

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

FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

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

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INDEX	PAGE
Auditors' report	1
Balance sheet	2
Statement of income	3
Statement of cash flows	4
Statement of changes in shareholders' equity	5
Notes to the financial statements	6 – 22

AUDITORS' REPORT

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

Scope of Audit

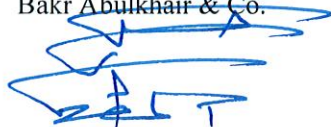
We have audited the accompanying balance sheet of Saudi Public Transport Company - (SAPTCO) (a Saudi Joint Stock Company) (the "Company") as at December 31, 2013, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 30 which 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, 2013, 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.



Al-Mutahhar Y. Hamiduddin
License No. 296

24 Rabi'II, 1435
February 24, 2014



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

BALANCE SHEET
AS AT DECEMBER 31, 2013

	Notes	2013 SR'000	2012 SR'000
ASSETS			
Current assets			
Cash and cash equivalents	4	468,693	234,398
Investment in Murabaha contracts	5	100,705	270,735
Accounts receivable, net	6	70,194	68,354
Inventory, net	7	59,715	71,203
Prepaid expenses and other assets	8	28,365	26,200
Total current assets		727,672	670,890
Non-current assets			
Investments	9	7,310	88,110
Property, machinery and equipment, net	10	1,406,598	1,350,762
Total non-current assets		1,413,908	1,438,872
Total assets		2,141,580	2,109,762
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		51,977	70,654
Current portion of Murabaha loans	11	142,679	99,353
Accrued expenses and other liabilities	12	184,322	178,065
Accrued dividends payable	13	78,214	75,874
Provision for zakat	14	7,470	7,008
Total current liabilities		464,662	430,954
Non-current liabilities			
Non-current portion of Murabaha loans	11	107,683	122,354
Deferred revenues		1,048	3,238
End of service indemnities	15	98,079	96,274
Total non-current liabilities		206,810	221,866
Total liabilities		671,472	652,820
Shareholders' equity			
Share capital	1	1,250,000	1,250,000
Statutory reserve	16	125,957	118,199
Contractual reserve	17	28,205	25,872
Retained earnings		65,946	62,755
Unrealized gains from revaluation of investments in available for sale securities	9	-	116
Total shareholders' equity		1,470,108	1,456,942
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,141,580	2,109,762

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, 2013

	Notes	2013 SR'000	2012 SR'000
Revenues	19	967,853	914,931
Cost of revenues	20	(793,507)	(754,346)
Gross profit		174,346	160,585
Selling and marketing expenses	21	(34,940)	(36,785)
General and administrative expenses	22	(82,824)	(73,995)
Income from operations		56,582	49,805
Gain from investments in Murabaha contracts		4,331	4,971
Company's share in net losses of an associate	9	(284)	-
Finance expenses		(4,448)	(4,085)
Other income, net	23	25,322	26,034
Income before zakat		81,503	76,725
Zakat	14	(3,921)	(2,897)
NET INCOME		77,582	73,828
Basic earnings per share (Saudi Riyals):	24		
From income from operations		0.45	0.40
From net income		0.62	0.59

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, 2013

	2013 SR'000	2012 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before zakat	81,503	76,725
Adjustments:		
Depreciation	183,428	170,826
Provision for doubtful debts, net of write back	5,840	7,500
Provision for slow moving inventory	2,000	5,000
End-of-service indemnities	13,606	19,881
Gains from disposal of property, machinery and equipment	(1,215)	(1,643)
Gains from sale of investments in available for sale securities	(7,791)	(12,090)
Company's share in net losses of an associate	284	-
Deferred revenues, net	(2,189)	(527)
Operating income before changes in working capital	275,466	265,672
Changes in working capital:		
Accounts receivable	(7,680)	(26,983)
Inventory	9,488	(1,928)
Prepaid expenses and other assets	(2,165)	2,674
Accounts payable	(18,277)	32,222
Accrued expenses and other liabilities	6,256	46,027
Cash from operations	263,088	317,684
End-of-service indemnities paid	(11,801)	(12,434)
Zakat paid	(3,459)	(3,067)
Net cash from operating activities	247,828	302,183
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in Murabaha contracts, net	170,030	(70,047)
Additions to property, machinery and equipment	(242,712)	(232,455)
Proceeds from sale of property, machinery and equipment	4,663	4,468
Proceeds from sale of investments in available for sale securities	87,791	80,248
Investments in available for sale securities	-	(80,000)
Net cash from (used in) investing activities	19,772	(297,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Board of Directors' remunerations	(1,800)	(1,800)
Dividends paid	(60,160)	(58,604)
Proceeds from Murabaha loans, net	28,655	89,418
Net cash (used in) from financing activities	(33,305)	29,014
Net change in cash and cash equivalents during the year	234,295	33,411
Cash and cash equivalents, beginning of the year	234,398	200,987
CASH AND CASH EQUIVALENTS, END OF THE YEAR	468,693	234,398
Non-cash transactions:		
Dividends from investment in an associate against accounts payable	400	-
Transfer from retained earnings to statutory reserve (Note 16)	7,758	7,383
Transfer from retained earnings to contractual reserve (Note 17)	3,879	3,691
Transfer from contractual reserve to retained earnings (Note 17)	1,546	3,465
Net change in fair value of investments in available for sale securities (Note 9)	116	907

