reviewing the assessment with its zakat advisor. The Management believes that the financial effect of any adjustment to be made due to this objection will not have any significant effect on the Company's financial statements for the year ended December 31, 2014 or in the year in which the objection will be concluded upon. It should be noted that the major differences in the zakat resulted from the value of property, machinery and equipment and their related depreciation in addition to the investments.

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16. END OF SERVICE INDEMNITIES

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

	2014	2013
	SR'000	SR'000
Balance, beginning of the year	98,079	96,274
Provision for the year	23,097	13,606
Paid during the year	(9,082)	(11,801)
Balance, end of the year	112,094	98,079

17. 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.

18. 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 its meeting held on Rabi Al Thani 15, 1434H (corresponding to February 25, 2013) to transfer an amount of SR 1,545,659 from the contractual reserve to retained earnings for the Company to distribute dividends to the shareholders for the fiscal year 2013.

19. DIVIDENDS

The Company's Board of Directors proposed in its meeting held on Rabi Al Thani 24, 1435H (corresponding to February 24, 2014) 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 its members a remuneration amounting to SR 1.8 million.

The General Assembly approved the Board of Directors' proposals mentioned above on Jumada Al Oula 30, 1435H (corresponding to March 31, 2014).

The Company's Board of Directors proposed in its meeting held on Rabi Al Thani 15, 1434H (corresponding to February 25, 2013) 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 its members a remuneration amounting to SR 1.8 million.

The General Assembly approved the Board of Directors' proposals mentioned above on Jumada Al Oula 27, 1434H (corresponding to April 7, 2013).

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20. REVENUES

	2014	2013
	SR'000	SR'000
Passenger transport	648,421	657,715
Contracts and leasing	282,233	241,346
Other	88,549	68,792
	1,019,203	967,853

21. COST OF REVENUES

	2014	2013
	SR'000	SR'000
Salaries and their equivalents	368,791	331,000
Depreciation (Note 11)	175,851	180,931
Maintenance and repairs	147,752	143,477
Contractual services	36,701	35,458
Insurance premiums	27,051	25,400
Visa fees	17,713	18,649
General services	18,557	17,960
Passenger services	14,804	15,857
Rentals	15,646	14,324
Provision for slow moving inventory (Note 7)	-	2,000
Other	8,746	8,451
	831,612	793,507

22. SELLING AND MARKETING EXPENSES

	2014	2013
	SR'000	SR'000
Local agents' commissions	23,407	22,806
International agents' commissions	4,865	3,232
Advertising	3,436	1,414
Publicity and promotions	1,412	1,403
Provision for doubtful debts and other doubtful receivables	12	6,085
	33,132	34,940

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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23. GENERAL AND ADMINISTRATION EXPENSES

	2014	2013
	SR'000	SR'000
Salaries and their equivalents	51,287	41,369
Consulting fees	17,191	30,116
Depreciation (Note 11)	2,654	2,497
Rentals	2,503	1,879
Maintenance and facilities' cleaning expenses	1,264	1,814
Board of Directors' expenses	925	1,017
Telephone, electricity and water	719	724
Committees' membership remuneration	420	313
Other	3,924	3,095
	80,887	82,824

24. OTHER INCOME, NET

	2014	2013
	SR'000	SR'000
Gains from sale of investments in available for sale securities	19,876	7,791
Gains on disposal of property, machinery and equipment, net	4,017	1,215
Rental income	2,228	2,058
Income from insurance claims	1,970	1,152
Penalties from suppliers	1,812	3,097
Gains on sale of scrap	1,229	1,970
Income from advertising on buses	79	426
Dues settled on scrapped buses	-	3,301
Income from suppliers on technical support	-	1,995
Other	3,914	2,317
	35,125	25,322

25. EARNINGS PER SHARE

Earnings per share attributable to income from operations and net income for the year ended December 31, 2014, 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 (2013: 125 million shares) (Note 1).

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26. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

- (a) As at December 31, 2014, 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, amounting to SR 512.9 million (2013: SR 72.7 million) against cash margins of SR 1.3 million (2013: SR 1.8 million).
- (b) The Company has capital commitments to build a residential and service complex for its main office in Riyadh of SR 3 million (2013: SR 29.6 million). The Company has capital commitments to purchase 25 new buses amounting to SR 30.6 million and it is expected to be supplied before September 1, 2015.

