

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
AND IT'S SUBSIDIARIES
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
For the three month period and the year ended
31 December 2015
together with
Review Report



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**REVIEW REPORT ON THE INTERIM
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 December 2015, the related interim consolidated statements of income for the three month period and the year then ended, cash flows and changes in equity for the year then ended and the attached notes (1) to (15) which form an integral part of these interim consolidated financial statements. 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. Our responsibility is to express a conclusion on these interim 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 consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners


Abdullah Hamad Al Fozan
License No: 348



Riyadh on 9 Rabi'II 1437H
Corresponding to: 19 January 2016


AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 31 December 2015
(Saudi Riyals)


| | <u>Notes</u> | 31 December 2015 | 31 December 2014 (Audited) |
|--|--------------|-----------------------------|---|
| <u>ASSETS</u> | | | |
| Current assets | | | |
| Cash and cash equivalents | | 2,008,773,003 | 1,958,637,662 |
| Trade receivables, net | | 727,286,532 | 855,383,486 |
| Due from related parties | | 19,952,978 | 23,518,456 |
| Advances, prepayments and other receivables | | 648,363,403 | 609,031,424 |
| Total current assets | | 3,404,375,916 | 3,446,571,028 |
| Non current assets | | | |
| Investments in equity accounted investees | 1 | 149,574,221 | 89,040,731 |
| Investment properties | | 25,000,000 | 25,000,000 |
| Available for sale investments | | 4,524,949 | 1,000,000 |
| Intangible assets, net | 4 | 290,359,673 | 300,200,837 |
| Property and equipment, net | | 1,414,705,607 | 1,318,308,692 |
| Capital work in progress for disposal | 6b | 359,747,097 | 359,747,097 |
| Capital work in progress | 6a | 2,775,603,643 | 661,258,495 |
| Total non current assets | | 5,019,515,190 | 2,754,555,852 |
| Total assets | | 8,423,891,106 | 6,201,126,880 |
| <u>LIABILITIES AND EQUITY</u> | | | |
| Current liabilities | | | |
| Bank overdrafts | 7 | 10,824,105 | 14,782,117 |
| Short term debts | 8 | 198,344,161 | 459,299,318 |
| Current portion of long term loan | 10 | 142,583,316 | -- |
| Trade payables | | 1,005,841,769 | 972,892,486 |
| Accrued expenses and other liabilities | 9 | 1,430,854,114 | 1,672,366,291 |
| Provisions | | 25,000,000 | 25,000,000 |
| Due to related parties | 6a | 375,409,071 | 91,155,236 |
| Zakat and income tax provision | | 48,747,350 | 43,300,067 |
| Total current liabilities | | 3,237,603,886 | 3,278,795,515 |
| Non current liabilities | | | |
| Long term loan | 10 | 1,106,905,939 | -- |
| Employees' end of service benefits | | 73,575,448 | 57,300,201 |
| Total non current liabilities | | 1,180,481,387 | 57,300,201 |
| Total liabilities | | 4,418,085,273 | 3,336,095,716 |
| <u>EQUITY</u> | | | |
| Equity attributable to the Company's shareholders | | | |
| Share capital | 1 | 2,000,000,000 | 1,500,000,000 |
| Statutory reserve | | 535,860,943 | 419,705,333 |
| Translation adjustments for foreign operations | | (49,858,357) | (18,719,964) |
| Fair value reserve | | (368,301) | -- |
| Retained earnings | | 1,485,693,245 | 940,292,754 |
| Total shareholders' equity | | 3,971,327,530 | 2,841,278,123 |
| Non-controlling interest | | 34,478,303 | 23,753,041 |
| Total equity | | 4,005,805,833 | 2,865,031,164 |
| Total liabilities and equity | | 8,423,891,106 | 6,201,126,880 |

The accompanying notes (1) through (15) form an integral part of these interim consolidated financial statements.

