

**Saudi Public Transport Company and  
its Subsidiary**

**(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)**

**FOR THE THREE MONTH PERIOD AND YEAR ENDED 31  
DECEMBER 2015**

Saudi Public Transport Company and its Subsidiary  
(A Saudi Joint Stock Company)

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2015

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## AUDITORS' LIMITED REVIEW REPORT

### TO THE SHAREHOLDERS OF SAUDI PUBLIC TRANSPORT COMPANY (A Saudi Joint Stock Company)

#### Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of Saudi Public Transport Company - A Saudi Joint Stock Company (the "Company") and its subsidiary (the "Group") as at 31 December 2015, and the related interim consolidated statement of income for the three month period and year ended 31 December 2015, and interim consolidated statement of cash flows for the year then ended. These interim consolidated financial statements are the responsibility of the Group'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 consolidated 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: 8 Rabi Thani 1437H  
(18 January 2016)

Saudi Public Transport Company and its Subsidiary  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2015

(In Thousands Saudi Riyals)

	<i>Note</i>	<b>2015</b> <b>(Unaudited)</b>	<b>2014</b> <b>(Audited)</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		833,950	379,379
Trade accounts receivable, net		110,721	80,988
Inventories, net		57,175	56,221
Prepayments and other assets		39,183	35,071
Due from a related party – current portion	6	26,552	-
<b>TOTAL CURRENT ASSETS</b>		<b>1,067,581</b>	<b>551,659</b>
<b>NON-CURRENT ASSETS</b>			
Investments	5	123,703	102,010
Due from a related party – non-current portion	6	30,000	30,153
Property, plant and equipment		1,388,288	1,405,375
Deferred charges		17,657	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,559,648</b>	<b>1,537,538</b>
<b>TOTAL ASSETS</b>		<b>2,627,229</b>	<b>2,089,197</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		75,573	37,999
Murabaha loans – current portion		69,415	101,833
Advance payment from a customer – current portion	8	16,544	-
Accrued expenses and other liabilities		201,158	191,568
Dividends payable		85,875	80,241
Provision for zakat	7	36,944	7,877
<b>TOTAL CURRENT LIABILITIES</b>		<b>485,509</b>	<b>419,518</b>
<b>NON-CURRENT LIABILITIES</b>			
Murabaha loans – non-current portion		50,161	63,499
Advance payment from a customer – non-current portion	8	454,796	-
Deferred revenues		971	728
Employees' terminal benefits		127,767	112,093
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>633,695</b>	<b>176,320</b>
<b>TOTAL LIABILITIES</b>		<b>1,119,204</b>	<b>595,838</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	1,250,000	1,250,000
Statutory reserve		136,162	136,162
Consensual reserve	10	25,808	33,308
Retained earnings		134,490	88,392
Unrealized losses on revaluation of investments in available for sale securities		(38,354)	(14,503)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,508,106</b>	<b>1,493,359</b>
<b>Minority Interest</b>		<b>(81)</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>1,508,025</b>	<b>1,493,359</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,627,229</b>	<b>2,089,197</b>

The attached notes 1 to 17 form part of these Interim Consolidated Financial Statements.

Saudi Public Transport Company and its Subsidiary  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2015

(In Thousands Saudi Riyals)

	<i>Note</i>	<i>For the three month period ended 31 December</i>		<i>For the year ended 31 December</i>	
		<i>2015 (Unaudited)</i>	<i>2014 (Unaudited)</i>	<i>2015 (Unaudited)</i>	<i>2014 (Audited)</i>
Revenues		248,059	285,045	1,100,712	1,019,203
Cost of revenues		(211,232)	(215,164)	(873,640)	(831,612)
<b>GROSS PROFIT</b>		<b>36,827</b>	<b>69,881</b>	<b>227,072</b>	<b>187,591</b>
General and administrative expenses		(36,014)	(30,257)	(101,972)	(80,887)
Marketing and selling expenses		(10,612)	(9,686)	(41,048)	(33,132)
<b>(LOSS) INCOME FROM MAIN OPERATIONS</b>		<b>(9,799)</b>	<b>29,938</b>	<b>84,052</b>	<b>73,572</b>
Share in earnings of an associate		-	-	-	148
Share in earnings of a joint venture		5,655	1,005	11,004	1,005
Financial charges, net		(3,949)	(1,309)	(6,836)	(5,420)
Impairment loss of investment in an associate	5	(7,459)	-	(7,459)	-
Other income	11	4,293	6,178	27,814	36,513
Gains on expropriation of land	12	-	-	118,807	-
<b>(LOSS) INCOME BEFORE MINORITY INTEREST AND ZAKAT</b>		<b>(11,259)</b>	<b>35,812</b>	<b>227,382</b>	<b>105,818</b>
Minority interest share in net loss of a subsidiary		2,081	-	2,081	-
<b>(LOSS) INCOME BEFORE ZAKAT</b>		<b>(9,178)</b>	<b>35,812</b>	<b>229,463</b>	<b>105,818</b>
Zakat	7	(26,328)	(1,083)	(32,815)	(3,764)
<b>NET (LOSS) INCOME FOR THE PERIOD/YEAR</b>		<b>(35,506)</b>	<b>34,729</b>	<b>196,648</b>	<b>102,054</b>
<b>EARNINGS PER SHARE FOR THE PERIOD/YEAR (SR):</b>	13				
Attributable to (loss) income from main operations		(0.08)	0.24	0.67	0.59
Attributable to net (loss) income for the period		(0.28)	0.28	1.57	0.82

