

**Saudi Public Transport  
Company**

**A Saudi Joint Stock Company**

**INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

**30 June 2010**

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF  
SAUDI PUBLIC TRANSPORT COMPANY - SAPTCO  
(A Saudi Joint Stock Company)**

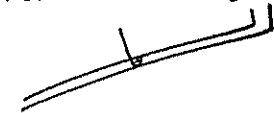
**Scope of Review:**

We have reviewed the accompanying interim balance sheet of The Saudi Public Transport Company - a Saudi Joint Stock Company (the company) as of 30 June 2010 and the related interim statement of income for the three and six month periods ended in 30 June 2010 and the interim statement of cash flows for the six month period then ended. These interim financial statements are the responsibility of the company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by The Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Conclusion**

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

For Ernst & Young



Fahad M. Al-Toaimi  
Certified Public Accountant  
Registration No. 354



Riyadh: 7 Sha'ban 1431 H  
(19 July 2010)

Saudi Public Transport Company  
A Saudi Joint Stock Company

INTERIM BALANCE SHEET

As at 30 June 2010  
(SR'000)

	Note	2010 (Unaudited)	2009 (Unaudited)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		273,545	233,722
Accounts receivable and prepayments		131,579	157,150
Spare parts inventory		92,016	85,702
		<u>497,140</u>	<u>476,574</u>
<b>NON-CURRENT ASSETS</b>			
Investments		56,559	52,587
Property, plant and equipment		1,217,051	1,182,795
		<u>1,273,610</u>	<u>1,235,382</u>
<b>TOTAL ASSETS</b>		<u><u>1,770,750</u></u>	<u><u>1,711,956</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals		151,523	172,425
Murabaha loan – current portion		22,178	39,450
Dividends payable		71,440	73,781
Provision for zakat		5,322	5,947
		<u>250,463</u>	<u>291,603</u>
<b>NON-CURRENT LIABILITIES</b>			
Murabaha term loan		50,793	6,575
Employees' terminal benefits		81,276	73,318
Deferred income		2,542	2,210
		<u>134,611</u>	<u>82,103</u>
<b>TOTAL LIABILITIES</b>		<u><u>385,074</u></u>	<u><u>373,706</u></u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4	1,250,000	1,250,000
Statutory reserve		99,287	96,094
Contractual reserve		19,881	18,285
Retained earnings		23,157	(16,075)
Unrealized losses on revaluation of investments in available for sale securities		(6,649)	(10,054)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u><u>1,385,676</u></u>	<u><u>1,338,250</u></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><u>1,770,750</u></u>	<u><u>1,711,956</u></u>

The attached notes 1 to 7 form part of these financial statements

Saudi Public Transport Company  
A Saudi Joint Stock Company

INTERIM STATEMENT OF INCOME  
(SR'000)

	Note	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		2010 SR (Unaudited)	2009 SR (Unaudited)	2010 SR (Unaudited)	2009 SR (Unaudited)
Revenues		165,764	163,632	302,699	309,028
Direct costs		(148,892)	(161,451)	(281,666)	(301,900)
<b>GROSS PROFIT</b>		<b>16,872</b>	<b>2,181</b>	<b>21,033</b>	<b>7,128</b>
<b>EXPENSES</b>					
General and administration		8,994	9,112	21,052	20,665
Marketing and selling		6,249	6,759	11,656	12,591
		<b>15,243</b>	<b>15,871</b>	<b>32,708</b>	<b>33,256</b>
<b>INCOME (LOSS) FROM MAIN OPERATIONS</b>		<b>1,629</b>	<b>(13,690)</b>	<b>(11,675)</b>	<b>(26,128)</b>
Income from investments in murabaha contracts		267	345	563	1,813
Income from associate		1,368	-	1,368	-
Other income		3,259	7,156	9,407	11,556
Financial charges		(1,468)	(915)	(2,936)	(1,828)
<b>INCOME (LOSS) BEFORE ZAKAT</b>		<b>5,055</b>	<b>(7,104)</b>	<b>(3,273)</b>	<b>(14,587)</b>
Zakat		(524)	-	(711)	(1,488)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<b>4,531</b>	<b>(7,104)</b>	<b>(3,984)</b>	<b>(16,075)</b>
<b>EARNINGS PER SHARE FROM:</b>					
Attributable to income (loss) from main and continuing operations (SR)		0,01	(0,10)	(0,09)	(0,20)
Attributable to net income (loss) for the year (SR)	5	0,04	(0,06)	(0,03)	(0,13)

