

**AL TAYYAR TRAVEL GROUP HOLDING COMPANY**  
(A Saudi Joint Stock Company)  
**AND ITS SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2014**  
together with  
**Auditors' Report**



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License No. 46/11/323 issued 11/3/1992

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Al Tayyar Travel Group Holding Company ("the Company") and its subsidiaries (collectively "the Group") which comprise the consolidated balance sheet as at 31 December 2014 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes (1) through (32) which form an integral part of the consolidated financial statements.

### *Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

### *Auditor's responsibilities*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### *Opinion*

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

- 1) present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and of its results of operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
- 2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association and its bylaws with respect to the preparation and presentation of the financial statements.

**For KPMG Al Fozan & Al Sadhan**

Abdullah H. Al Fozan  
Licence No.: 348

Riyadh, Date: 19 February 2015  
Corresponding to: 30 Rabi II 1436H



**Al Tayyar Travel Group Holding Company**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2014**  
*(Saudi Arabian Riyals)*

		<b>2014</b>	2013 (Restated – Note 2b)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	(4)	1,958,637,662	2,117,094,594
Trade receivables, net	(5)	855,383,486	583,223,166
Due from related parties	(6b)	23,518,456	30,215,140
Advances, prepayments and other receivables	(7)	609,031,424	484,752,033
<b>Total current assets</b>		<b>3,446,571,028</b>	<b>3,215,284,933</b>
<b>Non current assets</b>			
Investments in equity accounted investees	(8)	89,040,731	101,795,636
Investment properties	(9)	25,000,000	25,000,000
Available for sale investments	(10)	1,000,000	1,000,000
Intangible assets, net	(11)	300,200,837	139,412,415
Property and equipment, net	(12)	1,318,308,692	757,319,670
Capital work in progress for disposal	(13b)	359,747,097	359,747,097
Capital work in progress	(13)	661,258,495	874,694,885
<b>Total non current assets</b>		<b>2,754,555,852</b>	<b>2,258,969,703</b>
<b>Total assets</b>		<b>6,201,126,880</b>	<b>5,474,254,636</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank overdrafts	(14)	14,782,117	15,490,301
Short term debts	(15)	459,299,318	490,626,377
Trade payables		1,040,946,343	772,054,735
Accrued expenses and other liabilities	(16)	1,604,312,434	1,479,858,028
Provisions		25,000,000	25,000,000
Due to related parties	(6c)	91,155,236	112,261,408
Zakat and income tax provision	(17c)	43,300,067	44,631,177
<b>Total current liabilities</b>		<b>3,278,795,515</b>	<b>2,939,922,026</b>
<b>Non current liabilities</b>			
Employees' end of service benefits		57,300,201	47,111,501
<b>Total non current liabilities</b>		<b>57,300,201</b>	<b>47,111,501</b>
<b>Total liabilities</b>		<b>3,336,095,716</b>	<b>2,987,033,527</b>
<b>EQUITY</b>			
<b>Equity attributable to the company's shareholders</b>			
Share capital	(1)	1,500,000,000	1,200,000,000
Statutory reserve	(19)	419,705,333	307,813,092
Translation adjustments for foreign operations		(18,719,964)	(15,502,255)
Retained earnings		940,292,754	757,085,682
<b>Total shareholders' equity</b>		<b>2,841,278,123</b>	<b>2,249,396,519</b>
Non-controlling interest	(20)	23,753,041	237,824,590
<b>Total equity</b>		<b>2,865,031,164</b>	<b>2,487,221,109</b>
<b>Total liabilities and equity</b>		<b>6,201,126,880</b>	<b>5,474,254,636</b>

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

The financial statements on pages (1) to (33) were approved on behalf of the shareholders by the Board of Directors on 30 Rabi II 1436H corresponding to 19 February 2015 and signed on behalf of the Board by:



**Dr. Nasser Al Tayyar**  
Vice Chairman & Managing Director



**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)  
**CONSOLIDATED STATEMENT OF INCOME**  
**For the year ended 31 December 2014**  
*(Saudi Arabian Riyals)*

	<u>Notes</u>	<u>2014</u>	<u>2013</u> (Restated – Note 2b)
Revenue	(21,26)	7,711,371,959	6,260,265,171
Cost of revenue	(22)	(6,090,511,568)	(4,918,845,435)
<b>Gross profit</b>		<b>1,620,860,391</b>	<b>1,341,419,736</b>
Selling and marketing expenses	(23)	(242,145,715)	(196,329,131)
General and administrative expenses	(24)	(311,231,894)	(250,085,249)
Share of income of and loss on disposal of equity accounted investees		3,141,082	(140,708)
Impairment loss of equity accounted investees	(8)	(35,000,000)	--
Impairment loss of intangible assets	(11i)	--	(2,718,479)
Other operating income		111,303,634	96,195,959
<b>Operating income</b>		<b>1,146,927,498</b>	<b>988,342,128</b>
Gain on disposal of property and equipment	(12)	33,176,165	6,952,197
Negative Goodwill	(11b)	--	34,286,062
Finance income		9,797,409	3,471,095
Finance and bank charges		(16,384,917)	(13,014,800)
<b>Other income, net</b>		<b>26,588,657</b>	<b>31,694,554</b>
<b>Income before Zakat, income tax and non-controlling interest</b>		<b>1,173,516,155</b>	<b>1,020,036,682</b>
Zakat and income tax	(17a)	(41,540,572)	(36,443,579)
<b>Net income before non-controlling interest</b>		<b>1,131,975,583</b>	<b>983,593,103</b>
Non-controlling interest		(13,053,173)	(6,378,703)
<b>Net income for the year</b>		<b>1,118,922,410</b>	<b>977,214,400</b>
Earnings per share from operating income	(25)	7.65	6.59
Earnings per share from other income, net	(25)	0.18	0.21
Basic earnings per share from net income	(25)	7.46	6.51

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

**Al Tayyar Travel Group Holding Company**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2014**  
(Saudi Arabian Riyals)

	<u>Notes</u>	<u>2014</u>	<u>2013</u> (Restated - Note 2b)
<b>Cash flows from operating activities</b>			
Net income for the year		1,118,922,410	977,214,400
<i>Adjustments to reconcile net income to net cash from operating activities:</i>			
Depreciation and amortisation	(11,12)	60,914,208	44,842,112
Gain on disposal of property and equipment		(33,176,165)	(6,952,197)
Loss / (gain) on foreign currency translation		3,935,081	(2,809,220)
Negative goodwill		--	(34,286,062)
Share of income and loss on disposal of equity accounted investees		(3,141,082)	(2,549,924)
Fair value adjustment of equity accounted investees		--	2,690,632
Impairment loss of equity accounted investees		35,000,000	--
Impairment loss of intangible assets		--	2,718,479
Provision for doubtful receivables		10,072,699	25,097,838
Provisions		--	25,000,000
Non-controlling interest		13,053,173	6,378,703
Provision for employees' end of service benefits		13,582,984	14,048,827
Provision for Zakat and income tax		41,540,572	36,443,579
		<u>1,260,703,880</u>	<u>1,087,837,167</u>
<b>Changes in operating assets and liabilities</b>			
Trade receivables		(120,916,318)	384,466,209
Due from related parties		6,696,684	6,918,496
Advances, prepayments and other receivables		(111,723,871)	(208,917,100)
Trade payables		183,136,360	378,667,413
Due to related parties		(35,371,209)	61,089,427
Accrued expenses and other liabilities		27,094,529	476,027,270
Employees' end of service benefits paid		(3,631,516)	(2,751,400)
Zakat and income tax paid	(17c)	(42,871,682)	(26,226,088)
<b>Net cash from operating activities</b>		<u>1,163,116,857</u>	<u>2,157,111,394</u>
<b>Cash flows from investing activities</b>			
Payments for investments in equity accounted investees		(22,483,234)	(1,105,000)
Purchase of property and equipment		(376,263,323)	(143,808,827)
Dividend received from equity accounted investees		3,379,221	10,823,214
Proceeds from disposal of property and equipment		130,840,211	15,216,175
Acquisition of subsidiaries, net of cash acquired		(354,792,799)	(201,845,564)
Net movement in capital work in progress		(115,262,461)	(49,067,552)
<b>Net cash used in investing activities</b>		<u>(734,582,385)</u>	<u>(369,787,554)</u>
<b>Cash flows from financing activities</b>			
Net movement in short term debts		(37,667,711)	15,027,292
Net movement in bank over drafts		(4,378,770)	10,676,167
Non-controlling interest share of capital		--	277,946
Dividends paid to non-controlling interest		(4,944,923)	(3,048,228)
Dividends paid to shareholders		(540,000,000)	(440,000,000)
<b>Net cash used in financing activities</b>		<u>(586,991,404)</u>	<u>(417,066,823)</u>
Net change in cash and cash equivalents		(158,456,932)	1,370,257,017
Cash and cash equivalents at the beginning of the year		2,117,094,594	746,837,577
<b>Cash and cash equivalents at the end of the year</b>	(4)	<u>1,958,637,662</u>	<u>2,117,094,594</u>

