

**Saudi Public Transport
Company - SAPTCO**

A Saudi Joint Stock Company

FINANCIAL STATEMENTS

31 DECEMBER 2011

AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI PUBLIC TRANSPORT COMPANY - SAPTCO

Scope of Audit:

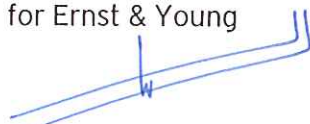
We have audited the accompanying balance sheet of Saudi Public Transport Company - a Saudi Joint Stock Company (the Company) as of 31 December 2011 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified Opinion:

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the company as of 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's bye-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young


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



Riyadh: 27 Rabi Al Awal 1433 H
(19 February 2012)

Saudi Public Transport Company
A Saudi Joint Stock Company

BALANCE SHEET

As at 31 December
(SR'000)

	<i>Note</i>	2011	2010
ASSETS			
CURRENT ASSETS			
Bank balances and cash on hand	3	401,675	390,380
Accounts receivable and prepayments	4	77,745	96,661
Spare parts inventory	5	74,275	75,809
		<u>553,695</u>	<u>562,850</u>
NON-CURRENT ASSETS			
Investments	6	77,175	62,434
Property, Plant and equipment	7	1,291,958	1,168,306
		<u>1,369,133</u>	<u>1,230,740</u>
TOTAL ASSETS		<u>1,922,828</u>	<u>1,793,590</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	8	168,670	134,561
Murabaha loans – current portion	9	59,916	31,016
Dividends payable	10	73,778	71,023
Provision for zakat	11	7,178	6,619
		<u>309,542</u>	<u>243,219</u>
NON-CURRENT LIABILITIES			
Murabaha term loan	9	72,373	19,880
Employees' terminal benefits		88,827	82,812
Deferred income		3,765	2,130
		<u>164,965</u>	<u>104,822</u>
TOTAL LIABILITIES		<u>474,507</u>	<u>348,041</u>
SHAREHOLDERS' EQUITY			
Share capital	12	1,250,000	1,250,000
Statutory reserve	13	110,816	104,289
Contractual reserve	14	25,646	22,382
Retained earnings		60,836	69,654
Unrealized (gains) losses on revaluation of investments in available for sale securities	6	1,023	(776)
TOTAL SHAREHOLDERS' EQUITY		<u>1,448,321</u>	<u>1,445,549</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,922,828</u>	<u>1,793,590</u>

The attached notes 1 to 27 form part of these financial statements

Saudi Public Transport Company
A Saudi Joint Stock Company

STATEMENT OF INCOME

For the year ended 31 December
(SR'000)

	Note	2011	2010
Revenues	15	809,970	746,274
Direct costs	16	(669,349)	(628,221)
GROSS PROFIT		<u>140,621</u>	<u>118,053</u>
EXPENSES			
General and administration	17	51,815	44,514
Marketing	18	31,184	31,424
		<u>82,999</u>	<u>75,938</u>
INCOME FROM MAIN OPERATIONS		<u>57,622</u>	<u>42,115</u>
Income from investments in murabaha contracts	3	1,754	1,337
Share in earnings of an associate	6 b	942	1,368
Other income	19	9,873	11,858
Financial charges		(2,406)	(4,654)
INCOME BEFORE ZAKAT		<u>67,785</u>	<u>52,024</u>
Zakat	11	(2,512)	(2,008)
NET INCOME FOR THE YEAR		<u><u>65,273</u></u>	<u><u>50,016</u></u>
Earnings per share (SR):-			
Attributable to income from main operations	20	<u>0.46</u>	<u>0.34</u>
Attributable to net income for the year	20	<u>0.52</u>	<u>0.40</u>

The attached notes 1 to 27 form part of these financial statements.