The financial statements on pages (1) to (14) were approved on behalf of the Shareholders by the Board of Directors on 9 Rabi'II 1437H (corresponding to 19 January 2016) and signed on behalf of the Board by:


Yazeed Khalid Al Muhayzie
Board Member


Abdullah Nasser Al Dawood
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 year ended 31 December 2015
(Saudi Riyals)

| | | 3 Months | | For the year ended | |
|---|--------------|---------------------|---------------------|----------------------|----------------------------------|
| | | 31 December 2015 | 31 December 2014 | 31 December 2015 | 31 December 2014 (Audited) |
| | <u>Notes</u> | | | | |
| Revenue | 11 | 2,184,768,330 | 2,185,930,136 | 8,631,044,240 | 7,711,371,959 |
| Cost of revenue | | (1,764,215,535) | (1,777,869,155) | (6,815,424,356) | (6,090,511,568) |
| Gross profit | 11 | 420,552,795 | 408,060,981 | 1,815,619,884 | 1,620,860,391 |
| Selling and marketing expenses | | (75,881,592) | (66,298,707) | (283,509,503) | (242,145,715) |
| General and administrative expenses | | (127,948,238) | (94,589,648) | (424,177,284) | (311,231,894) |
| Share of (loss) / income from equity accounted investees | | (6,486,473) | 1,170,908 | (11,454,589) | 3,141,082 |
| Impairment loss of equity accounted investees | 1 | -- | (35,000,000) | (30,000,000) | (35,000,000) |
| Impairment loss of intangible assets | 4 | (37,096,212) | -- | (37,096,212) | -- |
| Other operating income, net | | 54,012,159 | 35,527,738 | 173,232,850 | 111,303,634 |
| Operating income | | 227,152,439 | 248,871,272 | 1,202,615,146 | 1,146,927,498 |
| Gain on disposal of property and equipment | | 471,121 | 3,307,965 | 4,524,597 | 33,176,165 |
| Finance income | | 6,172,204 | 372,503 | 16,165,784 | 9,797,409 |
| Finance and bank charges | | (7,453,874) | (6,446,218) | (18,512,519) | (16,384,917) |
| Other income / (expenses), net | | (810,549) | (2,765,750) | 2,177,862 | 26,588,657 |
| Income before Zakat, income tax and non-controlling interest | | 226,341,890 | 246,105,522 | 1,204,793,008 | 1,173,516,155 |
| Zakat and income tax | | (10,902,403) | (11,276,745) | (36,026,410) | (41,540,572) |
| Net income before non-controlling interest | | 215,439,487 | 234,828,777 | 1,168,766,598 | 1,131,975,583 |
| Non-controlling interest | | (179,782) | (3,359,302) | (7,210,497) | (13,053,173) |
| Net income for the period / year | | 215,259,705 | 231,469,475 | 1,161,556,101 | 1,118,922,410 |
| Earnings per share from operating income | 12 | 1.14 | 1.24 | 6.01 | 5.73 |
| Earnings / (loss) per share from other income / (expenses), net | 12 | (0.004) | (0.014) | 0.011 | 0.133 |
| Basic earnings per share | 12 | 1.08 | 1.16 | 5.81 | 5.59 |

The accompanying notes (1) through (15) form an integral part of these interim consolidated financial statements.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended 31 December 2015
(Saudi Riyals)