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

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**Al Tayyar Travel Group Holding Company**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2014**  
*(Saudi Arabian Riyals)*

	<u>Notes</u>	<u>Share Capital</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>
<b>At 31 December 2012</b>		<b>800,000,000</b>	<b>210,091,652</b>	<b>(4,717,110)</b>	<b>717,592,722</b>	<b>1,722,967,264</b>	<b>14,454,481</b>	<b>1,737,421,745</b>
Net income for the year		--	--	--	942,928,338	942,928,338	6,378,703	949,307,041
Transferred to statutory reserve		--	94,292,834	--	(94,292,834)	--	--	--
Bonus shares issued		400,000,000	--	--	(400,000,000)	--	--	--
Acquisition of interest in subsidiary		--	--	--	--	--	208,333,000	208,333,000
Translation adjustment for foreign operations		--	--	(10,785,145)	--	(10,785,145)	--	(10,785,145)
Dividends to shareholders		--	--	--	(440,000,000)	(440,000,000)	--	(440,000,000)
Acquisition of/ dividends paid to non-controlling interest		--	--	--	--	--	(2,770,282)	(2,770,282)
<b>At 31 December 2013 – as previously reported</b>		<b>1,200,000,000</b>	<b>304,384,486</b>	<b>(15,502,255)</b>	<b>726,228,226</b>	<b>2,215,110,457</b>	<b>226,395,902</b>	<b>2,441,506,359</b>
Adjusted (see note 2b and 11ib)		--	3,428,606	--	30,857,456	34,286,062	11,428,688	45,714,750
<b>At 31 December 2013 – restated</b>		<b>1,200,000,000</b>	<b>307,813,092</b>	<b>(15,502,255)</b>	<b>757,085,682</b>	<b>2,249,396,519</b>	<b>237,824,590</b>	<b>2,487,221,109</b>
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 issued	(1)	300,000,000	--	--	(300,000,000)	--	--	--
Acquisition of interest in subsidiary		--	--	--	--	--	2,322,104	2,322,104
Translation adjustment for foreign operations		--	--	(3,217,709)	--	(3,217,709)	--	(3,217,709)
Gain on equity transaction	(11ic)	--	--	--	16,176,903	16,176,903	(224,501,903)	(208,325,000)
Dividends to shareholders	(18)	--	--	--	(540,000,000)	(540,000,000)	--	(540,000,000)
Dividends paid to non-controlling interest		--	--	--	--	--	(4,944,923)	(4,944,923)
<b>At 31 December 2014</b>		<b>1,500,000,000</b>	<b>419,705,333</b>	<b>(18,719,964)</b>	<b>940,292,754</b>	<b>2,841,278,123</b>	<b>23,753,041</b>	<b>2,865,031,164</b>

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

**Al Tayyar Travel Group Holding Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the year ended 31 December 2014**

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**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'). 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.

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

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

**Al Tayyar Travel Group Holding Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**For the year ended 31 December 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>2014</u>	<u>2013</u>	
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 & 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	100%	75%	31 December
Saudi World Travel and Tourism Company Limited (SWTT)	KSA	100%	100%	31 December
Mawasem Travel and Tourism Limited (MTT)	UK	100%	--	31 December
Elegant Resorts Limited and subsidiaries (ERL)	UK	100%	--	31 December
Al Nokhba Private Jet Services Company (ANPJ)	KSA	100%	--	31 December
Al Hanove Tourism and Services Company (AHTS)	Egypt	70%	--	31 December
Co-op Group Travel 1 Limited (CTM)	UK	100%	--	31 December
Connecting Trade & Services (CTS)	Lebanon	51%	--	31 December
Fayfa Travel & Tourism Agency Company (FTT)	KSA	100%	--	31 December

The 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>2014</u>	<u>2013</u>	
Felix Airways Limited (FAL)	Yemen	30%	30%	31 December
Al-Shamel Int'l. Holding Co. K.S.C. (Closed) (ASI)	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)*	KSA	70%	70%	31 December
2share Emerging Technology (TSET)	KSA	35%	35%	31 December
Net Tours & Travels LLC (NT)	UAE	44.3%	--	31 December
Careem INC. (CIL)	BVI	18%	--	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>2014</u>	<u>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

## **Al Tayyar Travel Group Holding Company**

(A Saudi Joint Stock Company)

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**

**For the year ended 31 December 2014**

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#### **1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES (Continued)**

##### **Subsidiaries:**

**NTTB** – is a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010055724 dated 04/01/1405 H corresponding to 29/09/1984. NTTB is a travel agency.

**ASTT** – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010015548 dated 17/04/1398 H corresponding to 26/03/1978. ASTT is engaged in the travel and tourism business.

**ATI** – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010202741 dated 09/09/1425 H corresponding to 22/10/2004. ATI is engaged in travel and tourism, air transportation services, owning and leasing of aeroplanes.

**ATH** – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010169341 dated 02/07/1422 H corresponding to 19/09/2001. ATH is engaged in travel and tourism, triptiques and international driving licences.

**ATC** – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010169340 dated 02/07/1422 H corresponding to 19/09/2001. ATC is engaged in air, sea and land cargo services, custom duty services and ships.

**ATE** – is a limited liability company registered in Egypt under Commercial Registration No. 4846 dated 08/03/2000. ATE is engaged in travel and tourism business.

**ATCC** – is a limited liability company registered in Egypt under Commercial Registration No. 9235 dated 14/11/2002. ATCC is engaged in air, sea, land cargo and custom duty services.

**ATT** – is a limited liability company registered in Egypt under Commercial Registration No. 328719 dated 23/01/2000. ATT is engaged in rent a car business.

**ALC** – is a limited liability company registered in Egypt under Commercial Registration No. 328138 dated 18/12/1999. ALC is engaged in rent a car business.

**NALC** – is a limited liability company registered in Egypt under Commercial Registration No. 13215 dated 10/04/2004. NALC is engaged in rent a car business.

**ARC** – is a limited liability company registered in Egypt under Commercial Registration No. 3965 dated 12/10/1999. ARC is engaged in rent a car business.

**LTT** – is a limited liability company incorporated in Lebanon as per commercial registration # 030996 dated 14 February 1989. LTT is engaged in travel and tourism business.

**BHSB** – is a private limited liability company registered in Malaysia under Commercial Registration No. 653642-T. BHSB is engaged in travel and tourism business. The Parent acquired control of this subsidiary during 2006. BHSB is registered in the name of third party Malaysian nationals who do not possess any controlling interest and do not have any stake in the operating assets of BHSB.

**ATS** – is a limited liability company registered in Sudan under Commercial Registration No. 14412 dated 06/12/1999. ATS is engaged in travel and tourism business.

**ATD** – is an overseas Travel and Tourism sole establishment registered in the United Arab Emirates not in the name of Group, a sole establishment under License No. 70699 dated 03/12/1420 H corresponding to 09/08/1997. ATD is registered in the name of Dr. Nasser Al Tayyar (the major shareholder) who does not possess any controlling interest and does not have any stake in the operating assets of ATD. The Parent has 100% beneficial ownership of ATD. The sole establishment activities are confined to organizing and promoting tourism programs in Dubai.