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, 2013**

	Notes	Share capital SR'000	Statutory reserve SR'000	Contractual reserve SR'000	Retained earnings SR'000	Unrealized gains on revaluation of investments in available for sale securities SR'000	Total SR'000
Balance at January 1, 2012		1,250,000	110,816				
Transfer from contractual reserve	17	-	-	25,646	60,836	1,023	1,448,321
Dividends	18	-	-	(3,465)	3,465	-	-
Board of directors' remunerations	18	-	-	-	(62,500)	-	(62,500)
Net income for the year		-	-	-	(1,800)	-	(1,800)
Transfer to statutory reserve	16	-	-	-	73,828	-	73,828
Transfer to contractual reserve	17	-	7,383	-	(7,383)	-	-
Unrealized loss on revaluation of investments in available for sale securities	9(a)	-	-	3,691	(3,691)	-	-
Balance at December 31, 2012		1,250,000	118,199	25,872	62,755	(907)	(907)
Transfer from contractual reserve	17	-	-	(1,546)	1,546	-	-
Dividends	18	-	-	-	(62,500)	-	(62,500)
Board of directors' remunerations	18	-	-	-	(1,800)	-	(1,800)
Net income for the year		-	-	-	77,582	-	77,582
Transfer to statutory reserve	16	-	-	-	(7,758)	-	-
Transfer to contractual reserve	17	-	7,758	-	(7,758)	-	-
Unrealized loss on revaluation of investments in available for sale securities	9(a)	-	-	3,879	(3,879)	-	-
Balance at December 31, 2013		1,250,000	125,957	28,205	65,946	(116)	1,470,108

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, 2013

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, 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 for a period of fifteen years starting from Rajab 1, 1414H. On Jumada Al Oula 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 within 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 31, 2013 the Company signed the Articles of Association of the Saudi Emirates Transport Company with a share capital amounting to SR 100,000 whereas each party owns 50% of the share capital and it will be self-financed. The main operations will be in the Kingdom of Saudi Arabia and its main operations will be in public and private educational transportation. The financial impact cannot be determined as the Company is still under the process of establishment at the date of these financial statements noting that the Company’s share in the share capital was paid during 2014.

The 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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 investment in an associate which is stated using the equity method.

Use of estimates

The preparation of 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 that 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 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 associate

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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.

Operating leases

Rental value under operating leases is charged using straight line method over the term of the lease to 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, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 mostly 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.

4. CASH AND CASH EQUIVALENTS

	2013 SR'000	2012 SR'000
Cash and bank balances	168,225	134,163
Short-term Murabaha	300,468	100,235
	<u>468,693</u>	<u>234,398</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2013 SR'000	2012 SR'000
Account receivables - Government and semi-government institutions	39,286	41,651
Account receivables - Private sector	50,396	40,404
	89,682	82,055
Less: provision for doubtful debts	(19,488)	(13,701)
	70,194	68,354

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

	2013 SR'000	2012 SR'000
Balance, beginning of the year	13,701	6,683
Provision for the year	6,032	7,018
Write back of provision	(245)	-
Balance, end of the year	19,488	13,701

7. INVENTORY, NET

	2013 SR'000	2012 SR'000
Spare part inventory	82,622	92,110
Less: Provision for slow moving inventory	(22,907)	(20,907)
	59,715	71,203

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

	2013 SR'000	2012 SR'000
Balance, beginning of the year	20,907	15,907
Provision for the year	2,000	5,000
Balance, end of the year	22,907	20,907