Saudi Public Transport Company
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STATEMENT OF CASH FLOWS

For the year ended 31 December
(SR'000)

	2011	2010
OPERATING ACTIVITIES		
Income before zakat	67,785	52,024
Adjustments for:		
Depreciation	149,645	153,314
Provision for doubtful debts	3,703	2,000
Provision for slow moving inventory	4,210	1,082
Provision for employees' terminal benefits	13,645	11,461
Share in earnings of an associate	(942)	(1,368)
Gain on sale of property, plant and equipment	(1,469)	-
Amortization of deferred income	(360)	(879)
	<u>236,217</u>	<u>217,634</u>
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	15,213	21,539
Inventory	(2,676)	92
Accounts payable and accruals	34,304	(21,808)
	<u>283,058</u>	<u>217,457</u>
Cash from operation		
Employees' terminal benefits paid	(7,631)	(9,833)
Zakat paid	(1,953)	(1,547)
	<u>273,474</u>	<u>206,077</u>
Net cash from operating activities		
INVESTING ACTIVITIES		
Investments in murabaha contract	(200,000)	-
Purchase of property, plant and equipment	(275,134)	(68,783)
Proceeds from sale of property, plant and equipment	3,307	-
Dividends received from an associated company	-	800
Purchase of investments in available for sale securities	(12,000)	-
	<u>(483,827)</u>	<u>(67,983)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Proceeds (Repayments of) from Murabaha loans	81,393	(56,850)
Dividends paid	(59,745)	(1,736)
	<u>21,648</u>	<u>(58,586)</u>
Net cash from (used in) financing activities		
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(188,705)</u>	<u>79,508</u>
Cash and cash equivalents at the beginning of the year (note 3)	390,380	310,872
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 3)	<u><u>201,675</u></u>	<u><u>390,380</u></u>

The attached notes 1 to 27 form part of these financial statements.

Saudi Public Transport Company
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2011
(SR'000)

	Share capital	Statutory reserve	Contractual reserve	Retained earnings	Unrealized (losses) gains on revaluation of investments in available for sale securities	Total
Balance at 31 December 2009	1,250,000	99,287	19,881	27,141	(9,012)	1,387,297
Net Income for the year	-	-	-	50,016	-	50,016
Transfer to statutory reserve	-	5,002	-	(5,002)	-	-
Transfer to contractual reserve	-	-	2,501	(2,501)	-	-
Unrealized gain on revaluation of investments in available for sale securities (note 6-a)	-	-	-	-	8,236	8,236
Balance at 31 December 2010	1,250,000	104,289	22,382	69,654	(776)	1,445,549
Net Income for the year	-	-	-	65,273	-	65,273
Transfer to statutory reserve	-	6,527	-	(6,527)	-	-
Transfer to contractual reserve	-	-	3,264	(3,264)	-	-
Dividends (Note 26)	-	-	-	(62,500)	-	(62,500)
Board of directors' remunerations (Note 22)	-	-	-	(1,800)	-	(1,800)
Unrealized gain on revaluation of investments in available for sale securities (note 6-a)	-	-	-	-	1,799	1,799
Balance at 31 December 2011	1,250,000	110,816	25,646	60,836	1,023	1,448,321

The attached notes 1 to 27 form part of these financial statements.

1 ACTIVITIES

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, as well as the transfer of non-postal parcels, cargo, school transport, teachers transport, car rental and sand and gravel transport. The Company operates under commercial registration number 1010024335 dated 5/9/1399H corresponding to 29/7/1979.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

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 year. 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.

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.

Expenditure for repairs and maintenance are charged to 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) Investments in an associated company

An associated company is that in which the company has a long-term investment comprising an interest ranging between 20% to 50% of the voting capital and over which it exercises significant influence.

Investments in associated 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 benefit period.

Impairment

As assessment is made at each balance sheet date of determine whether there is objective evidence in that a non-current assets or group of 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

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

Expenses

Marketing expenses are those which specifically relate to commission of sales agents, advertising, and other marketing expenses as well as 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 statement of income. Prepaid rent is amortized on a straight line basis over the lease term.

Bus and trucks renovation costs

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

Bus and trucks renovation costs are depreciated with effect from the date of operating the renovated buses and trucks 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 resulted from recalculation or final zakat assessments are charged to the 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 balance sheet date. All differences are taken to the statement of income.