The attached notes 1 to 17 form part of these Interim Consolidated Financial Statements.

Saudi Public Transport Company and its Subsidiary  
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(In Thousands Saudi Riyals)

	2015 (Unaudited)	2014 (Audited)
<b>OPERATING ACTIVITIES</b>		
Income before zakat	229,463	105,818
Adjustments for:		
Depreciation	139,109	178,505
Provision for doubtful debts	6,816	12
Provision for employees' terminal benefits	24,321	23,096
Capital gains from disposal of property, plant and equipment	(123,750)	(4,017)
Gains from sale of investments in available for sale securities	-	(19,876)
Share in earnings of an associate	-	(148)
Share in earnings of a joint venture	(11,004)	(1,004)
Amortization of deferred revenue, net	244	(321)
Impairment loss of investment in an associate	7,459	-
Minority interest share in net loss of a subsidiary	(2,081)	-
Changes in operating assets and liabilities:		
Trade accounts receivable	(36,549)	(10,794)
Inventories	(954)	3,494
Due from a related party	(26,399)	(30,153)
Prepayments and other assets	(4,112)	(6,718)
Accounts payable	37,574	(13,978)
Advance payment from a customer	471,340	-
Accrued expenses and other liabilities	9,590	7,246
Cash from operations	721,067	231,162
Employees' terminal benefits paid	(8,648)	(9,082)
Zakat paid	(3,747)	(3,357)
<b>Net cash from operating activities</b>	<b>708,672</b>	<b>218,723</b>
<b>INVESTING ACTIVITIES</b>		
Investments in Murabaha contracts, net	-	100,705
Additions to property, plant and equipment	(171,500)	(181,831)
Proceeds from sale of property, plant and equipment	175,647	8,566
Proceeds from sale of available for sale securities	-	219,876
Deferred charges	(20,076)	-
Investments	(50,000)	(308,050)
<b>Net cash used in investing activities</b>	<b>(65,929)</b>	<b>(160,734)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid and board of directors' remunerations	(152,416)	(62,273)
Repayment of Murabaha loans, net	(45,756)	(85,030)
<b>Net cash used in financing activities</b>	<b>(198,172)</b>	<b>(147,303)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>444,571</b>	<b>(89,314)</b>
Cash and cash equivalents at the beginning of the year	379,379	468,693
Cash at the beginning of the year from a consolidated subsidiary	10,000	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>833,950</b>	<b>379,379</b>
<b>Non-cash transactions:</b>		
Transfer from consensual reserve to retained earnings (Note 10)	7,500	-
Transfer from retained earnings to Statutory reserve	-	10,205
Transfer from retained earnings to consensual reserve	-	5,103
Change in fair value of investments in available for sale securities	(23,851)	(14,503)

The attached notes 1 to 17 form part of these Interim Consolidated Financial Statements.



# Saudi Public Transport Company and its Subsidiary (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) AT 31 DECEMBER 2015

### 1 ACTIVITIES

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

The Company is engaged in passenger land transport both intra and inter-city throughout the Kingdom and outside the Kingdom, as well as the transfer of non-postal parcels, cargo, school transport, teachers transport, car rental and sand and gravel transport. The company is also engaged in operating and maintaining of trains, metros, motor vehicles and trucks, organizing tours, transporting pilgrims and visitors in and out of the Kingdom and importing spare parts and chemical detergents of vehicles.