| | 31 December 2015 | 31 December 2014 (Audited) |
|---|------------------------|----------------------------------|
| Cash flows from operating activities | | |
| Net income for the year | 1,161,556,101 | 1,118,922,410 |
| <i>Adjustments to reconcile net income to net cash from operating activities:</i> | | |
| Depreciation and amortisation | 91,489,759 | 60,914,208 |
| Gain on disposal of property and equipment | (4,524,597) | (33,176,165) |
| (Gain) / loss on foreign currency translation | (19,219,382) | 3,935,081 |
| Share of loss / (income) of equity accounted investees | 11,454,589 | (3,141,082) |
| Impairment loss of equity accounted investees | 30,000,000 | 35,000,000 |
| Impairment loss of goodwill | 37,096,212 | -- |
| Provision for trade receivables | 6,262,906 | 10,072,699 |
| Non-controlling interest | 7,210,497 | 13,053,173 |
| Provision for employees' end of service benefits | 26,040,963 | 13,582,984 |
| Provision for Zakat and income tax | 36,026,410 | 41,540,572 |
| | <u>1,383,393,458</u> | <u>1,260,703,880</u> |
| Changes in operating assets and liabilities | | |
| Trade receivables | 130,711,212 | (120,916,318) |
| Due from related parties | 3,565,478 | 6,696,684 |
| Advances, prepayments and other receivables | (30,426,017) | (111,723,871) |
| Trade payables | 17,008,830 | 115,082,503 |
| Due to related parties | 284,253,835 | (35,371,209) |
| Accrued expenses and other liabilities | (253,999,703) | 95,148,386 |
| Employees' end of service benefits paid | (10,573,773) | (3,631,516) |
| Zakat and income tax paid | (30,579,127) | (42,871,682) |
| Net cash from operating activities | <u>1,493,354,193</u> | <u>1,163,116,857</u> |
| Cash flows from investing activities | | |
| Payments for investments in equity accounted investees | (101,988,079) | (22,483,234) |
| Purchase of property and equipment | (181,484,169) | (376,263,323) |
| Purchase of available for sale investment | (3,893,250) | -- |
| Dividends received from equity accounted investees | -- | 3,379,221 |
| Purchase of intangible assets | (1,605,228) | -- |
| Proceeds from disposal of property and equipment | 25,470,629 | 130,840,211 |
| Acquisition of subsidiaries, net of cash acquired | (38,107,596) | (354,792,799) |
| Acquisition of interest in subsidiary | 3,669,777 | -- |
| Net movement in capital work in progress | (2,123,685,719) | (115,262,461) |
| Net cash used in investing activities | <u>(2,421,623,635)</u> | <u>(734,582,385)</u> |
| Cash flows from financing activities | | |
| Net movement in short term debts | (260,955,157) | (37,667,711) |
| Net movement in bank overdrafts | (3,958,012) | (4,378,770) |
| Net movement in long term loan | 1,248,749,255 | -- |
| Dividends paid to shareholders | -- | (540,000,000) |
| Dividends paid to non-controlling interest of subsidiary | (5,431,303) | (4,944,923) |
| Net cash from / (used in) financing activities | <u>978,404,783</u> | <u>(586,991,404)</u> |
| Net change in cash and cash equivalents | <u>50,135,341</u> | <u>(158,456,932)</u> |
| Cash and cash equivalents at the beginning of the year | <u>1,958,637,662</u> | <u>2,117,094,594</u> |
| Cash and cash equivalents at the end of the year | <u>2,008,773,003</u> | <u>1,958,637,662</u> |

The accompanying notes (1) through (15) form an integral part of these interim consolidated financial statements.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the year ended 31 December 2015

(Saudi Riyals)