3 BANK BALANCES AND CASH ON HAND

	2011 SR'000	2010 SR'000
Bank balances and cash on hand	100,857	140,043
Investments in murabaha contracts *	100,818	250,337
Cash and cash equivalents	201,675	390,380
Investment in a murabaha contract **	200,000	-
	<u>401,675</u>	<u>390,380</u>

* Investment in Murabaha contracts were made with local banks in accordance with the practice adopted in respect of murabaha transactions in the Kingdom of Saudi Arabia, they mature within three months from the date of purchase.

**During 2011, the Company invested in a murabaha contract with a local bank, it matures after three months from the date of purchase.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

4 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 SR'000	2010 SR'000
Trade receivables - Government and quasi - governments institutions	24,172	48,277
Trade receivables - Private sector	16,808	10,413
	<u>40,980</u>	<u>58,690</u>
Less: provision for doubtful debts.	(6,683)	(3,341)
Trade receivables, net	<u>34,297</u>	<u>55,349</u>
Prepaid expense	3,582	4,688
Margin deposits	2,084	4,489
Advances to suppliers	12,687	6,743
Accrued Zakat payments	3,489	3,489
Employees receivables	4,034	3,167
Other receivables	20,815	22,139
	<u>46,691</u>	<u>44,715</u>
Less: provision for doubtful amounts	(3,243)	(3,403)
Prepayments and other receivables, net	<u>43,448</u>	<u>41,312</u>
	<u>77,745</u>	<u>96,661</u>

5 SPARE PARTS INVENTORY

	2011 SR'000	2010 SR'000
Spare parts inventory	90,182	87,506
Less: provision for slow-moving inventory	(15,907)	(11,697)
	<u>74,275</u>	<u>75,809</u>

6 INVESTMENTS

Investments comprise the following as of 31 December:	2011 SR'000	2010 SR'000
Investments in available for sale securities (a)	69,181	55,382
Investments in an associate company (b)	7,994	7,052
	<u>77,175</u>	<u>62,434</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

6 INVESTMENTS – continued

The following summarize:

(a) The movement of investments in available for sale securities during the year was as follows:

	2011 SR'000	2010 SR'000
<i>Cost:</i>		
At beginning of the year	56,158	56,158
Additions during the year	12,000	-
At the end of the year	68,158	56,158
<i>Unrealized gains (losses) on revaluation:</i>		
At the beginning the year	(776)	(9,012)
Fair value adjustment	1,799	8,236
At the end of the year	1,023	(776)
<i>Net book value at the end of the year</i>	69,181	55,382

(b) The movement of the investment in the associate company was as follows:

	2011 SR'000	2010 SR'000
At the beginning the year	7,052	6,484
Share in company's earnings	942	1,368
Dividends received	-	(800)
At the end the year	7,994	7,052

Investment in an associated company comprises 40% of the interests in the Saudi Bahraini Transport Company, a limited liability company registered in Kingdom of Saudi Arabia. Investment in this Company is accounted for on equity basis based on the latest financial statement available.

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

The depreciation charge for the year is allocated in the statement of income as follows:

	2011	2010
	SR'000	SR'000
Direct costs (note 16)	147,445	151,341
General and administration expense (note 17)	2,200	1,973
	<u>149,645</u>	<u>153,314</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

8 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2011</i> <i>SR'000</i>	<i>2010</i> <i>SR'000</i>
Trade payables	81,686	62,168
Accrued expense	58,717	48,663
Retentions payable	6,690	7,001
Advanced income	14,134	7,209
Other payables	7,443	9,520
	<u>168,670</u>	<u>134,561</u>

9 MURABAHA LOANS

The Company has obtained murabaha loans from a local bank to finance the purchase of property, plant and equipment. These loans are secured by promissory notes and are repayable over three years from the dates of the loan agreements on 19 August 2009 and 15 August 2011 and carries murabaha costs in line with the rates prevailing for murabaha transaction in the Kingdom of Saudi Arabia.

Following are details of the loans:

	<i>2011</i> <i>SR'000</i>	<i>2010</i> <i>SR'000</i>
Current portion		
Total loan amounts payable	62,930	33,230
Deferred murabaha commissions	(3,014)	(2,214)
	<u>59,916</u>	<u>31,016</u>
Non-current portion		
Total loan amounts payable	75,256	21,357
Deferred murabaha commissions	(2,883)	(1,477)
	<u>72,373</u>	<u>19,880</u>
Total, net	<u>132,289</u>	<u>50,896</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

10 DIVIDENDS PAYABLE

These represent dividends declared in prior years and amounts due to the shareholders relating to the shares issued in prior years. Such amounts have not been claimed by the respective shareholders up to the date of the financial statements.