## **Al Tayyar Travel Group Holding Company**

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**

**For the year ended 31 December 2014**

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#### **1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES (Continued)**

**TAQ / TAQJV** – is a limited liability company registered in KSA under Commercial Registration No. 1010230475 dated 1428/12/03. TAQ is engaged in telecommunications. TAQ entered into a joint venture (TAQJV) with a Jordanian national Mr. Subhi Azmi dated 13/01/1428 H corresponding to 01/02/2008 and was engaged in telecommunication services. TAQJV currently has no operational activities.

**ARE** – is a limited liability company registered in KSA under the commercial registration number 1010256065 dated 8/09/1429 H. ARE is mainly engaged in the hotel business that includes furnished suites & apartments, leisure facilities and other related activities.

**INS** – is a limited liability company registered in KSA under the Commercial registration number 1010229332 dated 2007/02/05. INS is engaged in general insurance. 50% of the company's ownership is held by Dr. Nasser Al Tayyar (the major shareholder) on trust as a nominee for the beneficial ownership of the Parent and does not possess any controlling interest and does not have any stake in the operating assets of INS and the legal formalities for the transfer of ownership is still in progress.

**ARAC** – is a limited liability company registered in KSA under the commercial registration number 1010228226 dated 01/08/1422 H. The company is licensed by Ministry of Transport, license number 10102050800, dated 21/12/1421 H to carry out all the rental related services.

**AMM** – is a limited liability company registered in KSA under the commercial registration number 1010119673 dated 13/07/1414 H. AMM is engaged in providing printing media and advertising service.

**HSC** – is a limited liability company registered in KSA under the commercial registration number 1010201004 dated 07/07/1425 H. HSC is engaged in providing space for storage goods and marketing of the same.

**AMTT** – is a limited liability company registered in KSA under the commercial registration number 1010011422 dated 16/03/1397 H. AMTT is engaged in travel, tourism, and other travel related services.

**JTET** – is a limited liability company registered in KSA under the commercial registration number 4650036550 dated 22/05/1426 H. JTET is a tours organization inside the Kingdom of Saudi Arabia under the letter of the General Authority for Tourism and Antiques.

**MWT** – is a limited liability company registered in KSA under the commercial registration number 4030127417 dated 7/03/1420H. MWT is mainly engaged in the travel, tourism, Hajj and Umrah, hotels and other travel and tourism related services.

**AJT** – is a limited liability company registered in KSA under the commercial registration number 4030219463 dated 15/01/1433 H. AJT is engaged in travel, tourism, and other travel related services.

**FIT** – is a limited liability company registered in KSA under the commercial registration number 4030211616 dated 19/05/1432 H. FIT is engaged in providing SMS/MMS services.

**MREIC** - is a limited liability company registered in KSA under the commercial registration number 1010327099 dated 08/03/1433 H. The main activity of MREIC is development and operation of residential and commercial buildings in Makkah area.

**SWTT** - is a limited liability company registered in KSA under Commercial Registration No. 1010315116 dated 23/09/1432. SWTT is engaged in travel, tourism, and other travel related services.

**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.

**1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES (Continued)**

**ERL** – is a limited liability 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.

**AHTS** – is a limited liability company, registered in Egypt under Commercial Registration No. 3917 dated 16 Muharram 1422 H corresponding to 10 April 2001. AHTS is engaged in travel and tourism business and providing Hajj and Umrah services.

**CTM** – is a limited liability company registered in England and Wales under Commercial Registration No. 07413801. CTM is engaged in provision on travel agent management services.

**CTS** – is a limited liability company registered in Lebanon under Commercial Registration No. 1001966. CTS is engaged in travel and tourism business.

**FTT** - is a limited liability company registered in Riyadh under Commercial Registration No. 1010313014. FTT is engaged in travel and tourism business.

**Investment in equity accounted investees:**

**FAL** - is a limited liability company registered in Yemen as per commercial registration # 792 dated 04 November 2007. FAL is engaged in providing domestic and international airline services within and outside Yemen.

**ASI** – is a closed Kuwaiti Shareholding Company incorporated as a holding company as per commercial registration # 65134 dated 12 March 1996. The main activities of the Company are to invest in equity instruments of local and foreign companies, grant loans to such companies, own moveable and immovable properties and to participate in the formation of similar companies.

**VAT** – is incorporated under the Canada business Corporations Act on 9 January 1995 and is engaged in providing travel agency and reservation services.

**TTAD** – is a limited liability company incorporated in the United Arab Emirates under the commercial registration number 10073. The Company is engaged in providing travel agency and reservation services.

**TSET** - is a limited liability company registered in KSA under the commercial registration number 1010237069. The main activity of TSET is to provide telecommunication and call center services under the license number 11-13-28 dated 16/11/1428.

**NT** - is a limited liability company incorporated in the United Arab Emirates under the commercial registration number 53109. The Company is engaged in providing tourism related services.

**CIL** - is British Virgin Islands Business Company with Company Number 1723752. The Company is engaged in providing travel related services.

**Available for sale investments:**

**AWA** – is a limited liability company registered in KSA under the commercial registration number 178108 dated 06/04/1429 H. AWA is engaged in providing Hajj and Umrah chartered flights. The operating activities of the Company have been ceased in 2011.

**TITC** - is a limited liability company registered in KSA under the commercial registration number 4022021101 dated 20/03/1420 H. TITC is mainly engaged in real estate management, construction, design, leisure and tourism.

## **2. BASIS OF PREPARATION**

### **(a) *Statement of compliance***

The accompanying 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).

Certain prior year figures have been reclassified to conform to the current year presentation.

### **(b) *Basis of measurement***

These 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.

The comparative numbers are re-stated after the final purchase price allocation relating to MREIC during second quarter of 2014 (see note 11b).

### **(c) *Functional and presentation currency***

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

### **(d) *Use of estimates and judgements***

The preparation of 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 (note 5)
- Intangible assets (note 11)
- Property and equipment (note 12)

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 (note 5)
- Impairment of intangible assets (note 11)
- Capital work in progress for disposal (note 13)
- Provisions

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements.

#### **(a) *Basis of consolidation***

These 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 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.

#### **(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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) *Investments (continued)***

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 statement of income when incurred.

Depreciation is charged to the Statement of Income on a straight-line basis over the estimated useful lives of individual items of property and equipment. Major overhaul expenditure on owned aircraft is depreciated over the shorter of the period to the next major overhaul or the useful life of the asset concerned.

The estimated useful lives of assets for current and comparative years 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
Aircraft, engine and spare parts (estimated residual values 10-15%)	6.67- 20

**(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.

**Al Tayyar Travel Group Holding Company**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) *Intangible assets (continued)***

*Other intangibles*

Other intangible assets, including software, brand name and customer list, that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in Statement of Income.

The estimated useful lives are as follows:

	<u>Years</u>
Software	5
Brand name	20
Customer list	10

**(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.

**Al Tayyar Travel Group Holding Company**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
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**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 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 foreign subsidiaries 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 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.

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**4. CASH AND CASH EQUIVALENTS**

	<u>2014</u>	<u>2013</u>
Cash on hand	7,066,788	4,430,379
Bank balances – Current accounts	1,934,168,592	1,195,312,465
Bank balances – Time deposit accounts	17,402,282	917,351,750
	<u>1,958,637,662</u>	<u>2,117,094,594</u>

**5. TRADE RECEIVABLES, NET**

	<u>2014</u>	<u>2013</u>
Trade receivables	1,093,606,761	810,273,580
Provision for doubtful receivables	(238,223,275)	(227,050,414)
	<u>855,383,486</u>	<u>583,223,166</u>

The Group's exposure to credit risk in respect of trade receivables is shown in note 30.