| | <u>Notes</u> | <u>Share capital</u> | <u>Statutory reserve</u> | <u>Translation adjustment for foreign operations</u> | <u>Fair value reserve</u> | <u>Retained earnings</u> | <u>Total shareholders' equity</u> | <u>Non-controlling interest</u> | <u>Total</u> |
|---|--------------|----------------------|--------------------------|--|---------------------------|--------------------------|-----------------------------------|---------------------------------|----------------------|
| At 31 December 2013 – as previously reported | | 1,200,000,000 | 304,384,486 | (15,502,255) | -- | 726,228,226 | 2,215,110,457 | 226,395,902 | 2,441,506,359 |
| Adjustment | | -- | 3,428,606 | -- | -- | 30,857,456 | 34,286,062 | 11,428,688 | 45,714,750 |
| At 1 January 2014 - restated | | 1,200,000,000 | 307,813,092 | (15,502,255) | -- | 757,085,682 | 2,249,396,519 | 237,824,590 | 2,487,221,109 |
| Net income for the year | | -- | -- | -- | -- | 1,118,922,410 | 1,118,922,410 | 13,053,173 | 1,131,975,583 |
| Transferred to statutory reserve | | -- | 111,892,241 | -- | -- | (111,892,241) | -- | -- | -- |
| Bonus shares | | 300,000,000 | -- | -- | -- | (300,000,000) | -- | -- | -- |
| Acquisition of interest in subsidiary | | -- | -- | -- | -- | -- | -- | 2,322,104 | 2,322,104 |
| Gain on equity transaction | | -- | -- | -- | -- | 16,176,903 | 16,176,903 | (224,501,903) | (208,325,000) |
| Translation adjustment for foreign operations | | -- | -- | (3,217,709) | -- | -- | (3,217,709) | -- | (3,217,709) |
| Dividend paid to non-controlling interest | | -- | -- | -- | -- | -- | -- | (4,944,923) | (4,944,923) |
| Dividends to shareholders | | -- | -- | -- | -- | (540,000,000) | (540,000,000) | -- | (540,000,000) |
| At 31 December 2014 (audited) | | 1,500,000,000 | 419,705,333 | (18,719,964) | -- | 940,292,754 | 2,841,278,123 | 23,753,041 | 2,865,031,164 |
| Net income for the year | | -- | -- | -- | -- | 1,161,556,101 | 1,161,556,101 | 7,210,497 | 1,168,766,598 |
| Transferred to statutory reserve | | -- | 116,155,610 | -- | -- | (116,155,610) | -- | -- | -- |
| Bonus shares | (1) | 500,000,000 | -- | -- | -- | (500,000,000) | -- | -- | -- |
| Dividends paid non-controlling interest | | -- | -- | -- | -- | -- | -- | -- | -- |
| Acquisition of interest in subsidiary | (1) | -- | -- | -- | -- | -- | -- | 8,946,068 | 8,946,068 |
| Change in fair value of available for sale investment | | -- | -- | -- | (368,301) | -- | (368,301) | -- | (368,301) |
| Translation adjustment for foreign operations | | -- | -- | (31,138,393) | -- | -- | (31,138,393) | -- | (31,138,393) |
| Dividend paid to non-controlling interest | | -- | -- | -- | -- | -- | -- | (5,431,303) | (5,431,303) |
| At 31 December 2015 | | 2,000,000,000 | 535,860,943 | (49,858,357) | (368,301) | 1,485,693,245 | 3,971,327,530 | 34,478,303 | 4,005,805,833 |

The accompanying notes (1) through (15) form an integral part of these interim consolidated financial statements.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**For the year ended 31 December 2015****1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES**

Al Tayyar Travel Group Holding Company (ATG), 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').

On 4 March 2015, the general assembly meeting of Shareholders approved to issue one ordinary bonus share for every three ordinary shares held. The bonus shares have been approved to be issued from the retained earnings of the Company. Following the bonus shares issue, the capital of the Parent is SR 2 billion and consists of 200,000,000 ordinary shares of SR 10 each.

Al Tayyar Travel Group Holding Company (ATG) activities encompass scheduled air travel ticketing 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 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>December 2015</u> | <u>2014</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% | 100% | 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 |
| Taqniatech 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 Rent A Car (ARAC) | KSA | 100% | 100% | 31 December |
| Al Musaffir Magazine (AMM) | KSA | 100% | 100% | 31 December |
| High Speed Company for Transportation (HSC) | 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 TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**For the year ended 31 December 2015****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>December</u> | | |
| | | <u>2015</u> | <u>2014</u> | |
| 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 | 100% | 100% | 31 December |
| Saudi World Travel and Tourism Company (SWTT) | KSA | 100% | 100% | 31 December |
| Mawasem Travel and Tourism Limited (MTT) | UK | 100% | 100% | 31 December |
| Elegant Resorts Limited and subsidiaries (ERL) | UK | 100% | 100% | 31 December |
| Elite Private Jet Services Company (ANPJ) | KSA | 100% | 100% | 31 December |
| Al Hanove Tourism and Services Company (AHTS) | Egypt | 70% | 70% | 31 December |
| Mawasem Limited (formerly Co-op Group Travel 1 Limited (CTM)) | UK | 100% | 100% | 31 December |
| Connecting Trade & Services (CTS) | Lebanon | 51% | 51% | 31 December |
| Fayfa Travel & Tourism Agency Company (FTT) | KSA | 100% | 100% | 31 December |
| Saudi Conference & Incentive Tours Company (SCI) | KSA | 100% | -- | 31 December |
| Calculus Technologies LLC (CTL) | Oman | 100% | -- | 31 December |
| B2B Travel Group S.L. (B2B) | Spain | 80% | -- | 31 December |
| Hanay Trading Company Limited (HTCL) | KSA | 80% | -- | 31 December |
| Saudi Company for Transportation United (SCT)* | KSA | 90% | -- | 31 December |
| Mosafer Company for Travel and Tourism (MCT)* | KSA | 60% | -- | 31 December |