11 ZAKAT

Provision for zakat for the year is calculated as follows:

	2011 SR'000	2010 SR'000
Equity	1,376,671	1,369,168
Opening provisions and other adjustments	243,456	236,389
Book value of long term assets	(1,888,280)	(1,695,203)
	<u>(268,153)</u>	<u>(89,646)</u>
Zakatable income for the year	<u>100,484</u>	<u>80,158</u>
Zakat base	<u>100,484</u>	<u>80,158</u>

The difference between the financial and zakatable results is mainly due to provisions which are not allowed in the calculation of zakatable income.

Movement in provision for Zakat

The Movement in Zakat provision was as follows:

	2011 SR'000	2010 SR'000
Balance at the beginning of the year	6,619	6,158
Provided during the year	2,512	2,008
Paid during the year	(1,953)	(1,547)
Balance at the end of the year	<u>7,178</u>	<u>6,619</u>

The Company has obtained zakat certificates up to the year 2004. The Company has filed zakat returns for the years 2005 to 2010 and settled the related zakat dues accordingly. The final assessments for the said years have not yet been received.

12 SHARE CAPITAL

The share capital consists of 125 million shares (2010: 125 million shares) of SR 10 each.

13 STATUTORY RESERVE

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

14 CONTRACTUAL RESERVE

In accordance with the its bye-laws, the Company must set aside 5% of the net income for the year to the contractual reserve until it has built up a reserve equal to 25% of the share capital. This reserve may be used for the purpose authorized by the Board of Directors.

15 REVENUES

	2011 SR'000	2010 SR'000
Passenger transport	550,351	540,275
Contracts and rentals	238,581	196,676
Head office	21,038	9,323
	<u>809,970</u>	<u>746,274</u>

The Company had performed services during previous periods to one of its clients, as a result of continuous deliberations with the related party, it has obtained a final settlement, during the year ended 31 December 2011, which resulted in recognizing revenue amounting to SR 10 million.

16 DIRECT COSTS

	2011 SR'000	2010 SR'000
Salaries and related benefits	286,993	265,630
Depreciation (Note 7)	147,445	151,341
Maintenance and repair	131,665	120,789
Contractual services	27,581	26,877
Insurance	20,582	16,051
General services	14,876	14,615
Passenger services	13,188	13,805
Rentals	12,422	11,287
Visa fees	7,362	4,381
Provision for slow moving and obsolete items	4,210	1,082
Miscellaneous expense	3,025	2,363
	<u>669,349</u>	<u>628,221</u>

17 GENERAL AND ADMINISTRATION EXPENSES

	2011 SR'000	2010 SR'000
Salaries and related costs	32,224	25,572
Depreciation (Note 7)	2,200	1,973
Consultancy fees	10,474	9,432
Rentals	1,673	1,956
Maintenance and cleaning	1,252	1,365
Telephone, electricity and water	891	1,337
Board of Directors' expenses	799	592
Committee membership remuneration	275	575
Other	2,027	1,712
	<u>51,815</u>	<u>44,514</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

18 MARKETING EXPENSES

	2011 SR'000	2010 SR'000
Domestic agents' commission	19,662	18,895
International agents' commission	4,210	5,881
Advertising	2,200	2,772
Publicity and promotions	1,409	1,876
Provision for doubtful debts	3,703	2,000
	<u>31,184</u>	<u>31,424</u>

19 OTHER INCOME

	2011 SR'000	2010 SR'000
Penalties on suppliers	3,786	2,311
Rental income	1,602	1,743
Gains on sale of property, plant and equipment	1,469	-
Gain on sale of scrap	948	876
Amortization of deferred charges	709	879
Advertising Income	-	5,000
Other	1,359	1,049
	<u>9,873</u>	<u>11,858</u>

20 EARNINGS PER SHARE

Earnings per share attributable to the net income from main operations and net income for the year is calculated on the basis of income from main operations and net income for the year divided by the weighted average number of shares outstanding during the year.