**6. RELATED PARTY TRANSACTIONS AND BALANCES**

<u>Name of Related Party</u>	<u>Relationship</u>
Felix Airways Limited	Associate
Voyage Amro Travel	Associate
Al Shamel international Holding Company	Associate
Careem INC.	Associate / Ownership interest by Board member
Al Wafeer Air	Investee
Ahmed Al Tigani Ahmed	Minority shareholder of ATS
Majid Bin Aziz Al Nafai	Minority shareholder of MWT
Ashref Al Sayed	Minority shareholder of AHTS
Abdullah Aqeel Abdullah Al Tayyar	Deputy CEO General Affairs
Omar Ali Balsharaf Trading Company	Ownership interest by Board member
Samama Company	Ownership interest by Board member
Riyadh Cables Group	Ownership interest by Board member
Gulf International Trading and Real Estate Company	Ownership interest by Board member
Bonyan Almdaen Company	Ownership interest by majority shareholder of ATG
2share Emerging Technology	Ownership interest by majority shareholder of ATG
Forbes Middle East	Ownership interest by majority shareholder of ATG
Medina Publishing & Printing Company	Ownership interest by majority shareholder of ATG
Nile Air	Ownership interest by majority shareholder of ATG
Saudi Batal Design Company	Ownership interest by majority shareholder of ATG
Lebanese Food Company Limited - Yilnilzar	Ownership interest by majority shareholder of ATG
Al Tayyar Real Estate Development Company	Ownership interest by majority shareholder of ATG
Others	Ownership interest by majority shareholder of ATG

**Al Tayyar Travel Group Holding Company**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the year ended 31 December 2014***(Saudi Arabian Riyals)***6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

(a) Related party transactions mainly represent purchases, sales and services rendered which are at arms length and undertaken at mutually agreed terms and approved by management.

	<b>For the year ended 31 December 2014</b>				
	<u>Sales</u>	<u>Purchases</u>	<u>Receipts</u>	<u>Payments</u>	<u>Other costs / (revenues)</u>
Felix Airways Limited	798	9,108,282	300	11,597,736	(43,083)
Voyage Amro Travel	--	93,345,365	--	123,306,438	--
Al Shamel International Holding Company	--	5,916,286	--	5,979,225	(18)
Ahmed Al Tigani Ahmed	--	--	--	--	199,741
Majid Bin Aziz Al Nafai	--	--	--	--	(766,533)
Abdullah Aqeel Abdullah Al Tayyar	--	--	--	--	(12,265)
Omar Ali Balsharaf Trading Company	2,845,336	--	2,925,771	--	--
Samama Company	7,924,804	--	3,998,214	--	(3,526,934)
Riyadh Cables Group	460,992	--	339,761	--	--
Gulf International Trading and Real Estate Company	646,961	--	705,000	--	--
Bonyan Almdaen Company	--	--	--	16,373,208	(15,178,680)
2share Emerging Technology	603,697	--	318,880	2,525,671	(5,102,639)
Forbes Middle East	--	--	--	2,942,172	(303,661)
Medina Publishing & Printing Company	5,655	--	71,777	307,163	(237,863)
Nile Air	98,340	126,132,202	1,237,954	111,471,478	(103,826)
Saudi Batal Design Company	579,150	--	543,399	--	1,680,895
Lebanese Food Company Limited - Yilnilzar	--	--	--	36,226	(33,753)
Al Tayyar Real Estate Development Company	4,958,532	--	2,872,753	--	(10,737,267)
Ashref Al Sayed	--	--	--	--	(99,197)

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the year ended 31 December 2014**

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**6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

	For the year ended 31 December 2013				
	<u>Sales</u>	<u>Purchases</u>	<u>Receipts</u>	<u>Payments</u>	<u>Other costs / (revenues)</u>
Felix Airways Limited	--	10,408,118	--	8,157,738	2,000,317
Voyage Amro Travel	--	212,076,928	--	136,612,837	--
Al Shamel International Holding Company	1,090	7,897,187	--	7,990,090	(3,966)
Ahmed Al Tigani Ahmed	--	--	--	--	(757)
Majid Bin Aziz Al Nafai	--	--	--	--	378,228
Abdullah Aqeel Abdullah Al Tayyar	--	--	--	--	(60,000)
Omar Ali Balsharaf Trading Company	3,155,956	--	3,349,049	--	--
Samama Company	5,475,760	--	3,199,792	--	(5,404,280)
Riyadh Cables Group	378,387	--	345,915	--	--
Gulf International Trading and Real Estate Company	566,680	--	520,000	--	--
Bonyan Almdaen Company	--	--	--	7,719,981	(7,725,431)
2share Emerging Technology	109,776	--	--	3,517,553	(1,298,544)
Forbes Middle East	30,146	--	--	801,397	(894,610)
Medina Publishing & Printing Company	505,888	--	431,981	809,901	(899,341)
Nile Air	111,524	89,997,452	30,213,142	113,826,449	98,591
Saudi Batal Design Company	453,043	--	405,834	--	48,750
Lebanese Food Company Limited - Yilnilzar	--	--	--	158,796	(91,296)
Al Tayyar Real Estate Development Company	2,968,436	--	1,296,836	13,324,386	(689,165)
Others	--	763,864	--	(763,864)	--

**b) Due from related parties**

	<u>2014</u>	<u>2013</u>
Nile Air	<b>7,773,330</b>	23,677,494
Felix Airways Limited	<b>5,026,985</b>	2,580,118
Samama Company	<b>3,526,934</b>	--
Forbes Middle East	<b>2,697,195</b>	58,683
Saudi Batal Design Company	<b>1,857,986</b>	141,340
Bonyan Almdaen Company	<b>1,557,820</b>	363,292
Omar Ali Balsharaf Trading Company	<b>482,510</b>	562,945
2share Emerging Technology	<b>302,360</b>	2,594,510
Riyadh Cables Group	<b>153,703</b>	32,472
Lebanese Food Company Limited - Yilnilzar	<b>69,973</b>	67,500
Medina Publishing & Printing Company	<b>38,015</b>	34,837
Gulf International Trading and Real Estate Company	<b>31,645</b>	89,684
Abdullah Aqeel Abdullah Al Tayyar	--	12,265
	<b><u>23,518,456</u></b>	<b><u>30,215,140</u></b>

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**6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

**c) *Due to related parties***

	<u>2014</u>	<u>2013</u>
Voyage Amro Travel	74,020,341	103,981,414
Al Tayyar Real Estate Development Company	15,660,620	7,009,132
Majid Bin Aziz Al Nafai	899,600	133,067
Al Shamel International Holding Company	300,517	363,438
Ahmed Al Tigani Ahmed	174,961	374,701
Ashref Al Sayed	99,197	--
Samama Company	--	399,656
	<u>91,155,236</u>	<u>112,261,408</u>

(d) Aggregate remuneration charged to the consolidated financial statements for the year relating to Board members and key management personnel amounted to SAR 25,336,283 (2013: SAR 20,610,645). This has been charged to the general & administrative and selling & marketing expenses.

**7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

	<u>2014</u>	<u>2013</u>
<b><i>Advances</i></b>		
Advances to suppliers	332,917,414	223,408,222
Advances for operating lease (see note 29)	77,137,500	77,137,500
Advances for letter of guarantee margins (see note 28)	76,779,214	13,096,337
Advances for aircraft*	--	100,154,522
Other advances	13,405,268	10,704,971
	<u>500,239,396</u>	<u>424,501,552</u>
<b><i>Prepayments</i></b>		
Rents	16,796,448	9,903,757
Insurance	13,690,637	5,044,586
Housing allowance	459,896	419,814
Subscription fees	58,152	22,853
Other prepayments	3,593,431	2,273,962
	<u>34,598,564</u>	<u>17,664,972</u>
<b><i>Other receivables</i></b>		
Accrued incentives	37,388,057	17,724,164
Employee receivables	11,271,153	5,116,248
Amount held for unclaimed refunded tickets	1,249,154	1,269,624
Other receivables	24,285,100	18,475,473
	<u>74,193,464</u>	<u>42,585,509</u>
	<u>609,031,424</u>	<u>484,752,033</u>

\*The aircraft was brought into operational use by the Group during 2014 and has been capitalised in property and equipment (see note 12).