(c) Operating leases

	2014	2013
	SR'000	SR'000
Payments under operating leases recognized as expenses during the year	13,984	12,188

The obligations of the minimum rent payments under the non-cancelable operating leases are as follows:

	2014	2013
	SR'000	SR'000
Less than a year	9,414	7,462
Second year	8,765	5,827
Third year	3,887	5,177
Fourth year	877	298
More than five years	125	314
Minimum rent payments	23,068	19,078

The operating leases represent rentals due from the Company for renting stations and residential and office properties.

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27. 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 consist of passenger buses transport between and inside the cities of the Kingdom of Saudi Arabia, as well as international transport services. This segment is considered the major one in 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 Company's headquarter and the financial information of the activities of the supporting units and the activities whose quantitative limits did not exceed those stipulated in the Segmental Reports Standard.

The selected financial information for these segments for the two years ended December 31, 2014 and 2013 are represented in the following operating segments:

	Passenger transport SR'000	Contracts and leasing SR'000	Head Office SR'000	Total SR'000
<u>December 31, 2014</u>				
Revenues	648,421	282,233	88,549	1,019,203
Gross profit (loss)	146,587	66,560	(25,556)	187,591
Property, machinery and equipment, net	426,213	441,904	537,258	1,405,375
Total assets	487,396	543,363	1,058,438	2,089,197
Total liabilities	253,441	210,908	131,489	595,838
<u>December 31, 2013</u>				
Revenues	657,715	241,346	68,792	967,853
Gross profit (loss)	160,468	37,095	(23,217)	174,346
Property, machinery and equipment, net	466,730	375,760	564,108	1,406,598
Total assets	528,348	464,945	1,148,287	2,141,580
Total liabilities	317,977	233,548	119,947	671,472

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28. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND FAIR VALUE

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

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. The management monitors the currency exchange rates and manages their effect on the financial statements accordingly.

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 balance sheet date, no significant concentration of credit risks was identified by management, except for transactions with governmental parties. Cash is deposited at local banks with high credit ratings.

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 financial statements are prepared based on the historical cost convention, except for investment in available for sale securities which are shown at fair value, and investments recorded under equity method; 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.

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29. SUBSEQUENT EVENTS

On February 12, 2015, the Saudi Emirates Integrated Transport Company (SEITCO) was notified by Tatweer Company for Educational Transport Services that it was awarded two additional contracts of providing and operating school transportation services for students in public schools in the Eastern Province and Tabuk for a period of four school years starting from the beginning of the school year 1436/1437H corresponding to 8/11/1436H with a total amount of SR 377.1 million.

On February 9, 2015, the Supervisory Committee of expropriating property related to the expansion project of the Prophet's Mosque has expropriated the Company's land in Al-Madina Al-Munawwarah where the land area is 5147.61 square meters. The amount approved as compensation for the land is SR 169,871,130 while the land's book value amounts to SR 50 million. The estimated compensation will result in a capital gain for the Company amounting to SR 119,871,130. This matter will be presented to the Board of Directors in their soonest meeting to take a decision in this regard.

The Board of Directors of the Saudi Public Transport Company (SAPTCO) resolved in its meeting held on Rabi Al Thani 12, 1436H (corresponding to February 1, 2015) to pay two basic salaries for the Saudi employees as a collaboration with the Royal decree issued by the Custodian of the Two Holy Mosques, to pay two basic salaries for all the Saudi employees working in the Country's various public sectors.

The Board of Directors of the Saudi Public Transport Company (SAPTCO) proposed in its meeting held on Rabi Al Thani 6, 1436H (corresponding to January 26, 2015) to distribute 75 Halalas per share cash dividends to the shareholders for the fiscal year 2014. The Board also approved transferring an amount of SR 7,500,000 from the contractual reserve to the retained earnings to complete the amount suggested to be distributed to the shareholders. The Board has also proposed in its meeting held on Jumada Al-Oula 4, 1436H (corresponding to February 23, 2015) paying remunerations for its members amounting to SR 1.8 million. It has also proposed distributing cash dividends to the Company's shareholders from the realized capital gains resulted from the compensation of the land in Al-Madina Al-Munawwarah (exceptional profits) of 50 Halalas per share.

30. COMPARATIVE FIGURES

Certain figures of 2013 have been reclassified to conform with the presentation in the current year.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on February 23, 2015.