

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
AND IT'S SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)
For the three month period ended 31 March 2014
together with
Review Report



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REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To: **The Shareholders**
Al Tayyar Travel Group Holding Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of **Al Tayyar Travel Group Holding Company** and its subsidiaries ('the Group') as at 31 March 2014, the related interim consolidated statements of income, cash flows and statement of changes in equity for the three month period then ended and the attached condensed notes (1) to (16) which form an integral part of these interim condensed consolidated financial statements. These interim condensed 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. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information 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 review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Al Sadhan

Abdullah H. Al Fozan
License No: 348

Date: 17 Jumada II 1435H
Corresponding to: 17 April 2014



AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 March 2014
(Saudi Arabian Riyals)

	<u>Notes</u>	31 March 2014	31 December 2013 (Audited)	31 March 2013
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents		1,495,318,789	2,117,094,594	706,848,316
Trade receivables, net		738,963,748	583,223,166	688,912,787
Due from related parties		32,692,907	30,247,535	47,115,066
Advances, prepayments and other receivables		418,541,459	484,752,033	369,044,028
Total current assets		<u>2,685,516,903</u>	<u>3,215,317,328</u>	<u>1,811,920,197</u>
Non current assets				
Investments in equity accounted investees		107,710,340	101,795,636	409,057,075
Investment properties		25,000,000	25,000,000	25,000,000
Available for sale investments		1,000,000	1,000,000	1,000,000
Intangible assets, net	4	237,365,574	139,412,415	142,130,894
Property and equipment, net		769,107,935	754,954,670	586,315,217
Capital work in progress for disposal	6	343,657,097	343,657,097	--
Capital work in progress	6	865,256,791	847,435,135	43,119,400
Total non current assets		<u>2,349,097,737</u>	<u>2,213,254,953</u>	<u>1,206,622,586</u>
Total assets		<u>5,034,614,640</u>	<u>5,428,572,281</u>	<u>3,018,542,783</u>
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Bank overdrafts		14,381,328	15,490,301	16,484,279
Short term debts	7	495,522,615	490,626,377	25,037,403
Trade payables		711,582,878	772,054,735	321,207,858
Accrued expenses and other liabilities	8	1,145,685,440	1,479,858,028	523,859,309
Other provisions		25,000,000	25,000,000	--
Due to related parties		75,648,188	112,293,803	302,062,029
Zakat and income tax provision		25,577,230	44,631,177	41,368,846
Total current liabilities		<u>2,493,397,679</u>	<u>2,939,954,421</u>	<u>1,230,019,724</u>
Non current liabilities				
Employees' end of service benefits		53,064,921	47,111,501	40,200,980
Total non current liabilities		<u>53,064,921</u>	<u>47,111,501</u>	<u>40,200,980</u>
Total liabilities		<u>2,546,462,600</u>	<u>2,987,065,922</u>	<u>1,270,220,704</u>
<u>EQUITY</u>				
Equity attributable to the Company's shareholders				
Share capital	1	1,200,000,000	1,200,000,000	800,000,000
Capital increase	1	300,000,000	--	--
Statutory reserve		304,384,486	304,384,486	210,091,652
Translation adjustments for foreign operations		(16,448,891)	(15,502,255)	(14,094,771)
Retained earnings		466,222,398	726,228,226	735,490,869
Total shareholders' equity		<u>2,254,157,993</u>	<u>2,215,110,457</u>	<u>1,731,487,750</u>
Non controlling interest		233,994,047	226,395,902	16,834,329
Total equity		<u>2,488,152,040</u>	<u>2,441,506,359</u>	<u>1,748,322,079</u>
Total liabilities and equity		<u>5,034,614,640</u>	<u>5,428,572,281</u>	<u>3,018,542,783</u>

The accompanying notes (1) through (16) form an integral part of these interim condensed consolidated financial statements.

The financial statements on pages (1) to (18) were approved on behalf of the Shareholders by the Board of Directors on 17 Jumada II 1435H corresponding to 17 April 2014 and signed on behalf of the Board by:



Dr. Nasser Al Tayyar
Vice Chairman & Managing Director



Dr. Ali El Tigani Ahmed
Acting Chief Executive Officer



Yousif Mousa Yousif
Group Chief Financial Officer

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the three month period ended 31 March 2014
(Saudi Arabian Riyals)