21 SEGMENTAL INFORMATION

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

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

Passenger Scheduled Transport

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

Contract and Leasing

Incorporates transport services per lease agreements contracted with others either Governmental or Non-governmental parties inside and outside the Kingdom.

Head Office

Includes the headquarter of the Company, financial information attributable to support units activities and activities under establishment.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2011

21 SEGMENTAL INFORMATION – continued

<i>Description</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>
<u>2011</u>				
1. Total revenue	550,351	238,581	21,038	809,970
2. Gross profit (loss)	90,039	55,667	(5,085)	140,621
3. Property, plant & equipment	439,039	395,443	457,476	1,291,958
4. Total assets	498,893	483,320	940,615	1,922,828
5. Total liabilities	237,782	123,116	113,609	474,507
<u>2010</u>				
1. Total revenue	540,275	196,676	9,323	746,274
2. Gross profit (loss)	87,107	34,663	(3,717)	118,053
3. Property, plant & equipment	408,553	375,632	384,121	1,168,306
4. Total assets	469,580	481,782	842,228	1,793,590
5. Total liabilities	148,763	92,574	106,704	348,041

22 RELATED PARTIES TRANSACTION

Following are the details of major related party transactions during the year and balances at the year end.

<i>Related Party</i>	<i>Nature of transaction</i>	<i>Amount of Transaction</i>		<i>Balance</i>	
		<i>2011 SR'000</i>	<i>2010 SR'000</i>	<i>2011 SR'000</i>	<i>2010 SR'000</i>
Board of Directors members	Remuneration	-	1,800	-	-
	Expenses	523	592	-	-
	Committee membership bonus	550	575	-	575
Associate company	Services provided	485	519	431	9,8
	Services received	64	529	-	-

23 CONTINGENT LIABILITIES

The Company's bankers have issued, on its behalf, guarantees and acceptances limited to SR 1.7 million as at 31 December 2011 (2010 – SR 4 million) during the normal course of business.

24 RISK MANAGEMENT

Commission rate risk

The Company is subject to commission rate risk on its commission bearing assets and liabilities, including Islamic Murabaha deposits, and loans.

Credit risk

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and which causes the other party to incur a financial loss. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual and agents and monitoring outstanding receivables. At the balance sheet date, no significant concentrations of credit risk were identified by the management, except for transactions with governmental institutions as set out in Note (4).

24 RISK MANAGEMENT (continued)

Liquidity risk

The Company limits its liquidity risk by ensuring that the sufficient liquid funds are available to meets its future obligations.

Currency risk

The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company undertake in the normal course of its business transactions in currencies such as, Saudi Riyals and US Dollars and Euros. The Euros is subject to fluctuations exchange higher than US Dollars. The Company has no significant balances of receivables or payables in Euros at the end of the year.

25 LEGAL CASE

During the year ended 31 December 2010, the Company lodged a case against one of the contractors, to collect amounts payable to the Company against services rendered to that contractee. Until the date of issuance of the financial statements the case is still pending before the judicial authorities and the management believes that the ultimate outcome will be in the favor of the Company.

26 APPROVAL OF THE FINANCIAL STATEMENTS AND APPROPRIATION OF DIVIDENDS

The Company's board of directors, in its meeting held on 27 Rabi Awal 1433H corresponding to 19 February 2012, proposed to distribute dividends of SR 62.5 million (at SR 0.5 per share), subject to the approval of the General Assembly in its next meeting.

The Board of Directors also approved in its meeting held on 27 Rabi Awal 1433H corresponding to 19 February 2012 the financial statements for the year ended 31 December 2011, and proposed board of directors' remunerations of SR 1.8 million.

In light of the Royal Decree to pay two months salary to the government employees, the Board of Directors decided during the first quarter of 2011 to pay two months salary to the Saudi employees amounting to SR 11.6 million, out of which, an amount of SR 10.5 million has been charged to direct costs and SR 1.1 million has been charged to general and administration expenses during the year ended 31 December 2011.

27 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year.