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	Share holding %	December 31, 2013	Current year profit / (loss)	Dividends received	Others*	31 December 2014
Felix Airways Limited	30%	--	--	--	--	--
Al Shamel International Holding Co. KSC (ASI)	30%	95,067,161	907,925	(3,379,221)	(35,000,000)	<b>57,595,865</b>
Taqniatech Company for Communication Technology JV (TAQJV)	70%	1,752,110	--	--	--	<b>1,752,110</b>
Al Tayyar Travel and Tourism - Abu Dhabi (TTAD)	49%	512,269	--	--	--	<b>512,269</b>
Voyage Amro Travel (VAT)	49%	3,359,096	2,233,157	--	--	<b>5,592,253</b>
2Share Emerging Technology (TSET)	35%	1,105,000	--	--	--	<b>1,105,000</b>
Net Tours & Travels LLC (NT)	44.3%	--	--	--	5,210,132	<b>5,210,132</b>
Careem INC. (CIL)	18%	--	--	--	17,273,102	<b>17,273,102</b>
		<b>101,795,636</b>	<b>3,141,082</b>	<b>(3,379,221)</b>	<b>(12,516,766)</b>	<b>89,040,731</b>

\* NT and CIL – Investment made during the year.

\* During the year, management have reviewed the carrying value of ASI in light of current and expected trading levels. As a result, an impairment charge of SAR 35 million has been recognized.

**9. INVESTMENT PROPERTIES**

This represents the Group's share of investment of land in Dammam in the Kingdom of Saudi Arabia. The land is to be used for the development of a residential / commercial compound.

There is no active market for the above investment but there are no indications that the fair value is lower than the cost. The investment was purchased during 2009.

**10. AVAILABLE FOR SALE INVESTMENTS**

	<u>2014</u>	<u>2013</u>
Al Wafeer Air (AWA)		
- Cost	<b>27,272,715</b>	27,272,715
- Impairment losses	<b>(27,272,715)</b>	(27,272,715)
	--	--
Taif Investments and Tourism Company (TITC)	<b>1,000,000</b>	1,000,000
	<b>1,000,000</b>	1,000,000

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**11. INTANGIBLE ASSETS, NET**

		<u>2014</u>	<u>2013</u>
Goodwill	(i)	246,168,241	139,412,415
Other intangibles	(ii)	<u>54,032,596</u>	<u>--</u>
		<u><b>300,200,837</b></u>	<u><b>139,412,415</b></u>

i. 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:

		<u>2014</u>	<u>2013</u>
National Travel and Tourism Bureau		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 (Note 11a)		37,517,662	--
Al Hanove Tourism and Services Co. (Note 11a)		36,156,624	--
Co-op Group Travel 1 Limited (Note 11a)		11,652,929	--
Connecting Trade & Services (Note 11a)		7,569,646	--
Fayfa Travel & Tours (Note 11a)		<u>16,846,286</u>	<u>--</u>
		<u><b>281,874,041</b></u>	<u>172,130,894</u>
Foreign currency translation		<u>(2,987,321)</u>	<u>--</u>
Total		<u><b>278,886,720</b></u>	<u>172,130,894</u>
Impairment losses *		<u>(32,718,479)</u>	<u>(32,718,479)</u>
Net		<u><b>246,168,241</b></u>	<u><b>139,412,415</b></u>

\* The loss on impairment was as a result of the previous 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.

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**11. INTANGIBLE ASSETS, NET (Continued)**

**a. Current year acquisitions:**

The following acquisitions were made by the Group during 2014. The impact of these newly acquired subsidiaries has been incorporated in the current year consolidated Statement of Cash Flows. The non cash impact of the separate assets and liabilities acquired is adjusted for on a line by line basis.

*Elegant Resorts Limited (ERL)*

On 6 February 2014, the Group acquired a 100% shareholding of ERL for a consideration 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 <sup>th</sup> February 2014
Consideration paid	89,141,713
Fair value of intangible assets on acquisition	(51,498,542)
Fair value of net identifiable tangible assets on acquisition	(125,509)
Goodwill	<u>37,517,662</u>

Following the final purchase price allocation carried out by management during December 2014, an amount of SAR 26.7 million and SAR 24.8 million has been allocated to brand name and customer list respectively from initial goodwill (see note 11ii).

*Al Hanove Tourism and Services Company (AHTS)*

On 1 April 2014, the Group acquired a 70% shareholding of AHTS for a consideration of SAR 40.96 million.

Country of incorporation	<u>Egypt</u>
Acquisition date	1 <sup>st</sup> April 2014
Consideration paid	40,955,316
Initial fair value of net identifiable assets on acquisition	(4,798,692)
Goodwill	<u>36,156,624</u>

*Co-op Travel Group 1 Limited (CTM)*

On 1 July 2014, the Group acquired a 100% shareholding of CTM for a consideration of SAR 82 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	1 <sup>st</sup> July 2014
Consideration paid	81,927,900
Fair value of net identifiable assets on acquisition	(70,274,971)
Goodwill	<u>11,652,929</u>

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**11. INTANGIBLE ASSETS, NET (Continued)**

**a. Current year acquisitions (continued):**

*Connecting Trade and Services (CTS)*

On 1 July 2014, the Group acquired a 51% shareholding of CTS for a consideration of SAR 7.84 million.

Country of incorporation	<u>Lebanon</u>
Acquisition date	1 <sup>st</sup> July 2014
Consideration paid	7,846,006
Fair value of net identifiable assets on acquisition	<u>(276,360)</u>
Goodwill	<u>7,569,646</u>

*Fayfa Travel & Tourism Agency Company (FTT)*

On 1 December 2014, the Group acquired a 100% shareholding of FTT for a consideration of SAR 20.5 million.

Country of incorporation	<u>Saudi Arabia</u>
Acquisition date	1 <sup>st</sup> Dec 2014
Consideration paid	20,500,000
Fair value of net identifiable assets on acquisition	<u>(3,653,714)</u>
Goodwill	<u>16,846,286</u>

**b. Previous year acquisition – Muthmerah Real Estate Investment Company (MREIC)**

On 31 May 2013, the Company increased its shareholding in MREIC from 36% to 75% for a consideration amount of SAR 325 million. This step acquisition resulted in the Company consolidating MREIC financial statements as a subsidiary instead of equity accounting the investment. Following the acquisition, the respective portion of the non controlling interest has also been adjusted.

The assets and liabilities of MREIC as at acquisition date are consolidated by the Group. The net assets recognized in the 31 December 2013 financial statements were based on the provisional assessment. Following the final purchase price allocation carried out by management during May 2014 as required by accounting standards, the balances as at 31 December 2013 have been restated. This has resulted in an increase in the assets valuation by SAR 45 million and non-controlling interest by SAR 11 million in the comparative balance sheets. Also as a result, there is a negative goodwill of SAR 34 million recognized in the comparative Statement of Income. The final purchase price allocation was based on the independent valuation of certain assets. The Group has restated and accounted for the transaction based on the carrying values of the assets as of the acquisition date which is summarized below:

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**11. INTANGIBLE ASSETS, NET (Continued)**

**b. Previous year acquisition – Muthmerah Real Estate Investment Company (MREIC) – (Continued)**

	<b>Fair value recognized on acquisition May 2013 (Final)</b>	<b>Initial fair value recognized on acquisition May 2013 (Provisional)</b>
<u>Assets</u>		
Property and equipment	89,506,997	89,506,997
Capital work in progress	1,136,050,211	1,090,335,461
Trade receivables and prepayments	17,195,391	17,195,391
Cash and cash equivalents	<u>123,154,436</u>	<u>123,154,436</u>
	<u>1,365,907,035</u>	<u>1,320,192,285</u>
<u>Liabilities</u>		
Short term loans	(474,213,925)	(474,213,925)
Accrued expenses and other liabilities	(12,173,576)	(12,173,576)
Employees' end of service benefits	(471,784)	(471,784)
	<u>(486,859,285)</u>	<u>(486,859,285)</u>
Fair value of the identifiable net assets	879,047,750	833,333,000
Negative goodwill	(34,286,062)	--
Non controlling interest	<u>(219,761,688)</u>	<u>(208,333,000)</u>
Purchase consideration transferred	<u>625,000,000</u>	<u>625,000,000</u>
<u>Total acquisition cost</u>		
Cash consideration	325,000,000	325,000,000
Fair value of previously held equity interest	<u>300,000,000</u>	<u>300,000,000</u>
Total	<u>625,000,000</u>	<u>625,000,000</u>
<u>Cash outflow on acquisition</u>		
Net cash acquired with the subsidiary	123,154,436	123,154,436
Cash paid	<u>(325,000,000)</u>	<u>(325,000,000)</u>
Net cash outflow	<u>(201,845,564)</u>	<u>(201,845,564)</u>

**c. Muthmerah Real Estate Investment Company (MREIC) – further increase in shareholding**

During the third quarter of 2014, the Group has acquired a further 25% shareholding of MREIC for SAR 208 million bringing the effective ownership to 100% from 75%. This has resulted in a gain of SAR 16 million that has been recognized in the statement of changes in equity and accordingly the non-controlling interest has been eliminated.