* SCT – is a limited liability company registered in Saudi Arabia under Registration No. 1010079694. SCT is engaged in rent a car business. This is an entity in which ATG has invested SAR 7 million.

* MCT – is a limited liability company registered in Saudi Arabia under Registration No. 1010363465. MCT is engaged in the sale of holiday packages (see note 5a).

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

| The interim 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>December</u> | | |
| | | <u>2015</u> | <u>2014</u> | |
| Felix Airways Limited (FAL) | Yemen | 30% | 30% | 31 December |
| Al-Shamel Int'l. Holding Company K.S.C (ASI) (a) | Kuwait | 30% | 30% | 31 December |
| Voyage Amro Travel (VAT) | Canada | 49% | 49% | 31 December |
| Al Tayyar Travel & Tourism Abu Dhabi (TTAD) | UAE | 49% | 49% | 31 December |
| Taqniatech Company for Communication Technology JV (TAQJV) (b) | KSA | 70% | 70% | 31 December |
| 2share Emerging Technology (TSET) | KSA | 35% | 35% | 31 December |
| Net Tours (NT) | UAE | 44.3% | 44.3% | 31 December |
| Careem INC. (CIL) (c) | BVI | 20% | 18% | 31 December |
| Saudi Heritage Hospitality Company (SHHC) | KSA | 20% | -- | 31 December |
| Equinox Group Limited (EGL) (d) | UAE | 40% | -- | 31 December |

- During 2015, management have reviewed the carrying value of ASI in light of current and expected trading levels. As a result, an impairment charge of SR 30 million has been recognized.
- There is a significant influence but no control over the joint venture financial and operating policies.
- During 2015, ATG has further invested SAR 80 million in CIL. The additional investment reflects an increase in capital of CIL as well as increasing the total ownership from 18% to 20%.
- During 2015, ATG acquired a 40% stake in EGL for SAR 8 million.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**For the year ended 31 December 2015****1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES (Continued)****Thakher Investment and Real Estate Company (TIREC)**

On 15 August 2015, the Group signed a conditional purchase agreement to acquire 25% of the share capital of Thakher Investment and Real Estate Company (TIREC) for a consideration of SR 670 million. This purchase agreement is amended on 4 January 2016 and the Group has now agreed to acquire 30% of the share capital of TIREC for a consideration of SR 804 million. The consideration will be paid through issuance of new shares in the Company. The relevant legal acquisition procedures including required shareholder approval are not yet completed as of the date of the financial statements, hence the financial impact is not incorporated in these financial statements. TIREC is engaged in the business of development and operation of residential and commercial buildings in Makkah area. The acquisition is expected to be completed during 2016.

| <u>Available for sale investments</u> | <u>Country of incorporation</u> | <u>Effective ownership</u> | | <u>Financial year end</u> |
|---|-------------------------------------|----------------------------|-------------|-------------------------------|
| | | <u>December</u> | | |
| | | <u>2015</u> | <u>2014</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 |
| Saudi Ground Services Company (SGS) | KSA | 0.04% | -- | 31 December |

2. BASIS OF PREPARATION**(a) *Statement of compliance***

The accompanying interim 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 consolidated financial statements were authorized for issue by the board of directors of the Parent Company on 9 Rabi'II 1437H (corresponding to 19 January 2016).

(b) *Basis of measurement*

These interim 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 consolidated financial statements are presented in Saudi Riyals (SR), which is the functional currency.