		31 March 2014	31 March 2013
	<i>Note</i>		
Revenue	10	1,790,308,209	1,554,956,870
Cost of revenue		(1,427,044,975)	(1,253,404,463)
Gross profit	10	363,263,234	301,552,407
Selling and marketing expenses		(56,890,642)	(46,532,574)
General and administrative expenses		(64,244,924)	(50,360,824)
Share of income of equity accounted investees		2,243,932	2,834,549
Other operating income		21,379,848	21,111,437
Operating income		265,751,448	228,604,995
Gain on disposal of property and equipment	9	29,119,652	2,168,571
Finance income		6,124,288	302,099
Finance and bank charges		(2,205,486)	(3,485,727)
Other income / (expenses), net		33,038,454	(1,015,057)
Income before Zakat, income tax and non controlling interest		298,789,902	227,589,938
Provision for Zakat and income tax		(11,197,585)	(7,311,943)
Net income before non controlling interest		287,592,317	220,277,995
Non controlling interest		(7,598,145)	(2,379,848)
Net income for the period		279,994,172	217,898,147
Earnings per share from operating income	11	2.21	1.91
Earnings / (loss) per share from other expenses, net	11	0.28	(0.01)
Basic earnings per share	11	2.33	1.82

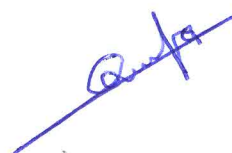
The accompanying notes (1) through (16) form an integral part of these interim condensed consolidated financial statements.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three month period ended 31 March 2014
(Saudi Arabian Riyals)

	<u>31 March</u> <u>2014</u>	<u>31 March</u> <u>2013</u>
<i>Cash flows from operating activities</i>		
Net income for the period	279,994,172	217,898,147
<i>Adjustments to reconcile net income to net cash from operating activities:</i>		
Depreciation	11,048,269	10,330,951
Gain on disposal of property and equipment	(29,119,652)	(2,168,571)
Gain on foreign currency translation	(1,548,348)	(2,140,428)
Share of profit on equity accounted investees	(2,243,932)	(2,834,549)
Provision for trade receivables	5,000,000	5,000,000
Non controlling interest	7,598,145	2,379,848
Finance and bank charges	2,205,486	3,485,727
Provision for employees' end of service benefits	6,098,626	5,285,869
Provision for Zakat and income tax	11,197,585	7,311,943
	<u>290,230,351</u>	<u>244,548,937</u>
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(127,441,682)	280,222,039
Due from related parties	(2,445,372)	(10,024,434)
Advances, prepayments and other receivables	71,582,115	(93,209,095)
Trade payables	(84,115,838)	97,769,969
Due to related parties	(36,645,615)	80,940,615
Accrued expenses and other liabilities	(430,684,599)	(467,827,767)
Employees' end of service benefits paid	(145,206)	(427,179)
Finance and bank charges paid	(2,205,486)	(3,455,833)
Zakat and income tax paid	(30,251,532)	(356,783)
Net cash (used in) / from operating activities	<u>(352,122,864)</u>	<u>128,180,469</u>
<i>Cash flows from investing activities</i>		
Payments for investments in equity accounted investees	(3,670,772)	--
Purchase of property and equipment	(123,268,735)	(7,888,634)
Dividends received from equity accounted investees	--	6,932,032
Proceeds from disposal of property and equipment	119,625,021	4,825,640
Acquisition of subsidiaries, net of cash acquired	(8,304,064)	--
Net movement in capital work in progress	(17,821,656)	(7,361,156)
Net cash used in investing activities	<u>(33,440,206)</u>	<u>(3,492,118)</u>
<i>Cash flows from financing activities</i>		
Net movement in short term debts	4,896,238	23,652,243
Net movement in bank overdrafts	(1,108,973)	11,670,145
Dividends paid to shareholders	(240,000,000)	(200,000,000)
Net cash used in financing activities	<u>(236,212,735)</u>	<u>(164,677,612)</u>
Net change in cash and cash equivalents	(621,775,805)	(39,989,261)
Cash and cash equivalents at the beginning of the period	2,117,094,594	746,837,577
Cash and cash equivalents at the end of the period	<u>1,495,318,789</u>	<u>706,848,316</u>

The accompanying notes (1) through (16) form an integral part of these interim condensed consolidated financial statements.





AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2014

(Saudi Arabian Riyals)

	<u>Notes</u>	<u>Share capital</u>	<u>Capital increase</u>	<u>Statutory reserve</u>	<u>Translation adjustment for foreign operations</u>	<u>Retained earnings</u>	<u>Total shareholders' equity</u>	<u>Non-controlling interest</u>	<u>Total</u>
<i>31 March 2013</i>									
At the beginning of the period		800,000,000	--	210,091,652	(4,717,110)	717,592,722	1,722,967,264	14,454,481	1,737,421,745
Net income for the period		--	--	--	--	217,898,147	217,898,147	2,379,848	220,277,995
Translation adjustment for foreign operations		--	--	--	(9,377,661)	--	(9,377,661)	--	(9,377,661)
Dividends to shareholders		--	--	--	--	(200,000,000)	(200,000,000)	--	(200,000,000)
At the end of the period		<u>800,000,000</u>	<u>--</u>	<u>210,091,652</u>	<u>(14,094,771)</u>	<u>735,490,869</u>	<u>1,731,487,750</u>	<u>16,834,329</u>	<u>1,748,322,079</u>
<i>31 March 2014</i>									
At the beginning of the period		1,200,000,000	--	304,384,486	(15,502,255)	726,228,226	2,215,110,457	226,395,902	2,441,506,359
Net income for the period		--	--	--	--	279,994,172	279,994,172	7,598,145	287,592,317
Bonus shares	(1)	--	300,000,000	--	--	(300,000,000)	--	--	--
Translation adjustment for foreign operations		--	--	--	(946,636)	--	(946,636)	--	(946,636)
Dividends to shareholders	(14)	--	--	--	--	(240,000,000)	(240,000,000)	--	(240,000,000)
At the end of the period		<u>1,200,000,000</u>	<u>300,000,000</u>	<u>304,384,486</u>	<u>(16,448,891)</u>	<u>466,222,398</u>	<u>2,254,157,993</u>	<u>233,994,047</u>	<u>2,488,152,040</u>

The accompanying notes (1) through (16) form an integral part of these consolidated financial statements.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****For the three month period ended 31 March 2014****1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES**

Al Tayyar Travel Group Holding Company (ATG), formerly Al Tayyar Travel Group, is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010148039 dated 24/07/1418H corresponding to 24/11/1997 (hereinafter referred to as 'the Company' or 'the Parent'). From 4 June 2012, the shares of the Company have been listed on the Saudi Stock Exchange.

On 20 March 2014, the general assembly meeting of Shareholders approved to issue one Ordinary bonus share for every four ordinary shares held. The bonus shares have been issued from the retained earnings of the Company. Following the bonus shares issue, the capital of the Parent is SAR 1.5 billion and consists of 150,000,000 Ordinary shares of SAR 10 each. The process of updating the Commercial Registration Certificate is currently in progress with Ministry of Commerce, therefore the issued share capital of the Company as at 31 March 2014 is SAR 1.2 billion and consists of 120,000,000 Ordinary shares of SAR 10 each.

Al Tayyar Travel Group Holding Company (ATG) activities encompass scheduled air travel services, tourism, cargo, transportation, Hajj and Umrah, conference and events, education, chartered flights, furnished suites and hotels, shipping and other travel related services and products.

The Company's registered address is:

P.O. Box 52660
Riyadh 11573
Kingdom of Saudi Arabia

These interim condensed consolidated financial statements cover the activities of the Parent and the following subsidiaries (collectively referred to as 'the Group'):

<u>Consolidated subsidiaries</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>March 2014</u>	<u>March 2013</u>	
National Travel and Tourism Bureau Limited (NTTB)	KSA	100%	100%	31 December
Al Sarh Travel and Tourism Limited (ASTT)	KSA	80%	80%	31 December
Al Tayyar International Air Transportation Agency Company Limited (ATI)	KSA	100%	100%	31 December
Al Tayyar Holiday for Travel and Tourism Company Limited (ATH)	KSA	100%	100%	31 December
Al Tayyar Travel, Tourism and Cargo Company Limited (ATC)	KSA	100%	100%	31 December
Al Tayyar Holidays Travel Group Company (ATE)	Egypt	100%	100%	31 December
Al Tayyar Cargo and Custom Clearance Company (ATCC)	Egypt	100%	100%	31 December
E Al Tayyar Tourism Company (ATT)	Egypt	100%	100%	31 December
E Al Tayyar Tours Company (ALC)	Egypt	100%	100%	31 December
Nile Holidays Tourism Company (NALC)	Egypt	100%	100%	31 December
Al Tayyar Rent A Car Company (ARC)	Egypt	100%	100%	31 December
Lena Tours and Travel (LTT)	Lebanon	100%	75%	31 December
Belantara Holidays SDN. BHD (BHSB)	Malaysia	100%	100%	31 December
Al Tayyar International Company Limited (ATS)	Sudan	75%	75%	31 December
Al Tayyar Travel and Tourism (ATD)	UAE	100%	100%	31 December
Taqniattech Company for Communication Technology Limited (TAQ)	KSA	100%	100%	31 December
Al Tayyar Real Estate, Tourism Development and Investment Company Hotels - (ARE)	KSA	100%	100%	31 December
Al Tayyar Insurance Broker Company Limited (INS)	KSA	100%	100%	31 December