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

8. PREPAID EXPENSES AND OTHER ASSETS

	2013 SR'000	2012 SR'000
Other receivables	9,766	9,467
Advance payments to suppliers	9,058	7,764
Loans and employees' receivables	7,371	7,413
Prepaid rents	4,192	3,695
Cash margins and letters of credits	1,756	1,586
	32,143	29,925
Less: provision for doubtful debts	(3,778)	(3,725)
	28,365	26,200

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

	2013 SR'000	2012 SR'000
Balance, beginning of the year	3,725	3,243
Provision for the year	53	482
Balance, end of the year	3,778	3,725

9. INVESTMENTS

	2013 SR'000	2012 SR'000
Investments in available for sale securities(a)	-	80,116
Investment in an associate (b)	7,310	7,994
	7,310	88,110

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

	2013 SR'000	2012 SR'000
Cost:		
Balance, beginning of the year	80,000	68,158
Additions	-	80,000
Disposals	(80,000)	(68,158)
Balance, end of the year	-	80,000

SAUDI PUBLIC TRANSPORT COMPANY – (SAPTCO)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

9. INVESTMENTS (Continued)

	2013 SR'000	2012 SR'000
<u>Unrealized gains on revaluation:</u>		
Balance, beginning of the year	116	1,023
Fair value adjustment	(116)	(907)
Balance, end of the year	-	116
Net book value at end of the year	-	80,116

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

	2013 SR'000	2012 SR'000
Balance, beginning of the year	7,994	7,994
Share in net losses of an associate	(284)	-
Dividends	(400)	-
Balance, end of the year	7,310	7,994

Investments in an associate represent the Company's 40% share in the Saudi Bahraini Transport Company, a limited liability company registered in the Kingdom of Saudi Arabia. This investment is accounted for using the equity method based on the latest available financial statements. No financial statements were issued for the associate for the year 2013.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

10. PROPERTY, MACHINERY AND EQUIPMENT, NET

Cost	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
January 1, 2013	355,782	445,411	2,500,314	116,495	16,522	52,990	1,146	3,488,660
Additions	35,808	1,037	177,756	2,516	1,222	13,206	11,167	242,712
Disposals	-	-	(291,176)	-	-	(3,110)	-	(294,286)
December 31, 2013	391,590	446,448	2,386,894	119,011	17,744	63,086	12,313	3,437,086

Accumulated

depreciation

January 1, 2013	-	298,702	1,735,963	62,359	10,288	30,586	-	2,137,898
Charge for the year	-	10,833	153,682	8,636	1,068	9,209	-	183,428
Disposals	-	-	(288,578)	-	-	(2,260)	-	(290,838)
December 31, 2013	-	309,535	1,601,067	70,995	11,356	37,535	-	2,030,488

Net book value

At December 31, 2013	391,590	136,913	785,827	48,016	6,388	25,551	12,313	1,406,598
At December 31, 2012	355,782	146,709	764,351	54,136	6,234	22,404	1,146	1,350,762

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

11. MURABAHA LOANS

The Company obtained Islamic Sharia' compliant banking facilities from local commercial bank in the form of Murabaha loans to finance the purchase of buses, 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 each agreement, while the agreement signed on May 6, 2012 matured on April 30, 2013.

During the second quarter of year 2013, the Company obtained Islamic Sharia' compliant banking facilities from local commercial bank 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 will mature over three years from the date of this agreement.

During the third quarter of year 2013, the Company obtained Islamic Sharia' compliant banking facilities from local commercial bank in the form of Murabaha loan to finance the purchase of trucks. These facilities are secured by promissory notes. The loan agreement dated August 29, 2013 will mature 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.

Following are the details of the loans:

	2013 SR'000	2012 SR'000
Current portion		
Total loans' amount	147,903	103,029
Deferred Murabaha commissions	(5,224)	(3,676)
	142,679	99,353
Non-current portion		
Total loans' amount	111,459	126,905
Deferred Murabaha commissions	(3,776)	(4,551)
	107,683	122,354
	250,362	221,707

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013 SR'000	2012 SR'000
Accrued expenses	83,372	76,472
Accrued insurance	63,028	61,064
Revenues received in advance	17,769	22,495
Suppliers' performance guarantee retention	6,331	5,855
Other	13,822	12,179
	184,322	178,065

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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.