Royal Decree No. (M / 48 ) dated 22 Dhul-Hijjah 1399H (corresponding to 12 November 1979) was issued to grant Saudi Public Transport Company a franchise contract whereby the Company commits to transport passengers on public roads network both intra and inter-city throughout the Kingdom of Saudi Arabia for a period of fifteen Hijri years .

The Council of Ministers in its resolution No. (57) issued on 1 Jumada Thani 1414H (corresponding to 15 November 1993) approved the renewal of the franchise contract for a period of fifteen years starting from 1 Rajab 1414H. On 21 Jumada Al-Awal 1429H (corresponding to 26 May 2008), the contract was renewed for another renewable five-year period starting from 1 Rajab 1429H (corresponding to 4 July 2008).

The Council of Ministers in its resolution No. (254 ) issued on 24 Rajab 1434H (corresponding to 3 June 2013) approved the extension of the franchise contract signed between the government and 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 three years starting 1 Rajab 1434H (corresponding to 11 May 2013). The concerned governmental authorities shall have the right during that period to partially reduce the spatial coverage of the franchise contract based on the phases of issuing new tender for providing public transportation between the cities inside the Kingdom of Saudi Arabia.

On 29 Dhul-Hijjah 1436H (corresponding to 12 October 2015), the Council of Ministers approved the extension of the franchise contract, signed between the government and Saudi Public Transport Company (SAPTCO) by virtue of the Royal Decree (No M/48 dated 23 Dhul-Hijjah 1399H), for a period of five years starting 1 Rajab 1437H (corresponding to 8 April 2016), and without giving the Company or any other company any competitive advantage when issuing tenders for providing public transportation services between the cities of the Kingdom.

### 2 BASIS OF CONSOLIDATION

These interim consolidated financial statements include the financial statements of the Company and its subsidiary (the "Group"), as adjusted by the elimination of significant inter-Group balances and transactions.

The financial statements of the subsidiary are prepared using accounting policies which are consistent with those adopted by the Company. The financial statements of the subsidiary company are consolidated from the date on which the Company is able to exercise effective control over the subsidiary company. A subsidiary is an entity in which the Company has, directly or indirectly, equity investment of more than 50% and/or over which it exercise effective control.

Minority interest in the net assets of the consolidated subsidiary is identified separately from the Company's shareholders' equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the Minority interest's share of changes in equity since the date of the combination.

The subsidiary included in these interim consolidated financial statements is as follows:

Subsidiary	Shareholding		Principle Activity	Country of Incorporation
	2015	2014		
Public Transport Company	80%	80%	Executing King Abdulaziz Project for Public Transport in Riyadh	Saudi Arabia



Saudi Public Transport Company and its Subsidiary  
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)  
AT 31 DECEMBER 2015

2 **BASIS OF CONSOLIDATION (continued)**

On 8 Rabi Al Awal 1436H (corresponding to 30 December 2014 ), the company participated in establishing Public Transportation Company (the "subsidiary") with a capital of ten million Saudi Riyal. Saudi Public Transport Company (SAPTCO) owns 80% of the share capital. Public Transport Company is engaged in execution of King Abdul-Aziz Project for Public Transport in Riyadh. Accordingly, the subsidiary's interim financial statements have been consolidated effective from this current year. The subsidiary has not started its commercial operations yet.

3 **SIGNIFICANT ACCOUNTING POLICIES**

The interim consolidated financial statements have been prepared in accordance with the Standard of 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 interim consolidated financial statements, summarized below, except for the policy regarding the basis of consolidation (Note 2), are consistent with the annual audited financial statements for the year ended 31 December 2014. These interim consolidated financial statements and accompanying notes should be read in conjunction with the annual audited financial statements and accompanying notes for the year ended 31 December 2014.

The significant accounting policies are as follows:

*Accounting convention*

The interim consolidated financial statements have been prepared under the historical cost convention except for investments in available for sale securities which are measured at fair value.

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that might 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 consist of bank balances, cash on hand, and Murabaha investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

*Inventory*

The spare parts inventory is stated at cost. Cost is determined on the weighted average basis. Material repair costs of spare parts are capitalized. 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.