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****For the three month period ended 31 March 2014****1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES (Continued)**

<u>Consolidated subsidiaries (continued)</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>March 2014</u>	<u>March 2013</u>	
Al Tayyar Rent A Car (ARAC)	KSA	100%	100%	31 December
Al Musaffir Magazine (AMM)	KSA	100%	100%	31 December
Al Mousim Travel and Tours (AMTT)	KSA	100%	100%	31 December
Jawlah Tours Establishment for Tourism (JTET)	KSA	51%	51%	31 December
Al Mawasim Tourism and Umrah Services (MWT)	KSA	51%	51%	31 December
Al Jazirah Travel (AJT)	KSA	70%	70%	31 December
Fly IT (FIT)	KSA	60%	60%	31 December
Muthmerah Real Estate Investment Company (MREIC)	KSA	75%	36%	31 December
Saudi World Travel and Tourism Company Limited (SWTT)	KSA	100%	--	31 December
Mawasem Travel and Tourism Limited (MTT) *	UK	100%	--	30 September
Elegant Resorts Limited and subsidiaries (ERL) *	UK	100%	--	30 September
Al Nokhba Private Jet Services Company (ANPJ) *	KSA	100%	--	31 December

* **MTT** – is a limited liability company, registered in England and Wales under Commercial Registration No. 8831424 dated 1 Rabi I 1435H corresponding to 3 January 2014. MTT is engaged in travel and tourism business.

* **ERL** – is a listed company registered in England and Wales under Commercial Registration No. 02100913. ERL is a luxury holiday tour operator.

* **ANPJ** – is a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010188648 dated 27 Jumada I 1434H corresponding to 8 April 2013. ANPJ is registered to own and operate aircraft, and provide cargo services.

The interim condensed consolidated financial statements include the following investments of the Group:

<u>Investment in equity accounted investees</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>March 2014</u>	<u>March 2013</u>	
Felix Airways Limited (FAL)	Yemen	30%	30%	31 December
Al-Shamel Int'l. Holding Company K.S.C. – Closed (ASI)	Kuwait	30%	30%	31 December
Grand Travel & Tours, LLC. (GTT)	USA	--	40%	31 December
Voyage Amro Travel (VAT)	Canada	49%	49%	31 December
Al Tayyar Travel & Tourism Abu Dhabi (TTAD)	UAE	49%	49%	31 December
Taqniattech Company for Communication Technology JV (TAQJV)**	KSA	70%	70%	31 December
2share Emerging Technology (TSET)	KSA	35%	--	31 December
Net Tours (NT)	UAE	44.3%	--	31 December

** There is a significant influence but no control over the joint venture financial and operating policies.

<u>Available for sale investments</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>March 2014</u>	<u>March 2013</u>	
Al Wafeer Air (AWA)	KSA	12.75%	12.75%	31 December
Taif Investments and Tourism Company (TITC)	KSA	0.09%	0.09%	31 December

2. BASIS OF PREPARATION

(a) *Statement of compliance*

The accompanying interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) applicable for interim financial reporting. Certain prior period comparative amounts have been reclassified to be consistent with the current period presentation.

These interim condensed consolidated financial statements were authorized for issue by the board of directors of the Parent Company on 17 Jumada II 1435H (corresponding to 17 April 2014).

(b) *Basis of measurement*

These interim condensed consolidated financial statements have been prepared on the historical cost basis (except for available-for-sale investments which are stated at their fair values), using the accrual basis of accounting and the going concern concept.

(c) *Functional and presentation currency*

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency.

(d) *Use of estimates and judgements*

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements is included in the following accounts:

- Trade receivables
- Property and equipment
- Intangible assets

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following accounts:

- Provision for trade receivables
- Impairment of intangible assets
- Capital work in progress for disposal
- Other provisions

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the interim condensed consolidated financial statements and are also consistent with the accounting policies in the consolidated financial statements for the year ended 31 December 2013.

The interim condensed consolidated financial statements should be read together with the consolidated financial statements of the Group for the year ended 31 December 2013.

(a) *Basis of consolidation*

These interim condensed consolidated financial statements include the financial statements of the Group entities set out in Note 1 above. Associates are accounted for using the equity method.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Transactions eliminated on consolidation

All internal group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these interim condensed consolidated financial statements. Also, any unrealized gains and losses arising from intra group transactions are eliminated on consolidation.