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(Saudi Riyals)

2. BASIS OF PREPARATION (Continued)

(d) *Use of estimates and judgements*

The preparation of interim 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
- Provisions

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2014.

The interim consolidated financial statements should be read together with the consolidated financial statements of the Group for the year ended 31 December 2014, where all the significant accounting policies are shown in detail.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**For the year ended 31 December 2015***(Saudi Riyals)***4. INTANGIBLE ASSETS, NET**

| | 31 December 2015 | 31 December 2014 |
|---------------|-----------------------------|---------------------------|
| Goodwill | (a) 233,018,094 | 246,168,241 |
| Brand name | 20,591,646 | 24,081,992 |
| Customer list | 19,159,211 | 21,285,358 |
| Software | 17,590,722 | 8,665,246 |
| | <u>290,359,673</u> | <u>300,200,837</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 December 2015 | 31 December 2014 |
|--|-----------------------------|---------------------------|
| National Travel and Tourism Bureau Limited | 6,212,311 | 6,212,311 |
| Al Sarh Travel and Tourism Limited | 11,600,000 | 11,600,000 |
| E Al Tayyar Tours Company * | 26,297,274 | 26,297,274 |
| Al Tayyar Rent a Car Company * | 13,390,372 | 13,390,372 |
| E Al Tayyar Tourism Company * | 13,805,118 | 13,805,118 |
| Nile Holidays Tourism Company * | 13,603,448 | 13,603,448 |
| Lena Tours and Travel * | 2,718,479 | 2,718,479 |
| Al Tayyar Rent A Car | 44,500,000 | 44,500,000 |
| Al Musaffir Magazine | 1,426,644 | 1,426,644 |
| Al Mousim Travel and Tours | 13,750,000 | 13,750,000 |
| Jawlah Tours Establishment for Tourism | 1,578,247 | 1,578,247 |
| Al Mawasim Tourism and Umrah Services | 21,235,000 | 21,235,000 |
| Al Jazirah Travel | 2,014,001 | 2,014,001 |
| Elegant Resorts Limited | 37,517,662 | 37,517,662 |
| Al Hanove Tourism and Services Company | 36,156,624 | 36,156,624 |
| Co-op Group Travel 1 Limited | 11,652,929 | 11,652,929 |
| Connecting Trade & Services | 7,569,646 | 7,569,646 |
| Fayfa Travel & Toursim Agency Company | 16,846,286 | 16,846,286 |
| Hanay Trading Company Limited | 7,735,409 | -- |
| Mosafer Company for Travel and Tourism (see note 5a) | 18,434,785 | -- |
| | <u>308,044,235</u> | <u>281,874,041</u> |
| Foreign currency translation | (5,211,451) | (2,987,321) |
| Total | <u>302,832,784</u> | <u>278,886,720</u> |
| Impairment losses * | (69,814,690) | (32,718,479) |
| Net | <u>233,018,094</u> | <u>246,168,241</u> |

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4. INTANGIBLE ASSETS, NET (Continued)

* As a result of adverse events impacting the tourism sector in Egypt, during Q4 2015, management have further reviewed the carrying value of Egypt subsidiaries considering the current and expected trading levels. As a result, a further impairment of SR 37 million has been recognized taking the total impairment charge for Egypt subsidiaries to SR 67 million. Lena Tours and Travel's goodwill continues to be impaired by a value of SR 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.

5. BUSINESS COMBINATION

The following notable acquisition has been made in the current quarter to 31 December 2015.

a. Current period acquisition:**Mosafer Company for Travel and Tourism (MCT)**

On 6th December 2015, the Company acquired a 60% shareholding of MCT for a consideration of SR 22.5 million.

| | |
|--|-------------------------------|
| Country of incorporation | <u>KSA</u> |
| Acquisition date | 6 th December 2015 |
| Consideration paid | 22,500,000 |
| Initial fair value of net identifiable assets on acquisition | <u>(4,065,215)</u> |
| Initial goodwill | <u>18,434,785</u> |

b. Recording of fair value changes

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.

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.