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**11. INTANGIBLE ASSETS, NET (Continued)**

ii. *Other intangibles*

	2014			2013	
	<u>Software</u>	<u>Brand name</u>	<u>Customer list</u>	<u>Total</u>	<u>Total</u>
<b><u>Cost:</u></b>					
At 1 January	--	--	--	--	--
Acquisition through business combination	1,088,093	26,704,362	24,794,180	<b>52,586,635</b>	--
Foreign currency translation difference	--	(1,465,594)	(1,360,759)	<b>(2,826,353)</b>	--
Transferred from capital work in progress	8,455,867	--	--	<b>8,455,867</b>	--
Additions during the year	886,308	--	--	<b>886,308</b>	--
<b>At 31 December</b>	<b>10,430,268</b>	<b>25,238,768</b>	<b>23,433,421</b>	<b>59,102,457</b>	--
<b><u>Accumulated amortisation:</u></b>					
At 1 January	--	--	--	--	--
Charge for the year	1,765,022	1,156,776	2,148,063	<b>5,069,861</b>	--
<b>At 31 December</b>	<b>1,765,022</b>	<b>1,156,776</b>	<b>2,148,063</b>	<b>5,069,861</b>	--
<b><u>Net book value at 31 December 2014</u></b>	<b>8,665,246</b>	<b>24,081,992</b>	<b>21,285,358</b>	<b>54,032,596</b>	--
<i>31 December 2013</i>	--	--	--	--	--

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**12. PROPERTY AND EQUIPMENT, NET**

	2014								2013	
	<u>Land &amp; buildings</u>	<u>Safes, decorations &amp; furniture &amp; fixtures</u>	<u>Computers &amp; office Equipment</u>	<u>Vehicles</u>	<u>Air conditioners</u>	<u>Telecom &amp; security systems</u>	<u>Tools &amp; Hardware</u>	<u>Aircrafts</u>	<u>Total</u>	<u>Total</u>
<b>Cost:</b>										
At 1 January	631,718,434	95,760,616	36,468,771	122,446,876	7,930,622	7,521,463	33,180,542	--	<b>935,027,324</b>	733,303,174
Foreign currency translation difference	(237,644)	(63,543)	(48,886)	(1,598,267)	(12,161)	(8,049)	(1,045)	--	<b>(1,969,595)</b>	(5,069,212)
Acquisition through business combination	644,968	4,492,924	1,107,232	70,554	210,285	71,463	20,839	--	<b>6,618,265</b>	116,871,997
From capital work in progress	333,495,889	--	--	--	--	--	--	--	<b>333,495,889</b>	--
Additions during the year	189,363,792	9,840,053	3,444,139	69,975,127	473,285	636,501	704,051	101,285,428	<b>375,722,376</b>	118,808,827
Disposals during the year	<u>(85,429,358)</u>	<u>(3,100,965)</u>	<u>(175,991)</u>	<u>(34,653,772)</u>	<u>(141,164)</u>	<u>--</u>	<u>(1,443,022)</u>	<u>--</u>	<b><u>(124,944,272)</u></b>	<u>(30,456,484)</u>
<b>At 31 December</b>	<b><u>1,069,556,081</u></b>	<b><u>106,929,085</u></b>	<b><u>40,795,265</u></b>	<b><u>156,240,518</u></b>	<b><u>8,460,867</u></b>	<b><u>8,221,378</u></b>	<b><u>32,461,365</u></b>	<b><u>101,285,428</u></b>	<b><u>1,523,949,987</u></b>	<b><u>933,458,302</u></b>
<b>Accumulated depreciation:</b>										
At January	38,425,370	51,602,168	23,889,464	46,936,560	4,849,792	5,997,342	6,006,958	--	<b>177,707,654</b>	155,058,048
Foreign currency translation difference	(4,472)	(33,369)	(40,450)	(536,563)	(9,240)	(5,930)	(456)	--	<b>(630,480)</b>	(1,569,022)
Charge for the year	8,916,662	8,740,945	4,674,743	24,403,744	772,386	619,905	1,385,623	6,330,339	<b>55,844,347</b>	44,842,112
Disposals during the year	<u>(3,168,214)</u>	<u>(812,224)</u>	<u>(78,439)</u>	<u>(23,054,227)</u>	<u>(43,599)</u>	<u>--</u>	<u>(123,523)</u>	<u>--</u>	<b><u>(27,280,226)</u></b>	<u>(22,192,506)</u>
<b>At 31 December</b>	<b><u>44,169,346</u></b>	<b><u>59,497,520</u></b>	<b><u>28,445,318</u></b>	<b><u>47,749,514</u></b>	<b><u>5,569,339</u></b>	<b><u>6,611,317</u></b>	<b><u>7,268,602</u></b>	<b><u>6,330,339</u></b>	<b><u>205,641,295</u></b>	<b><u>176,138,632</u></b>
<b>Net book value at</b>										
<b>31 December 2014</b>	<b><u>1,025,386,735</u></b>	<b><u>47,431,565</u></b>	<b><u>12,349,947</u></b>	<b><u>108,491,004</u></b>	<b><u>2,891,528</u></b>	<b><u>1,610,061</u></b>	<b><u>25,192,763</u></b>	<b><u>94,955,089</u></b>	<b><u>1,318,308,692</u></b>	
<i>31 December 2013</i>	<u>593,293,064</u>	<u>44,158,448</u>	<u>12,579,307</u>	<u>75,510,316</u>	<u>3,080,830</u>	<u>1,524,121</u>	<u>27,173,584</u>	<u>--</u>		<u>757,319,670</u>

Land and buildings include lands amounting to SAR 732 million (2013: SAR 416 million) which is not depreciated. During January 2014, MREIC disposed one of its hotel property recognizing a gain of SAR 25 million on disposal. This is the adjusted gain following the purchase price allocation (see note 1 lib). Included within the vehicles caption is a net book value amount of SAR 89 million (2013: SAR 62.1 million) in respect of vehicles used in the car rental business to customers.

**Depreciation charge for the year has been allocated as follows:**

	<u>2014</u>	<u>2013</u>
Depreciation charged to cost of revenue	<b>23,198,579</b>	15,296,285
Depreciation charged to selling and marketing expenses (note 23)	<b>13,058,307</b>	11,818,331
Depreciation charged to general & administrative expenses (note 24)	<b>19,587,461</b>	17,727,496
Total Depreciation	<b><u>55,844,347</u></b>	<u>44,842,112</u>

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		<b>2013</b>	<b>Additions</b>	<b>Transfer</b>	<b>2014</b>
		<u>(Restated)</u>			
MREIC	(a)	1,169,871,413	107,195,781	(333,495,889)	<b>943,571,305</b>
MREIC capital work in progress for disposal	(b)	(359,747,097)	--	--	<b>(359,747,097)</b>
		<u>810,124,316</u>	<u>107,195,781</u>	<u>(333,495,889)</u>	<b>583,824,208</b>
Others:					
- New head office building	(c)	26,702,572	12,545,680	--	<b>39,248,252</b>
- Hotel building	(d)	15,580,031	7,603,506	--	<b>23,183,537</b>
- Staff accommodation building	(e)	8,700,003	230,452	--	<b>8,930,455</b>
- Call center project	(f)	5,132,096	939,947	--	<b>6,072,043</b>
- TAPRO accounting software		8,455,867	--	(8,455,867)	--
		<u>874,694,885</u>	<u>128,515,366</u>	<u>(341,951,756)</u>	<b>661,258,495</b>

- (a) The capital work in progress as at 31 December 2013 is restated to reflect the fair value adjustment arising from the final purchase price allocation (see note 11b). The MREIC capital work in progress totals SAR 584 million as at 31 December 2014, reflecting the land acquisition and hotel development costs to date for projects in Makkah (also see note 15). During October 2014, projects totaling SAR 333.5 million have been completed and transferred to property and equipment. Further, commission charges totaling SAR 24.3 million has been capitalized in MREIC capital work in progress during the year.
- (b) This represents certain land parcels and hotel which were under construction totaling SAR 360 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.
- (c) New head office building construction is estimated to cost SAR 45 million and is expected to be completed during 2015.
- (d) Hotel building construction is estimated to cost SAR 30 million and is expected to be completed by the end of 2015.
- (e) Staff accommodation building is estimated to cost SAR 14 million and is expected to be completed during 2015.
- (f) Call center project is estimated to cost SAR 7 million and to be completed by the first half of 2015.