(b) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash with banks and highly liquid investments, if any, with original maturities of three months or less, which are available to the Group without any restrictions.

(c) *Trade receivables*

Trade receivables are stated at original invoice amount less provisions made for amounts which in the opinion of the management may not be received. Bad debts are written off when identified as a result of objective evidence which can include default or delinquency by a debtor, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers or economic conditions that correlate with defaults.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(d) *Investments******Investments in associates and jointly controlled entities (equity accounted investees)***

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decision. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investee) and are initially recognized at cost. The financial statements include the Group's share of income and expenses and equity movement of the equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. The Group's share of profits or losses of the investee companies is credited or charged to the consolidated statement of income.

Available for sale investments

Investments which are not for trading purposes and where the Parent does not have any significant influence or control are classified as available for sale investments and subsequent to initial recognition they are measured at fair value and changes therein other than impairment losses are recognized in equity. Fair value is determined by reference to the market value in the open market if an open market exists. In the absence of an open market, the cost less impairment losses recognised is considered to be the fair value for these investments.

(e) *Property and equipment*

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of qualified assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the income statement when incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of individual items of property and equipment.

The estimated useful lives of assets for current and comparative periods are as follow:

	<u>Years</u>
Buildings	20
Furniture, fixtures, decorations, telecommunication systems, air conditioning and cooling systems, tools and hardware, safes and vaults	6.67- 10
Computers and office equipment, security systems	5
Vehicles	4

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) *Intangible assets*

Goodwill

Goodwill represents the excess cost of investments over the fair value of the net assets acquired in a business combination. Goodwill is tested annually for impairment and is carried at cost net of accumulated impairment losses. Impairment losses on goodwill are not reversed once recorded. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill represents the excess of the fair value of the net assets acquired and the cost of investments in a business combination. Negative goodwill is recognised in the consolidated statement of income.

Software

Computer software is measured initially at cost. Following initial acquisition, computer software is stated at cost less accumulated amortisation and accumulated impairment losses, if any. These costs are amortised using the straight-line method over their estimated useful lives of 5 years and assessed for impairment whenever there is an indication that the computer software may be impaired.

(g) *Impairment of assets*

Property and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount in the statement of income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(h) *Provisions*

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

(i) *Employees' end of service benefits*

Employees' end of service benefits, calculated in accordance with labour regulations of the countries of incorporation of the group member companies, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

(j) *Revenue recognition*

Revenue from airline tickets reflects the ticketing price and is recognized when the tickets are issued. Revenue from other services is recognized when services are performed. Other income is recorded when earned. Airline incentives are recorded in other operating income once earned.

(k) *Operating leases*

Payments under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) *Expenses*

Selling and marketing expenses are those arising from the Group's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of revenue and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

(m) *Zakat and income tax*

The Company and its Saudi Arabian subsidiaries are subject to Zakat and income-tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. The foreign subsidiaries are subject to tax regulations in their countries of incorporation. Zakat and income tax are charged to the current consolidated statement of income.

(n) *Foreign currency translation and foreign subsidiaries*

Transactions denominated in foreign currencies are translated to the functional currency of the Group at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the Group at the foreign exchange rate ruling at that date. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Exchange differences arising on translation are recognized in the current consolidated statement of income.

The Company's books and accounts are maintained in Saudi Arabian Riyals. Assets and liabilities of foreign subsidiaries are translated into Saudi Arabian Riyals at the exchange rates in effect at the date of the consolidated balance sheet. The components of foreign subsidiaries' equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates the related items originated. The elements of foreign subsidiaries' income statement are translated using the weighted-average exchange rate for the year.

Material adjustments resulting from the translation of foreign subsidiaries' financial statements into Saudi Arabian Riyals are reported as a separate component of equity attributable to shareholders of the Company in the interim condensed consolidated financial statements.

(o) *Segment reporting*

Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure.