14. ZAKAT

Zakat for the year is calculated as follows:

	2013 SR'000	2012 SR'000
Shareholders' equity	1,470,107	1,382,994
Beginning of period provisions and other adjustments	361,101	287,558
Book value of long-term assets	(1,868,975)	(1,991,502)
	(37,767)	(320,950)
Income for the year subject to Zakat	131,543	115,880
Zakat base	131,543	115,880

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:

	2013 SR'000	2012 SR'000
Balance, beginning of the year	7,008	7,178
Provision during the year	3,921	2,897
Paid during the year	(3,459)	(3,067)
Balance, end of the year	7,470	7,008

The Company obtained zakat certificates up to year 2004. The Company filed the zakat returns for the years from 2005 to 2012 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

15. END OF SERVICE INDEMNITIES

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

	2013 SR'000	2012 SR'000
Balance, beginning of the year	96,274	88,827
Provision during the year	13,606	19,881
Paid during the year	(11,801)	(12,434)
Balance, end of the year	98,079	96,274

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 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 2012.

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 the shareholders for the fiscal year 2011.

18. DIVIDENDS

The Company's Board of Directors proposed in their 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 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 Oula 27, 1434H (corresponding to April 7, 2013).

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

18. DIVIDENDS (Continued)

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 Oula 9, 1433H (corresponding to April 1, 2012).

19. REVENUES

	2013 SR'000	2012 SR'000
Passenger transport	657,715	615,736
Contracts and leasing	241,346	248,959
Head office	68,792	50,236
	<u>967,853</u>	<u>914,931</u>

20. COST OF REVENUES

	2013 SR'000	2012 SR'000
Salaries and benefits	331,000	312,469
Depreciation (Note 10)	180,931	168,485
Maintenance and repairs	143,477	137,848
Contractual services	35,458	30,090
Insurance premium	25,400	34,637
Visa fees	18,649	16,613
General services	17,960	16,871
Passenger services	15,857	13,703
Rentals	14,324	11,154
Provision for slow moving inventory (Note 7)	2,000	5,000
Other	8,451	7,476
	<u>793,507</u>	<u>754,346</u>

21. SELLING AND MARKETING EXPENSES

	2013 SR'000	2012 SR'000
Local agents' commissions	22,806	21,522
Provision for doubtful debts	6,085	7,500
International agents' commissions	3,232	4,183
Advertising	1,414	1,578
Publicity and promotions	1,403	2,002
	<u>34,940</u>	<u>36,785</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

22. GENERAL AND ADMINISTRATION EXPENSES

	2013 SR'000	2012 SR'000
Salaries and related	41,369	36,328
Consulting fees	30,116	27,632
Depreciation (Note 10)	2,497	2,341
Rent	1,879	1,752
Maintenance and facilities' cleaning expenses	1,814	1,686
Board of Directors' expenses	1,017	868
Telephone, electricity and water	724	926
Committees' membership remuneration	313	318
Other	3,095	2,144
	82,824	73,995

23. OTHER INCOME, NET

	2013 SR'000	2012 SR'000
Gains from sale of investments in available for sale securities	7,791	12,090
Accrued scraped	3,301	-
Penalties from suppliers	3,097	2,628
Rental income	2,058	1,929
Income from suppliers on technical support	1,995	83
Gain on sale of scrap	1,970	1,359
Gains on disposal of property, machinery and equipment, net	1,215	1,643
Income from insurance claims	1,152	4,000
Income from advertising on buses	426	-
Other	2,317	2,302
	25,322	26,034

24. EARNINGS PER SHARE

Earnings per share attributable to income from operations and net income for the year ended December 31, 2013, 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 (2012: 125 million shares) (Note 1).

25. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at December 31, 2013, 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 72.7 million (2012: SR 15 million) offset by cash margins of SR 1.8 million (2012: SR 1.5 million).

The Company has capital commitments to build a residential and service complex for its main office in Riyadh in the amount of SR 29.6 million.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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.

The following are the selected financial information for these segments for the two years ended December 31, 2013 and 2012 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, 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
<u>December 31, 2012</u>				
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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

27. 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.

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, 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

28. SUBSEQUENT EVENTS

On February 10, 2014, the Supreme Committee of King Abdulaziz project for public transportation in Riyadh has recommended to award the contract of the supply, operation and maintenance of the buses to the Riyadh alliance transportation which consists of the Saudi Public Transport Company (SAPTCO) and RATP Development Company, a French company, for a period of ten years in the amount SR 7.8 billion. This recommendation will be submitted to His Majesty for the final approval.

The Board of Directors of Saudi Public Transport Company – (SAPTCO) proposed on Rabi Al Thani 24, 1435 H (corresponding to February 24, 2014) to distribute 50 Halala per share cash dividends to the shareholders for the financial year 2013. Additionally, the Board of Directors proposed paying to its members a remuneration amounting to SR 1.8 million.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on February 24, 2014.

30. COMPARATIVE FIGURES

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