Capital work in progress includes land amounting to SAR 655 million (2013: SAR 810 million).

**14. BANK OVERDRAFTS**

	<b>2014</b>	<b>2013</b>
Tawarruq	<b>9,846,757</b>	15,488,446
Murabaha	<b>40,948</b>	1,855
Other overdrafts *	<b>4,894,412</b>	--
	<u><b>14,782,117</b></u>	<u>15,490,301</u>

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

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**15. SHORT TERM DEBTS**

		<u>2014</u>	<u>2013</u>
Short term bank loans (Murabaha) – MREIC	(i)	452,014,157	489,241,217
Short term bank debts (Murabaha) – others		1,000,000	--
Short term bank debts (Tawarruq)		5,000,000	--
Short term bank debts – others	(ii)	1,285,161	1,385,160
		<u>459,299,318</u>	<u>490,626,377</u>

*i. Murabaha – MREIC:*

The MREIC murabaha 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 transferring this loan facility to MREIC were completed by the bank during July 2014.

This amount outstanding is at agreed commercial rates. As at 31 December 2014, guarantees have been provided along with charges given on certain assets including land assets amounting to SAR 641 million have been pledged against these loan facilities. The loan facility was repaid on 15 January 2015.

*ii. Short term bank debts – others:*

This represents a Saudi governmental business development loan in Jawlah Tours Establishment for Tourism (JTET) for a specific project and are in process of being repaid subsequent to the year end. Certain assets of JTET have been pledged against this loan facility.

**16. ACCRUED EXPENSES AND OTHER LIABILITIES**

		<u>2014</u>	<u>2013</u>
Advances from customers		1,328,958,738	1,290,057,343
Employees social security and welfare fund		64,053,894	48,944,606
Non trade payables		62,457,758	17,371,331
Charities		50,496,822	41,515,639
Salaries and benefits		42,771,408	35,606,772
Tickets under settlement		27,397,454	19,439,581
Unearned revenue and commission		11,185,760	11,869,923
Rents and utilities		776,727	1,376,420
Others		16,213,873	13,676,413
		<u>1,604,312,434</u>	<u>1,479,858,028</u>

**17. ZAKAT AND INCOME TAX PROVISION**

**a. Charge for the year**

Zakat charge comprises the following:

		<u>2014</u>	<u>2013</u>
Zakat for the Company and Saudi based subsidiaries		39,609,630	35,880,809
Income tax for the overseas subsidiaries		1,930,942	562,770
<b>Total</b>		<u>41,540,572</u>	<u>36,443,579</u>

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**17. ZAKAT AND INCOME TAX PROVISION (Continued)**

**b. Zakat components**

The significant components of Zakat base for the year are as follows:

	<u>2014</u>	<u>2013</u>
Capital	<b>1,200,000,000</b>	1,200,000,000
Adjusted net income year	<b>1,159,814,059</b>	1,060,490,635
Adjusted equity and provision at beginning of year	<b>2,022,346,105</b>	1,541,957,758
Deduction for property and equipment and Capital work in progress	<b>(2,339,314,284)</b>	(1,976,774,762)
Deduction for investment	<b>(27,105,000)</b>	(27,105,000)
Deduction for intangible assets	<b>(300,200,837)</b>	(139,412,415)
Deduction from dividend paid	<b>(540,000,000)</b>	(440,000,000)

**c. Accrued Zakat and Income Tax**

The movement of Zakat and income tax provision is as follows:

	<u>2014</u>	<u>2013</u>
At the beginning of the year	<b>44,631,177</b>	34,413,686
Charges for the year	<b>41,540,572</b>	36,443,579
Payments during the year	<b>(42,871,682)</b>	(26,226,088)
At the end of the year	<b>43,300,067</b>	44,631,177

**d. Status of Assessments**

Zakat assessments for the Company have been finalized with the Department of Zakat and Income Tax (DZIT) and final zakat certificates obtained for the years up to 2007. The company has submitted the zakat returns for all the years upto 2013.

All subsidiaries are filing zakat and income tax returns regularly as per their country laws and there is no dispute that requires any additional provisions.

**18. DIVIDENDS**

An amount of SAR 240 million has been paid during 2014 in respect of the dividends for the second half of the year 2013. The board of directors of the Company during their meeting dated 6 August 2014 approved an interim dividend for the year ended 31 December 2014 amounting to SAR 300 million. This was paid on 8 September 2014.

**19. STATUTORY RESERVE**

In accordance with its Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year 10% of its net income to a statutory reserve until such reserve equals 50% of its share capital.

The statutory reserve is not available for distribution to the shareholders. However, the statutory reserve can be used for meeting the Company's losses or for increasing its capital.

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**20. NON-CONTROLLING INTEREST**

	<u>Company</u>	<u>Minority</u> <u>%</u>	<u>2014</u>	<u>2013</u> <u>(Restated)</u>
Majid Bin Aziz Al Nafai	MWT	49	<b>9,696,940</b>	8,593,930
Mohaideb Ali Al Mohaideb	ASTT	20	<b>7,531,303</b>	7,044,923
Asref Al Sayed	AHTS	30	<b>3,412,317</b>	--
Fahad Hader Alarifi	AJT	30	<b>1,013,249</b>	714,049
Hassan A. Sokkery	FIT	40	<b>789,653</b>	1,158,262
Ahmed Al Tigani Ahmed	ATS	25	<b>529,864</b>	572,148
Jean Abboud	CTS	49	<b>494,560</b>	--
Saud Al-Harbi	JTET	49	<b>285,155</b>	111,028
Muthmerah Holding Company (note 11c)	MREIC	--	--	219,630,250
			<b><u>23,753,041</u></b>	<b><u>237,824,590</u></b>

**21. REVENUE, NET**

	<u>2014</u>	<u>2013</u>
Gross revenue	<b>9,751,241,572</b>	8,233,585,035
Refunds	<b><u>(2,039,869,613)</u></b>	<b><u>(1,973,319,864)</u></b>
	<b><u>7,711,371,959</u></b>	<b><u>6,260,265,171</u></b>

**Air ticketing, travel and tours**

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

	<u>2014</u>	<u>2013</u>
Commission earned on sale of airline tickets, travel and tours	<b><u>1,566,106,694</u></b>	<b><u>1,291,758,169</u></b>

**22. COST OF REVENUE, NET**

	<u>2014</u>	<u>2013</u>
Cost of revenue	<b>8,130,381,181</b>	6,892,165,299
Refunds	<b><u>(2,039,869,613)</u></b>	<b><u>(1,973,319,864)</u></b>
	<b><u>6,090,511,568</u></b>	<b><u>4,918,845,435</u></b>

**23. SELLING AND MARKETING EXPENSES**

	<u>2014</u>	<u>2013</u>
Employee costs	<b>104,880,285</b>	74,876,006
Sales commission and incentives	<b>39,703,350</b>	37,246,188
Rentals	<b>37,691,084</b>	24,140,743
Advertising	<b>34,712,045</b>	23,150,025
Depreciation (note 12)	<b>13,058,307</b>	11,818,331
Provision / write off for doubtful receivables	<b>10,072,699</b>	25,097,838
Amortisation	<b>2,027,945</b>	--
	<b><u>242,145,715</u></b>	<b><u>196,329,131</u></b>