(p) *Dividends*

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

(q) *Financial instruments*

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. The assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these are measured at cost, less any impairment losses (financial assets). The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at balance sheet date.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****For the three month period ended 31 March 2014***(Saudi Arabian Riyals)***4. INTANGIBLE ASSETS, NET**

		31 March <u>2014</u>	31 December <u>2013</u> (Audited)	31 March <u>2013</u>
Goodwill	(a)	228,914,341	139,412,415	142,130,894
Software	(b)	8,451,233	--	--
		<u>237,365,574</u>	<u>139,412,415</u>	<u>142,130,894</u>

(a) Goodwill

The goodwill represents excess of purchase consideration over the share of the fair values of net assets acquired. Following is the breakdown of the Goodwill:

	31 March <u>2014</u>	31 December <u>2013</u> (Audited)	31 March <u>2013</u>
National Travel and Tourism Bureau	6,212,311	6,212,311	6,212,311
Al Sarh Travel and Tourism Limited	11,600,000	11,600,000	11,600,000
E Al Tayyar Tours Company *	26,297,274	26,297,274	26,297,274
Al Tayyar Rent a Car Company *	13,390,372	13,390,372	13,390,372
E Al Tayyar Tourism Company *	13,805,118	13,805,118	13,805,118
Nile Holidays Tourism Company *	13,603,448	13,603,448	13,603,448
Lena Tours and Travel *	2,718,479	2,718,479	2,718,479
Al Tayyar Rent A Car	44,500,000	44,500,000	44,500,000
Al Musaffir Magazine	1,426,644	1,426,644	1,426,644
Al Mousim Travel and Tours	13,750,000	13,750,000	13,750,000
Jawlah Tours Establishment for Tourism	1,578,247	1,578,247	1,578,247
Al Mawasim Tourism and Umrah Services	21,235,000	21,235,000	21,235,000
Al Jazirah Travel	2,014,001	2,014,001	2,014,001
Elegant Resorts Limited (see note 5)	88,523,141	--	--
	<u>260,654,035</u>	172,130,894	172,130,894
Foreign currency translation	978,785	--	--
Total	261,632,820	172,130,894	172,130,894
Impairment losses *	(32,718,479)	(32,718,479)	(30,000,000)
Net	<u>228,914,341</u>	<u>139,412,415</u>	<u>142,130,894</u>

* The loss on impairment was as a result of the continuing political uncertainty in Egypt of SAR 30 million and the impairment of LTT goodwill of SAR 2.7 million.

The value of assets, liabilities and contingent liabilities recognized on acquisition are their pre acquisition carrying amounts.

The Group management considers that these carrying amounts are their estimated fair values. The goodwill recognized on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating these companies into the Group's existing business.

(b) Software

This reflects the capitalization of software previous held in capital work in progress.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****For the three month period ended 31 March 2014***(Saudi Arabian Riyals)***5. BUSINESS COMBINATIONS****a. Current period acquisition of subsidiary - Elegant Resorts Limited**

On 6 February 2014, the Company acquired a 100% shareholding of Elegant Resorts Limited for a consideration amount of SAR 89 million. The acquisition was effected through a new holding Company Mawasem Travel and Tourism Limited (MTT).

Country of incorporation	<u>United Kingdom</u>
Acquisition date	6 th February 2014
Consideration paid	89,141,591
Recognized value of net identifiable assets on acquisition	<u>(618,450)</u>
Goodwill	<u>88,523,141</u>

The Company is currently in the process of allocating the purchase consideration to the identifiable assets and liabilities acquired. This exercise is expected to be completed within one year from the acquisition date as required by generally accepted accounting standards in the Kingdom of Saudi Arabia. The Company has initially recorded the book value as approximating to the fair value of the assets and liabilities acquired.

b. Previous period acquisition of subsidiary – Muthmerah Real Estate Investment Company

Following the acquisition of Muthmerah Real Estate Investment Company in May 2013, the Company is currently in the process of allocating the purchase consideration to the identifiable assets and liabilities acquired. This exercise is expected to be completed during the second quarter of 2014 as required by generally accepted accounting standards in Kingdom of Saudi Arabia.

c. Recording of fair value changes

Any difference between the consideration paid and the fair value of the net assets acquired for the above transactions will be recognised as goodwill or negative goodwill as appropriate. To date, the Company has accounted for the fair value of transaction based on the initial carrying values of the assets and liabilities as of the acquisition date.

6. CAPITAL WORK IN PROGRESS

	31 March <u>2014</u>	31 December <u>2013</u> (Audited)	31 March <u>2013</u>
MREIC	1,149,614,442	1,126,521,663	--
MREIC capital work in progress for disposal *	(343,657,097)	(343,657,097)	--
	<u>805,957,345</u>	<u>782,864,566</u>	<u>--</u>
Others	59,299,446	64,570,569	43,119,400
	<u>865,256,791</u>	<u>847,435,135</u>	<u>43,119,400</u>

The movement in capital work in progress from 31 March 2013 is mainly due to the full consolidation of the MREIC financial statements. The MREIC capital work in progress totals SAR 806 million as at 31 March 2014, reflecting the land acquisition and hotel development costs to date for projects in Makkah (also see note 7).