*Property, Plant and Equipment*

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment in value, except for freehold lands and projects under construction which are stated at cost. Expenditures for maintenance and repairs are considered operating expense, while expenditures for improvements are considered capital expenses, and are amortized on a straight-line basis over the estimated useful lives of the improvements.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	33 years		
Buses, trucks and trailers	6-12 years	Furniture and fixtures	3-10 years
Tools and equipment	5-20 years	Motor vehicles	3-6 years



Saudi Public Transport Company and its Subsidiary  
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)  
AT 31 DECEMBER 2015

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Property, Plant and Equipment (continued)***

During the period ended 31 March 2015, the management of the Company reviewed the estimated useful lives of the Company's buses. Based on the Technical Management Report, the Board of Directors approved the modification of fixed assets policy and extended the useful lives of the buses of the company from 10 years to 12 years for buses used for inter-city and international transport, from 8 years to 10 years for intra-city buses, and from 6 years to 10 years for small intra-city buses effective from 1 January 2015. The change's effect resulted in an increase of net income by approximately SR 45.1 million for the year ended 31 December 2015.

***Buses, trucks and trailers renovation costs***

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

Buses, trucks and trailers renovation costs are depreciated effective from the date of operating the renovated buses, trucks and trailers by equal annual installments over their expected useful lives.

***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 as investments in available for sale securities and recorded at fair value and are included under non-current assets unless they will be sold in the next fiscal year. Unrealized gains or losses from valuation of these investments at fair value, are included, as a separate item within the statement of changes in shareholders' equity. A decline in value considered to be other than temporary, is charged to the interim consolidated 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) Investments accounted for under equity method**

**Investment in an associate**

An associate is that in which the Company has a long-term investment comprising an interest of 20% or more of the voting capital and over which it exercises significant influence, where it is accounted for under the equity method in the interim consolidated financial statements.

Under the equity method, the company's share in the investee companies is recorded in the interim consolidated balance sheet at cost, adjusted by the post-acquisition/incorporation changes of the company's share in the net assets of the investees companies, less any impairment in investments. The company's share in the financial results of these investee companies is recognized in the interim consolidated statement of income.

**Investments in joint ventures**

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e. the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each party has an interest are referred to as "jointly controlled entities". The Company accounts for its interests in jointly controlled entities on the equity method basis.

Under the equity method, the company's interest in the jointly controlled entity is carried in the interim consolidated balance sheet at cost and adjusted by post-incorporation changes in the Company's share of the net assets of the jointly controlled entity, less any impairment in the value of individual investment, if any.

Saudi Public Transport Company and its Subsidiary  
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)  
AT 31 DECEMBER 2015

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Work in progress***

Work in progress is stated at cost incurred until the asset is ready for its intended use, thereafter; this cost is capitalized on the related assets. Work in progress includes the cost of contractors, materials, services, borrowing, salaries and other direct costs and overheads allocated on a consistence basis.

***Deferred charges / amortization***

Deferred charges comprise upfront fees related to bank guarantees and are amortized over the period of the related guarantee.

Deferred charges also comprise training consulting costs and integration of operating systems which will be deferred and amortized over the period of benefit.

***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

***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.

***Deferred revenue***

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

***Impairment of non-current assets***

The Group regularly reviews the carrying amounts of non-current 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group 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 immediately in the interim consolidated 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 interim consolidated statement of income.

***Islamic Murabaha contracts***

Murabaha costs relating to the property, plant and equipment acquired under Islamic Murabaha contracts, are stated 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.

***Statutory reserve***

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income to the statutory reserve. The company may resolve to discontinue such transfer when the reserve equals 50% of the capital. The reserve is not available for distribution.

***Revenues***

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' commissions, other marketing expenses as well as the provision for doubtful debts. All other expenses are classified as general and administrative expenses.



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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)  
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

*Operating leases*

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

*Zakat*

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

*Foreign currencies*

Transactions in foreign currencies are recorded in Saudi Riyals 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 consolidated statement of income.

*Segmental reporting*

A segment is a distinguishable component of the Group 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 gains and losses that are different from those of other segments. As the Group carries out most of its activities entirely in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

4 BUSINESS RESULTS AND SEASONAL EFFECTS

The Group's revenue is affected by seasons in which the operation rates are high. These seasons are the Hajj, summer vacation, the holy month of Ramadan and the public holidays. The Group's interim results may not be an accurate indicative of its annual results.