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**24. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2014</u>	<u>2013</u>
Employee costs	189,664,200	133,625,076
Depreciation (note 12)	19,587,461	17,727,496
Charities and donations	18,492,054	14,677,146
Consultancy	17,269,654	8,369,928
Communication	16,100,519	8,368,295
Contribution for employees social security and welfare fund (note 16)	12,011,889	10,095,620
Insurance	8,075,236	6,658,581
Repairs and maintenance	6,400,944	5,339,269
Stationery	6,016,443	4,966,176
Utilities	3,531,828	2,863,589
Amortisation	3,041,916	--
Travel	2,717,000	1,922,169
Entertainment expenses	1,307,196	976,029
Vehicles maintenance	1,302,355	2,890,436
Information technology	1,106,014	271,694
Provisions	--	25,000,000
Other expenses	4,607,185	6,333,745
	<u>311,231,894</u>	<u>250,085,249</u>

**25. EARNINGS PER SHARE**

Earnings per share from operating income, other income and net income for the current and comparative year has been calculated by using the average number of ordinary shares outstanding as at 31 December 2014 of 150 million shares (150 million shares at 31 December 2013 adjusted for bonus shares issued on 20 March 2014 – see note 1).

**26. SEGMENT REPORTING**

The Group comprises the following main business segments:

- Air Ticketing, Travel & Tours
- Cargo
- Transportation and other

The revenue and gross profit by segment is shown below:

	<u>2014</u>	<u>2013</u>
<b><u>Revenue</u></b>		
Air Ticketing, Travel & Tours	7,457,860,093	6,065,751,159
Cargo	161,410,758	129,186,499
Transportation and other	92,101,108	65,327,513
	<u>7,711,371,959</u>	<u>6,260,265,171</u>
	<u>2014</u>	<u>2013</u>
<b><u>Gross Profit</u></b>		
Air Ticketing, Travel & Tours	1,566,106,694	1,291,758,169
Cargo	15,557,360	13,100,221
Transportation and other	39,196,337	36,561,346
	<u>1,620,860,391</u>	<u>1,341,419,736</u>

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**26. SEGMENT REPORTING (Continued)**

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 revenue for the year is generated from one governmental entity (2013: 34%). The contract with this governmental entity has expired during the second quarter of 2014. However, the Company continues to provide a normal level of service to this customer.

A segment for Hotels is currently under formation following the acquisition of the majority stake in MREIC during 2013 (see notes 12 and 13). As at 31 December 2014, MREIC represents more than 10% of the consolidated assets. MREIC has started to generate some revenue from hotels. However, 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:

	<b>As at and for the year ended 31 December 2014</b>				
	<u>ATI</u>	<u>ATH</u>	<u>MREIC</u>	<u>Other entities / Consolidation Adjustments</u>	<u>Total</u>
Revenues	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

  

	<b>As at and for the year ended 31 December 2013</b>				
	<u>ATI</u>	<u>ATH</u>	<u>MREIC</u>	<u>Other entities / Consolidation Adjustments</u>	<u>Total</u>
Revenues	3,347,493,636	1,534,639,947	2,728,582	1,375,403,006	6,260,265,171
Gross profit	940,716,042	244,038,449	2,728,582	153,936,663	1,341,419,736
Depreciation	7,534,154	3,562,150	2,022,600	31,723,208	44,842,112
Total Assets *	2,581,075,253	1,822,186,656	1,386,493,450	(315,500,723)	5,474,254,636
Total Liabilities	948,523,216	1,244,207,540	509,023,606	285,279,165	2,987,033,527

\* Restated – see note 11ib

**Geographical Segments**

The Group subsidiaries operate in the following principal geographical areas:

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

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**26. SEGMENT REPORTING (Continued)**

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

	<b><u>Kingdom of Saudi Arabia</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Revenues	<b>6,948,026,378</b>	6,169,979,809
Gross profit	<b>1,533,112,511</b>	1,322,256,067
Depreciation	<b>49,588,685</b>	39,469,066
Total Assets (restated - see note 11ib)	<b>5,601,415,829</b>	5,291,736,667
Total Liabilities	<b>2,780,169,685</b>	2,835,524,338

**27. OPERATING LEASES**

The Group has various operating leases for office space, warehouse, retail outlets and employees' accommodations. The leases are for an initial period of one year with options to renew the leases after expiry of the initial lease periods. Lease payments are either fixed or increase annually to reflect market rentals. Rental expenses for the year ended 31 December 2014 amounted to SAR 37.7 million (2013: SAR 24.1 million).

**28. CONTINGENT LIABILITIES**

At 31 December 2014, the Group has letter of guarantees totaling SAR 223 million (2013: SAR 150 million) issued by the Company's banks in favor of certain suppliers. Included within this are advances for letter of guarantee margins totalling SAR 76.8 million (2013: SAR 13.1 million). This includes an additional SAR 60 million in relation to certain new subsidiaries acquired during 2014 - see note 7.

**29. CAPITAL COMMITMENTS**

The Group has capital commitments as at 31 December 2014 of SAR 180 million (2013: SAR 202 million) primarily in respect of the construction of hotel properties.

During 2013, the Group entered into an operating lease arrangement for the lease of certain properties in Makkah. During December 2013, this lease agreement was amended. The revised agreement is 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 requirements by government authorities which the lessor is responsible to complete. The completion process has delayed the access and handover of the properties to the Group. As 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 December 2014 (2013: SAR 77 million) – see note 7.

**30. FINANCIAL INSTRUMENTS**

Financial instruments carried in the balance sheet include cash and cash equivalents, trade and other receivables, investments, short-term borrowings, trade payables, other liabilities, and long-term debt.

**Credit risk** is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risks with a large proportion of its debtors being governmental entities in the Kingdom of Saudi Arabia. As of 31 December 2014, two customers (2013: two) accounted for 14% (2013: 32%) of the gross trade receivables. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade and other receivables are mainly due from local customers and related parties and are stated at their estimated realisable values.

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#### **30. FINANCIAL INSTRUMENTS (Continued)**

**Fair value and cash flow interest rate risks** are the exposures to various risks associated with the effect of fluctuations in the prevailing market rates on the Group's financial position and cash flows. The Group's market rate risk arises mainly from short term bank deposits, bank and other debts, which are at floating market rates. All deposits and debts are subject to re-pricing on a regular basis.

Management monitors the changes in market rates and believes that the fair value and cash flow market rate risks to the Group are not significant.

**Liquidity risk** is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments.

The Group currently has surplus cash and minimal external borrowings. Short term borrowing requirements for working capital when required are in place with certain local commercial banks.

**Currency risk** is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Arabian Riyal and United States Dollar. Other transactions in foreign currencies, primarily Egyptian Pound, are not material to the results of the Group. Currency risk is managed on a regular basis.

**Fair value** is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the accompanying financial statements are prepared under the historical cost method, except for the revaluation of the available-for-sale investment at fair value through equity, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

#### **31. SUBSEQUENT EVENTS**

##### *Bonus shares*

The Board of Directors in their meeting dated 13 January 2015, proposed to issue one bonus share for every three ordinary shares held subject to approval by the shareholders at the forthcoming Annual General Meeting. The bonus shares are proposed to be issued from the retained earnings of the Company. Following completion of legal formalities of the bonus share issue, the total ordinary share capital of the Company will consist of 200 million ordinary shares of SAR 10 each.

##### *Investment in Saudi Heritage Hospitality Company (SHHC)*

On 19 January 2015, the Group entered as a founding partner in SHHC with 5,000,000 shares of value amounting to SAR 50 million. The said amount represents 20% of the Company's share capital. The subscription procedures are now being carried out. SHHC has been launched by the Saudi Commission for Tourism and Antiquities with a capital of SAR 250,000,000 for the purpose of developing and investing in state-owned traditional buildings in lodging and traditional hospitality.

#### **32. APPROVAL OF THE FINANCIAL STATEMENTS**

These consolidated financial statements were authorized for issue by the board of directors of the Parent Company on 30 Rabi II 1436H (corresponding to 19 February 2015).