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****For the three month period ended 31 March 2014***(Saudi Arabian Riyals)***6. CAPITAL WORK IN PROGRESS (Continued)**

* This represents certain land parcels and hotel which were under construction totaling SAR 344 million. During 2013, these assets have been included in the Haram expansion project and other projects in Makkah and as a result, are likely to be acquired by the respective local authorities. MREIC is not expecting such disposal to conclude within the next twelve months. Further, the management is not expecting any losses as a result of these projects. These assets have therefore been classified as capital work in progress for disposal.

7. SHORT TERM DEBTS

		31 March 2014	31 December 2013 (Audited)	31 March 2013
Short term loans – MREIC	(a)	494,137,455	489,241,217	--
Short term bank debts	(b)	1,385,160	1,385,160	25,037,403
		<u>495,522,615</u>	<u>490,626,377</u>	<u>25,037,403</u>

(a) Short-term loans – MREIC:

The MREIC short term loan facilities were novated to MREIC by Muthmerah Holding Company (the previous majority shareholder of MREIC) as part of the acquisition transaction. The legal formalities of the transfer of this loan by the bank are still under process.

This amount outstanding is at agreed commercial rates. As at 31 March 2014, certain land assets of MREIC amounting to SAR 606.2 million have been pledged against these loan facilities.

The loan facility was due for repayment on 18 January 2014. The Group is currently in advanced discussions for the renewal of these facilities and is expected to be renewed shortly.

(b) Short-term bank debts:

This represents amounts outstanding under the short-term bank loan facilities with certain local commercial banks at agreed commercial rates.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and liabilities include advances from certain customers. The balance of these advances as at 31 March 2014 totalled SAR 904 million (31 December 2013: SAR 1.29 billion; 31 March 2013: SAR 390 million).

9. GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT

During the period, MREIC disposed one of its hotel property recognizing a gain on disposal of SAR 27 million.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****For the three month period ended 31 March 2014***(Saudi Arabian Riyals)***10. SEGMENT REPORTING**

The Group comprises the following main business segments:

- Air Ticketing, Travel & Tours
- Cargo
- Transportation and other ('Others')

The revenue and gross profit by segment is shown below:

	31 March 2014	31 March <u>2013</u>
<u>Revenue</u>		
Air Ticketing, Travel and Tours	1,742,781,590	1,520,167,475
Cargo	33,007,942	22,993,691
Transportation and other ('Others')	14,518,677	11,795,704
	<u>1,790,308,209</u>	<u>1,554,956,870</u>
	31 March 2014	31 March <u>2013</u>
<u>Gross Profit</u>		
Air Ticketing, Travel and Tours	353,601,422	294,754,013
Cargo	3,010,061	2,717,653
Transportation and other ('Others')	6,651,751	4,080,741
	<u>363,263,234</u>	<u>301,552,407</u>

Due to the nature of the Group's business all the companies in the Group can provide any travel related service, so it is not practical to split the assets, liabilities and depreciation related to these business segments. The assets, liabilities and depreciation therefore are shown in respect of the key subsidiaries ATI, ATH and MREIC below.

None of the above segments comprises 10% or more of the total consolidated revenue except for Air Ticketing, Travel and Tours. Further 34% of the revenue for the period is generated from one governmental entity (31 March 2013: 38%). The contract with this governmental entity is valid till May 2014. Management is currently discussing the renewal of this contract.

A segment for Hotels is currently under formation following the acquisition of the majority stake of MREIC in 2013 (see notes 5 and 6). As at 31 March 2014, MREIC represents more than 10% of the consolidated assets. MREIC has started to generate some revenue from the hotels. However, the majority of the hotels are currently under construction. These are expected to be fully operational from 2015.

The revenues, gross profit, depreciation, assets and liabilities in respect of the key subsidiaries ATI, ATH and MREIC are shown below:

	As at and for the period ended 31 March 2014				
	<u>ATI</u>	<u>ATH</u>	<u>MREIC</u>	Other entities/ consolidation <u>adjustments</u>	<u>Total</u>
Revenues	679,989,728	757,144,455	470,006	352,704,020	1,790,308,209
Gross profit	234,192,975	80,415,594	467,196	48,187,469	363,263,234
Depreciation	1,786,076	921,531	42,982	8,297,680	11,048,269
Total Assets	2,753,770,611	1,742,848,983	1,365,861,148	(827,866,102)	5,034,614,640
Total Liabilities	979,338,838	1,081,579,101	509,357,178	(23,812,517)	2,546,462,600

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****For the three month period ended 31 March 2014***(Saudi Arabian Riyals)***10. SEGMENT REPORTING (Continued)**