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During February 2015, the Company has bought a hotel in Makkah amounting to SR 1.5 billion. This has been financed through obtaining a long term loan. During 2015, facility arrangement and finance costs of SR 52.6 million is capitalised to capital work in progress.

During December 2015, a hotel has been purchased in Jeddah for a consideration of SR 260 million. This has been purchased from Al Tayyar Real Estate Development Company, a related party following an independent valuation. The consideration is payable in installments and as such is recorded within the 'Due to related parties' account.

Currently, both of the above hotels are under complete refurbishment, therefore have been recorded in capital work in progress. Completion of the refurbishments is expected during 2016.

b) Capital work in progress for disposal

Capital work in progress for disposal represents certain land parcels and hotel, which were under construction. During 2013, these assets have been included in the Haram Expansion Project and other projects in Makkah and as a result, are 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 the disposal of these projects. Additionally, certain land parcels are still under the process of being transferred into the name of MREIC which is expected to be completed during 2016.

7. BANK OVERDRAFTS

| | 31 December 2015 | 31 December 2014 |
|--------------------|-----------------------------|---------------------|
| Tawarruq | 8,006,981 | 9,846,757 |
| Murabaha | -- | 40,948 |
| Other overdrafts * | 2,817,124 | 4,894,412 |
| | <u>10,824,105</u> | <u>14,782,117</u> |

* These overdrafts relate to Group's foreign subsidiaries and are in process of being repaid subsequent to the year end.

8. SHORT TERM DEBTS

| | 31 December 2015 | 31 December 2014 |
|---|-----------------------------|---------------------|
| Short term bank debts (Murabaha) – MREIC (a) | -- | 452,014,157 |
| Short term bank debts (Murabaha) – others (b) | 188,144,000 | 1,000,000 |
| Short term bank debts (Tawarruq) | 10,000,000 | 5,000,000 |
| Short term bank debts – others | 200,161 | 1,285,161 |
| | <u>198,344,161</u> | <u>459,299,318</u> |

a) The short term MREIC bank debts were repaid during Q1 2015.

b) These are short term loan facilities obtained from local banks under normal commercial terms.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**For the year ended 31 December 2015***(Saudi Riyals)***9. ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities include advances from certain governmental customers. The balance of these advances as at 31 December 2015 totalled SR 1.05 billion (31 December 2014: SR 1.33 billion).

10. LONG TERM LOAN

During February 2015, the Group obtained a long term loan (Tawarruq) from a local commercial bank totalling SR 1.23 billion for financing the acquisition of a hotel in Makkah (see note 6a). The facilities bear financial charges on prevailing market rates at SIBOR plus margin as defined in the facilities agreements. The loan is repayable in equal instalments over the period of 10 years and is secured against the hotel in Makkah. During 2015, facility arrangement and finance costs of SR 52.6 million is capitalised to capital work in progress.

11. 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 December <u>2015</u> | 31 December <u>2014</u> |
|-------------------------------------|------------------------------------|----------------------------|
| <u>Revenue</u> | | |
| Air Ticketing, Travel and Tours | 8,145,883,113 | 7,376,747,904 |
| Cargo | 159,852,195 | 161,410,758 |
| Transportation and other ('Others') | 325,308,932 | 173,213,297 |
| | <u>8,631,044,240</u> | <u>7,711,371,959</u> |
| | 31 December <u>2015</u> | 31 December <u>2014</u> |
| <u>Gross profit</u> | | |
| Air Ticketing, Travel and Tours | 1,713,758,889 | 1,559,431,611 |
| Cargo | 15,224,471 | 15,557,360 |
| Transportation and other ('Others') | 86,636,524 | 45,871,420 |
| | <u>1,815,619,884</u> | <u>1,620,860,391</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 30% of the gross revenue for the year is generated from one governmental entity (31 December 2014: 30%). The contract with this governmental entity has been extended until Jumada II 1438H (corresponding to February 2017) with same terms and conditions.

A segment for Hotels is currently under formation following the acquisition of MREIC in 2013 and a other new hotels in February and December 2015. As at 31 December 2015, 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. Other entities caption below includes the assets and liabilities for the hotel property and related loans acquired by the Company in Q1 2015 (see notes 6 and 10).