In light of the Royal Decree to pay two months' salary to government employees, the Board of Directors decided, during the first quarter of 2015, to pay two months' salary to Saudi employees amounting to SR 13,153 thousand, out of which, an amount of SR 11,450 thousand has been charged to direct costs and an amount of SR 1,703 thousand has been charged to general and administrative expenses during the year ended 31 December 2015.

5 INVESTMENTS

	2015 SR '000	2014 SR '000
Investments in available for sale securities	111,645	85,497
Investment in Saudi Bahraini Transport Company (a)	7,459	7,459
Investment in a joint venture (b)	12,058	1,054
Investment in Public Transport Company	-	8,000
Provision for impairment of investment *	(7,459)	-
	<u>123,703</u>	<u>102,010</u>



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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)  
AT 31 DECEMBER 2015

**5 INVESTMENTS (continued)**

- a) Investment in an associate represents the Company's 40% ownership of Saudi Bahraini Transport Company, a limited liability company registered in the Kingdom of Saudi Arabia. This investment is accounted for under the equity method based on the latest available financial statements. The audited financial statements of the associate for 2014 have not been issued as at the date of the preparation of these interim consolidated financial statements.
- \* On 31 December 2015, the Partners' Extraordinary General Assembly of Saudi Bahraini Transport Company agreed on solving and liquidation of the company and nominating a liquidator. Accordingly, a provision has been made for the investment in full as the company is unable to estimate the recoverable amount of this investment.
- b) On 20 Safar 1435H (corresponding to 23 December 2013), the Company has agreed with Emirates Transport on establishing Saudi Emirates Integrated Transport Company (SEITCO) with a capital of one hundred thousand Saudi Riyal, so that each party owns 50% of the capital. Saudi Emirates Integrated Transport Company is engaged in educational transportation services, ownership of buses, fleet management for other companies and the provision of transport services by automobiles. SEITCO started its operations during the third quarter of 2014. This investment is accounted for under the equity method, based on interim financial statements prepared by management.

**6 DUE FROM A RELATED PARTY**

During 2014, the Company funded the operations of Saudi Emirates Integrated Transport Co., Ltd. (SEITCO) with an amount of SR 30 million. The Company's main operations in the Kingdom of Saudi Arabia are concentrated in the field of educational transportation. SEITCO started its operations during the third quarter of 2014. This amount is not subject to any interest and is payable within four years effective from July 2015. However, the partners agreed on rescheduling of repayment to be started from January 2017.

During December 2015, the Company has also provided an additional financing to Saudi Emirates Integrated Transport Co., Ltd. (SEITCO) with an amount of SR 25 million. The amount was fully repaid by Saudi Emirates Integrated Transport Co., Ltd. (SEITCO) during January 2016.

**7 ZAKAT**

The Group has finalized its zakat status for all years until 2004. The Company has filed zakat returns for the years 2005 to 2014 and settled zakat dues accordingly. On 11 January 2015, the Department of Zakat and Income Tax (DZIT) assessed an additional zakat for the years from 2005 to 2012 amounting to SR 39.4 million. The Company has appealed against certain zakat items disallowed in DZIT's assessment. On 22 December 2015, the Company received the final zakat assessment from DZIT for the years from 2005 to 2012 with zakat differences of SR 29.2 million. The Company accepted this assessment and considered this amount in the zakat provision for the current year.

**8 ADVANCE PAYMENT FROM A CUSTOMER**

During the period, Public Transport Company received an amount of SR 471 million as an advance payment for executing King Abdulaziz project for busses public transport in Riyadh. The advance payment represents 6% of the total contract value.

**9 SHARE CAPITAL**

The Company's share capital consists of 125 million shares (2014: 125 million shares) of SR 10 each.

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**10 CONSENSUAL RESERVE**

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

The Board of Directors resolved in their meeting held on 6 Rabi Thani 1436H (corresponding to 26 January 2015) to transfer an amount of SR 7,500,000 from the consensual reserve to retained earnings to complete the amount related to the distribution of the proposed dividends to the shareholders for the year 2014.