The attached notes 1 to 7 form part of these financial statements

Saudi Public Transport Company  
A Saudi Joint Stock Company

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INTERIM STATEMENT OF CASH FLOWS  
(SR'000)

	<u>The six month period ended 30 June</u>	
	2010	2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Loss before zakat	(3,273)	(14,587)
Adjustments for:		
Depreciation	77,348	67,576
Provision for employees' terminal benefits	6,088	9,492
Share in associate income	(1,368)	-
Income from sale of properties, plant and equipments	-	(2,581)
Amortization of deferred income	(466)	(482)
	<u>78,329</u>	<u>59,418</u>
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(11,379)	(42,723)
Inventory	(15,033)	(8,077)
Accounts payable and accruals	(5,907)	8,365
	<u>46,010</u>	<u>16,983</u>
Cash from operations	46,010	16,983
Employees' terminal benefits paid	(5,996)	(1,909)
Zakat paid	(1,547)	(3,653)
	<u>38,467</u>	<u>11,421</u>
Net cash from operating activities	<u>38,467</u>	<u>11,421</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(40,500)	(114,111)
Income from propriety, tools and equipment	-	2,581
Dividend from associate	800	1,200
	<u>(39,700)</u>	<u>(110,330)</u>
Net cash used in investing activities	<u>(39,700)</u>	<u>(110,330)</u>
<b>FINANCING ACTIVITIES</b>		
Repayments of Murabaha loans	(34,775)	(17,079)
Dividends paid	(1,319)	(60,425)
	<u>(36,094)</u>	<u>(77,504)</u>
Net cash used in financing activities	<u>(36,094)</u>	<u>(77,504)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(37,327)</b>	<b>(176,413)</b>
Cash and cash equivalents at the beginning of the period	<u>310,872</u>	<u>410,135</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>273,545</u></b>	<b><u>233,722</u></b>

The attached notes 1 to 7 form part of these financial statements

Saudi Public Transport Company  
A Saudi Joint Stock Company

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1 **ACTIVITIES**

The Saudi Public Transport Company is a Saudi Joint Stock Company formed under the Royal Decree No. M/11, dated 7/3/1399H corresponding 5/2/1979. The formation was declared pursuant to the resolution of His Excellency, The Minister of Commerce, No. 254, dated 14/8/1399H corresponding 9/7/1979. The company is engaged in passenger land transport both intra and inter-city throughout the Kingdom and between the Kingdom and the neighboring countries. The company is also engaged in sand and gravel transport, purchase and sale of land and investment in properties. The company operates under commercial registration number 1010024335 dated 5/9/1399H to corresponding 29/7/1979.

The Company has stopped carrying sand and gravel outside the Kingdom pursuant to the Cabinet's resolution issued in this regards.

2 **SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements have been prepared in accordance with the Standard on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies followed by the company in preparation of these financial statements are consistent with the most recent audited financial statements of the Company for the year ended 31 December 2009. These financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. Following are the significant accounting policies followed:

***Accounting convention***

The financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale securities.

***Use of estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect 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 revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may 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 when purchased.

***Spare parts inventory***

The cost of spare parts inventory is stated at cost. Cost is determined on the weighted average basis. Material repair costs of spare parts are capitalized and added to the spare parts value. An appropriate provision is provided for any obsolete and slow moving items. Spare parts inventory is not available for resale.

***Accounts receivable***

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

***Depreciation***

Freehold land is not depreciated. The cost, less estimated residual value of other property, plant and equipment, is depreciated on a straight line basis over the expected useful lives of the assets as below:

Buildings	33 years	Improvements	3 years
Buses and trucks	6-10 years	Motor vehicles	3-6 years
Tools and equipment	5-20 years	Furniture and fixtures	3-10 years

Expenditure for repairs and maintenance are charged to the interim statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

*Investments*

**a) Investments in available for sale securities**

Investments, that are bought neither with the intention of being held to maturity nor for trading purposes, are stated at fair value and are included under non-current assets unless they will be sold in the next fiscal year. Unrealized gains or losses on fair valuation of these investments are credited or charged to the statement of changes in shareholders' equity. A decline in value considered to be other than temporary, is charged to the statement of income. Income from such 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 holdings are sold, these are accounted for on a weighted average basis

**b) Investment in an associate company**

An associate company is that in which the company has a long-term investment comprising an interest not less than 20% in the voting capital and over which it exercises significant influence.

Investments in associate companies are accounted for under the equity method, whereby the original investment cost is adjusted by an appropriate share of the associated companies' post acquisition results and retained earnings based on their latest available financial statements.