As at and for the period ended 31 March 2013						
	<u>ATI</u>	<u>ATH</u>	<u>MREIC</u>	Other entities/ Consolidation <u>Adjustments</u>	<u>Total</u>	
Revenues	731,665,924	482,896,372	--	340,394,574	1,554,956,870	
Gross profit	200,754,724	57,557,676	--	43,240,007	301,552,407	
Depreciation	1,894,765	865,320	--	7,570,866	10,330,951	
Total Assets	1,526,744,027	999,105,524	--	492,693,232	3,018,542,783	
Total Liabilities	449,320,326	551,700,725	--	269,199,653	1,270,220,704	

Air ticketing, travel and tours

Air ticketing, travel and tours revenue comprises the gross value of airline tickets sold by the group which include the related commissions earned. The net commission earned on the sale of these tickets, travels and tours is shown below:

	31 March <u>2014</u>	31 March <u>2013</u>
Net commission earned on sale of airline tickets, travel and tours	<u>353,601,422</u>	<u>294,754,013</u>

Geographical Segments

The Group mainly operates in the following geographical areas:

- Kingdom of Saudi Arabia
- Sudan
- Egypt
- Lebanon
- Malaysia
- United Arab Emirates
- United Kingdom

None of the above geographical segments comprises 10% or more of the total consolidated assets or revenue except the Kingdom of Saudi Arabia.

	<u>As at and for the period ended</u>	
	31 March <u>2014</u>	31 March <u>2013</u>
Revenues	1,712,656,719	1,535,579,675
Gross profit	352,522,628	296,849,291
Depreciation	9,749,068	9,338,909
Total Assets	4,658,124,842	2,854,135,327
Total Liabilities	2,204,032,135	1,132,066,458

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****For the three month period ended 31 March 2014***(Saudi Arabian Riyals)*

11. EARNINGS PER SHARE

Earnings / loss per share from operating income, other income / expense and net income for the current and comparative period has been calculated by using the number of ordinary shares outstanding as at 31 March 2014 of 120 million shares (120 million shares at 31 March 2013 adjusted for bonus shares issued on 2 April 2013).

Further to note 1, had the bonus share issue been undertaken as at 31 March 2014, issue as discussed in the earnings / loss per share from operating income, other income / expense and net income for the current and comparative period would be calculated by using the number of ordinary shares outstanding following the bonus share issue of 150 million shares as follow:

	31 March <u>2014</u>	31 March <u>2013</u>
Earnings per share from operating income	1.77	1.52
Earnings / (loss) per share from other expenses, net	0.22	(0.01)
Basic earnings per share	1.87	1.45

12. COMMITMENTS

The Group has capital commitments as at 31 March 2014 of SAR 196 million (31 December 2013: SAR 202 million; 31 March 2013: SAR 10.3 million) principally in respect of MREIC hotel developments and construction of new office premises.

During 2013, the Group entered into a non-cancellable operating lease arrangement for the lease of certain properties in Makkah. During December 2013, this lease agreement was amended. The revised agreement has for an initial duration of approximately 8 years effective from January 2014. The Group is currently in discussion to revise the commencement date of the lease agreement. This is due to certain operational factors delaying the access to the properties. Per the current agreement, the lease payments are fixed and increase annually to reflect market rentals. The total amount payable over the lease period is SAR 2.47 billion. An advance of SAR 77 million has been paid by the Group as at 31 March 2014 (2013: Nil). This amount is included in prepayments and other current assets.

13. CONTINGENT LIABILITIES

At 31 March 2014, the Group has letter of guarantees totaling SAR 146 million (31 December 2013: SAR 150 million; 31 March 2013: SAR 138 million) issued by the Company's banks in favor of certain suppliers.

14. DIVIDENDS

The board of directors of the Company during their meeting dated 2 February 2014 approved a final dividend for the second half of the year ended 31 December 2013 amounting to SAR 240 million. This was paid on 26 February 2014 (also see note 1 in respect of the bonus share issue).

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three month period ended 31 March 2014

15. SUBSEQUENT EVENTS

Investment in subsidiary

On 1 April 2014, the Group concluded the acquisition of 70% of the ordinary share capital of Al Hanove Tourism and Services Company, a Company registered in Egypt, for a consideration of EGP 76.44 million (SAR 40.95 million). Al Hanove Tourism and Services Company operates in the Egypt and is specialized in providing hajj and umrah services.

16. CURRENT PERIOD RESULTS

The interim consolidated results for the period ended 31 March 2014 may not be an accurate indicator for the actual operating results for the whole year.