**11 OTHER INCOME**

	<i>For the year ended 31 December</i>	
	<i>2015</i>	<i>2014</i>
	<i>SR'000</i>	<i>SR'000</i>
Gains on sale of property, plant and equipment	4,942	4,017
Advertisement for intra-city transportation	4,178	79
Settlement of insurance claims	3,604	1,970
Rental income	3,523	2,228
Support from Human Resources Development Fund	2,844	1,014
Penalties on suppliers	2,401	1,812
Reimbursements for joint venture expenses	2,051	-
Restoration of land fees	1,064	-
Gains on sale of scrap	1,040	1,229
Gains on Murabaha investments	875	1,388
Gains on sale of available for sale investments	-	19,876
Others	1,292	2,900
	<u>27,814</u>	<u>36,513</u>

**12 GAINS ON EXPROPRIATION OF LAND**

On 20 Rabie Thani 1436H (corresponding to 9 February 2015), the Supervisory Committee of Expropriation of Land and Relocation of Services related to the Custodian of The Two Holy Mosques' Expansion Project of the Prophet's Mosque has expropriated the land owned by the Company in the city of Medina as part of the expansion project. The land area is 5,147,61 Square meters. An amount of SR 169.8 million was stated as a compensation, whereas the book value of the land amounted to SR 51 million. This compensation has resulted in a capital gain of SR 118.8 million.

**13 EARNINGS PER SHARE**

Earnings per share attributable to income from main operations and net income for the period is calculated on the basis of the total outstanding shares, amounting to 125 million shares as of 31 December 2015 (31 December 2014: 125 million shares).

**14 CONTINGENT LAIBILITIES**

- A) The Company's bankers have issued, on its behalf during the normal course of business, guarantees and acceptances limited to SR 334.9 million as of 31 December 2015 (2014: SR 512.9 million).
- B) The Company has capital commitments of SR 108 million to purchase 300 new busses and are expected to be delivered during the second quarter of 2016.



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15 SEGMENTAL INFORMATION

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

In accordance with the resources allocation policy, the Group 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 considered the major segment of the Group.

- **Contracts and Leasing**

Incorporates transport services as per lease agreements entered into by the Group with third parties, whether governmental or non- governmental parties, inside or outside the Kingdom.

- **Head Office**

Includes the headquarter of the Group, financial information attributable to support units activities and other activities, and pre-operating activities.

The following selected financial data for these sectors are:

31 December 2015:

SR '000

<u>Description</u>	<i>Passenger transport</i>	<i>Contracts and leases</i>	<i>Head Office</i>	<i>Eliminations on Consolidation</i>		
				<i>Total</i>	<i>Consolidation</i>	<i>Total</i>
1- Total revenues	698,107	288,812	113,793	1,100,712	-	1,100,712
2- Gross profit (Loss)	186,763	79,768	(44,464)	222,067	5,005	227,072
3- Property, plant & equipment	460,746	450,258	477,284	1,388,288	-	1,388,288
4- Total assets	535,343	566,651	1,538,916	2,640,910	(13,681)	2,627,229
5- Total liabilities	251,405	206,824	673,989	1,132,218	(13,014)	1,119,204

31 December 2014:

SR '000

<u>Description</u>	<i>Passenger transport</i>	<i>Contracts and leases</i>	<i>Head Office</i>	<i>Eliminations on Consolidation</i>		
				<i>Total</i>	<i>Consolidation</i>	<i>Total</i>
1- Total revenues	648,421	282,233	88,549	1,019,203	-	1,019,203
2- Gross profit (Loss)	146,587	66,560	(25,556)	187,591	-	187,591
3- Property, plant & equipment	426,213	441,904	537,258	1,405,375	-	1,405,375
4- Total assets	487,396	543,363	1,058,438	2,089,197	-	2,089,197
5- Total liabilities	253,441	210,908	131,489	595,838	-	595,838



**16 DIVIDENDS**

On 24 Rabi Awal 1437H (corresponding to 4 January 2016), the Board of Directors proposed to distribute dividends amounting to SR 62.5 million ( SR 0.50 per share) for the financial year 2015, subject to the approval of the General Assembly of the Company.

The Ordinary General Assembly approved in its meeting held on 1 Rajab 1436H (corresponding to 20 April 2015) the Board of Directors' recommendation to distribute cash dividends amounting to SR 93.7 million ( SR 0.75 per share) for the financial year 2014.

The Ordinary General Assembly also approved in its meeting held 1 Rajab 1436 H ( corresponding to 20 April 2015) the Board of Directors' recommendation to distribute cash dividends to shareholders from capital gains realized from the compensation of land of Madina (Gains on expropriation of land) amounting to SR 62.5 million (SR 0.50 per share) and the payment of Board of Directors' remuneration of SR 1.8 million.

**17 COMPARATIVE FIGURES**

Certain figures of the prior periods have been reclassified to conform with the current period's presentation.