*Employees' terminal benefits*

Provision is made for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service at the balance sheet date.

*Accounts payable and accruals*

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

*Deferred income*

Deferred income represents the fair market value of the buses and equipment granted to the company, and are amortized using straight-line over the estimated period to benefit.

*Impairment in value of non-current assets*

As assessment is made of each balance sheet date of determine whether there is objective evidence in that a non-current assets or group of the non-current assets may be impaired. If such indication exists, the recoverable amount of that assessment is estimated and the impairment loss is recognized by the difference between the recoverable amount and the carrying value of the assets. Impairment loss is recognized in the statement of income

*Islamic Murabaha contracts*

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

*Revenue*

Revenue is recognized when services are rendered to the customers. Rent and contract revenues are proportionately recognized over the terms of these agreements. Other income is recognized when earned.

*Expenses*

Marketing expenses are those which specifically relate to advertising, and promotion agents' commission, other marketing expenses as well as in the provision for doubtful debts. All other expenses are classified as general and administration expenses.

*Operating leases*

Operating lease payments are recognized as an expense in the interim statement of income. Prepaid rent is amortized on a straight line basis over the lease term.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Bus renovation costs***

All costs associated with the renovation of buses are capitalized and added to the cost of the renovated buses.

Bus renovation costs are depreciated with effect from the date of operating the renovated buses by equal annual installments over their expected useful lives.

***Zakat***

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The Zakat liabilities and any adjustment arising from the recalculation of Zakat or upon the issuance of the final assessment is charged to the interim statement of income.

***Foreign currencies***

Transactions in foreign currencies are recorded at the rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the interim balance sheet date. All differences are taken to the interim statement of income.

***Segmental reporting***

A segment is a distinguishable component of the company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the company carries out its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

**3 BUSINESS RESULTS AND SEASONAL EFFECT**

The company's revenue is affected by seasons in which the operations level increase. These seasons are the Hajj, summer vacation, the month of Ramadan and the holidays. The company's interim results may not be an accurate indicative of its annual results.

**4 SHARE CAPITAL**

The Company's share capital consists of 125 million shares of SR 10 each (2009: 125 million shares).

**5 INCOME (LOSS) PER SHARE**

Income (loss) per share are calculated on the basis of the net income (loss) from main and continuing operations, divided by the weighted average number of shares outstanding during the period.

The income (loss) per share attributable to net loss for the period is calculated on the basis of loss for the period divided by the weighted average number of outstanding shares issued during the period.

**6 CONTINGENT LIABILITIES**

The company's bankers have issued, on its behalf, guarantees and acceptances limited to SR 4.1 million as in 30 June 2010 (2009: SR 20.3 million) during the normal course of business.

**7 SEGMENTAL INFORMATION**

The Company's operations are mainly conducted in the Kingdom of Saudi Arabia.

In accordance with the sources allocation policy, the Company consists of three main operating segments as follows:

***Passenger Transport***

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

***Contract and Leasing***

Incorporates transport services per lease agreements contracted with others whether governmental or non-governmental inside and outside the Kingdom.

Saudi Public Transport Company  
A Saudi Joint Stock Company

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)-(Continued)

7 SEGMENTAL INFORMATION – continued

*Head Office*

Includes the headquarters of the Company, financial information attributable to support units activities, and carrying of sand and gravel , which has been stopped (note1).

<i>Description</i>	<i>SR ' 000 (Unaudited)</i>			
	<i>Passenger transport SR'000</i>	<i>Contracts and leases SR'000</i>	<i>Head Office SR'000</i>	<i>Total SR'000</i>
<i>30 June 2010</i>				
1. Total revenue	226,786	73,589	2,324	302,699
2. Gross profit (Loss)	19,845	1,106	82	21,033
3. Property, plant & equipment	433,372	398,452	385,227	1,217,051
4. Total assets	513,789	534,875	722,086	1,770,750
5. Total liabilities	174,970	105,101	105,003	385,074

<i>Description</i>	<i>SR ' 000 (Unaudited)</i>			
	<i>Passenger transport SR'000</i>	<i>Contracts and leases SR'000</i>	<i>Head Office SR'000</i>	<i>Total SR'000</i>
<i>30 June 2009</i>				
1. Total revenue	223,297	62,797	22,934	309,028
2. Gross profit (loss)	10,025	(4,078)	1,181	7,128
3. Property, plant & equipment	412,327	379,270	391,198	1,182,795
4. Total assets	494,739	520,442	696,775	1,711,956
5. Total liabilities	159,211	108,609	105,886	373,706