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**For the year ended 31 December 2015***(Saudi Riyals)***11. SEGMENT REPORTING (Continued)**

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

| As at and for the year ended 31 December 2015 | | | | | |
|--|---------------|---------------|---------------|--|---------------|
| | <u>ATI</u> | <u>ATH</u> | <u>MREIC</u> | <u>Other entities/ consolidation adjustments</u> | <u>Total</u> |
| Revenue | 3,788,461,001 | 2,020,346,104 | 28,740,018 | 2,793,497,117 | 8,631,044,240 |
| Gross profit | 1,043,235,257 | 452,977,275 | 28,481,616 | 290,925,736 | 1,815,619,884 |
| Depreciation | 8,070,715 | 4,849,410 | 12,883,856 | 57,757,125 | 83,561,106 |
| Total assets | 3,736,259,565 | 2,596,172,092 | 1,329,136,584 | 762,322,865 | 8,423,891,106 |
| Total liabilities | 1,229,822,752 | 1,239,896,719 | 471,859,340 | 1,476,506,462 | 4,418,085,273 |

| As at and for the year ended 31 December 2014 | | | | | |
|--|---------------|---------------|---------------|--|---------------|
| | <u>ATI</u> | <u>ATH</u> | <u>MREIC</u> | <u>Other entities/ consolidation adjustments</u> | <u>Total</u> |
| Revenue | 3,334,161,535 | 2,311,829,250 | 5,858,906 | 2,059,522,268 | 7,711,371,959 |
| Gross profit | 1,019,643,825 | 347,053,213 | 5,644,182 | 248,519,171 | 1,620,860,391 |
| Depreciation | 8,094,738 | 4,077,028 | 3,218,544 | 40,454,037 | 55,844,347 |
| Total assets | 3,545,723,454 | 2,363,756,921 | 1,368,848,876 | (1,077,202,371) | 6,201,126,880 |
| Total liabilities | 1,225,573,216 | 1,432,280,869 | 473,242,396 | 204,999,235 | 3,336,095,716 |

Air ticketing, travel and tours

Air ticketing, travel and tours revenue includes 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 December 2015 | 31 December 2014 |
|--|-----------------------------|----------------------|
| Net commission earned on sale of airline tickets, travel and tours | <u>1,713,758,889</u> | <u>1,559,431,611</u> |

Geographical Segments

The Group mainly operates in the geographical areas including Kingdom of Saudi Arabia, Sudan, Oman, Spain, Egypt, Lebanon, Malaysia, United Arab Emirates and 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 and the United Kingdom.

| As at and for the year ended | | | | |
|-------------------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | KSA | | UK | |
| | 31 December 2015 | 31 December 2014 | 31 December 2015 | 31 December 2014 |
| Revenue | 7,363,784,050 | 6,948,026,378 | 946,221,836 | 555,452,202 |
| Gross profit | 1,690,976,022 | 1,533,112,511 | 85,395,528 | 60,245,250 |
| Depreciation | 74,709,950 | 49,588,685 | 1,440,423 | 444,619 |
| Total Assets | 7,786,931,909 | 5,601,415,829 | 311,830,255 | 331,103,706 |
| Total Liabilities | 3,819,051,503 | 2,780,169,685 | 313,133,019 | 331,478,249 |

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12. 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 December 2015 of 200 million shares (31 December 2014: 200 million shares) after adjustment for bonus shares issued on 4 March 2015.

13. COMMITMENTS

The Group has capital commitments as at 31 December 2015 of SR 279 million (31 December 2014: SR 180 million) principally in respect of MREIC / other hotel developments and construction of new office premises.

14. CONTINGENT LIABILITIES

At 31 December 2015, the Group has letter of guarantees totaling SR 304 million (31 December 2014: SR 223 million) issued by the Company's banks in favor of certain suppliers.

15. CURRENT MARKET CONDITION

The current year results may not be an accurate reflection of the results for future years due to any potential impact of the current local and global market and economic conditions.