AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
AND IT'S SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)
For the period ended 30 June 2014
together with
Review Report

KPMG

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REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of **Al Tayyar Travel Group Holding Company** and its subsidiaries ('the Group') as at 30 June 2014, the related interim consolidated statements of income for the three month and the six month periods then ended, cash flows and changes in equity for the six month period then ended and the attached condensed notes (1) to (15) which form an integral part of these interim condensed consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Al Sadhan

Abdullah H. Al Fozan
License No: 348

Date: 19 Ramadan 1435H
Corresponding to: 17 July 2014

C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2014
(Saudi Arabian Riyals)

	Notes	**30 June 2014**	31 December 2013 (Audited) (Restated)	30 June 2013 (Restated)
ASSETS				
Current assets				
Cash and cash equivalents		**1,443,554,043**	2,117,094,594	642,195,572
Trade receivables, net		**1,016,924,174**	583,223,166	791,060,314
Due from related parties		**19,767,888**	30,247,535	9,002,087
Advances, prepayments and other receivables	4	**543,808,186**	484,752,033	483,603,671
Total current assets		**3,024,054,291**	3,215,317,328	1,925,861,644
Non current assets				
Investments in equity accounted investees		**107,006,578**	101,795,636	106,369,021
Investment properties		**25,000,000**	25,000,000	25,000,000
Available for sale investments		**1,000,000**	1,000,000	1,000,000
Intangible assets, net	5	**276,077,053**	139,412,415	142,130,894
Property and equipment, net		**886,840,692**	757,319,670	729,243,692
Capital work in progress for disposal	7	**359,747,097**	359,747,097	--
Capital work in progress	7	**946,239,678**	874,694,885	1,198,103,943
Total non current assets		**2,601,911,098**	2,258,969,703	2,201,847,550
Total assets		**5,625,965,389**	5,474,287,031	4,127,709,194
LIABILITIES AND EQUITY				
Current liabilities				
Bank overdrafts		**18,700,181**	15,490,301	18,515,318
Short term debts	8	**712,085,306**	490,626,377	692,041,803
Trade payables		**744,429,591**	772,054,735	395,784,066
Accrued expenses and other liabilities	9	**1,042,669,880**	1,479,858,028	454,725,942
Other provisions		**25,000,000**	25,000,000	--
Due to related parties		**100,978,673**	112,293,803	186,882,737
Zakat and income tax provision		**29,953,915**	44,631,177	31,710,622
Total current liabilities		**2,673,817,546**	2,939,954,421	1,779,660,488
Non current liabilities				
Employees' end of service benefits		**54,479,300**	47,111,501	44,126,801
Total non current liabilities		**54,479,300**	47,111,501	44,126,801
Total liabilities		**2,728,296,846**	2,987,065,922	1,823,787,289
EQUITY				
Equity attributable to the Company's shareholders				
Share capital	1	**1,500,000,000**	1,200,000,000	1,200,000,000
Statutory reserve		**304,384,486**	304,384,486	210,091,652
Translation adjustments for foreign operations		**(18,598,842)**	(15,502,255)	(16,256,926)
Retained earnings		**864,201,349**	760,514,288	671,675,296
Total shareholders' equity		**2,649,986,993**	2,249,396,519	2,065,510,022
Non controlling interest		**247,681,550**	237,824,590	238,411,883
Total equity		**2,897,668,543**	2,487,221,109	2,303,921,905
Total liabilities and equity		**5,625,965,389**	5,474,287,031	4,127,709,194

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

The financial statements on pages (1) to (18) were approved on behalf of the Shareholders by the Board of Directors on 19 Ramadan 1435H corresponding to 17 July 2014 and signed on behalf of the Board by:

Dr. Nasser Al Tayyar	**Dr. Ali El Tigani Ahmed**	**Yousif Mousa Yousif**
Vice Chairman & Managing Director	**Acting Chief Executive Officer**	**Group Chief Financial Officer**

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the period ended 30 June 2014
(Saudi Arabian Riyals)

		3 Month		6 Month	
		30 June 2014	30 June 2013 (Restated)	**30 June 2014**	30 June 2013 (Restated)
	Note				
Revenue		**1,977,948,701**	1,670,415,957	**3,768,256,910**	3,225,372,827
Cost of revenue		**(1,501,757,337)**	(1,267,724,056)	**(2,928,802,312)**	(2,521,128,519)
Gross profit		**476,191,364**	402,691,901	**839,454,598**	704,244,308
Selling and marketing expenses		**(59,931,637)**	(54,615,609)	**(116,822,279)**	(101,148,183)
General and administrative expenses		**(70,701,171)**	(58,754,512)	**(134,946,095)**	(109,115,336)
Share of (loss) / income of equity accounted investees		**(675,666)**	98,127	**1,568,266**	2,932,676
Other operating income		**30,268,919**	31,969,028	**51,648,767**	53,080,465
Operating income		**375,151,809**	321,388,935	**640,903,257**	549,993,930
(Loss) / gain on disposal of property and equipment	*10*	**(201,741)**	422,848	**28,917,911**	2,591,419
Negative goodwill	*6 & 2b*	**--**	34,286,062	**--**	34,286,062
Finance income		**2,260,525**	861,574	**8,384,813**	1,163,673
Finance and bank charges		**(4,246,645)**	(3,654,077)	**(6,452,131)**	(7,139,804)
Other (expenses) / income, net		**(2,187,861)**	31,916,407	**30,850,593**	30,901,350
Income before Zakat, income tax and non controlling interest		**372,963,948**	353,305,342	**671,753,850**	580,895,280
Zakat and income tax		**(8,780,657)**	(15,305,049)	**(19,978,242)**	(22,616,992)
Net income before non controlling interest		**364,183,291**	338,000,293	**651,775,608**	558,278,288
Non controlling interest		**(490,402)**	(1,815,866)	**(8,088,547)**	(4,195,714)
Net income for the period		**363,692,889**	336,184,427	**643,687,061**	554,082,574
Earnings per share from operating income	*12*	**2.50**	2.14	**4.27**	3.67
(Loss) / earnings per share from other (expenses) / income, net	*12*	**(0.01)**	0.21	**0.21**	0.21
Basic earnings per share	*12*	**2.42**	2.24	**4.29**	3.69

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

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the period ended 30 June 2014
(Saudi Arabian Riyals)

	30 June 2014	30 June 2013
Cash flows from operating activities		
Net income for the period	**643,687,061**	554,082,574
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	**23,190,792**	20,221,555
Gain on disposal of property and equipment	**(28,917,911)**	(2,591,419)
Gain on foreign currency translation	**(5,021,557)**	(3,096,304)
Negative goodwill	--	(34,286,062)
Share of profit on equity accounted investees	**(1,568,266)**	(5,623,308)
Fair value adjustment of equity accounted investees	--	2,690,632
Provision for trade receivables	**12,000,000**	20,000,000
Non controlling interest	**8,088,547**	4,195,714
Finance and bank charges	**6,452,131**	7,139,804
Provision for employees' end of service benefits	**9,243,448**	9,365,770
Provision for Zakat and income tax	**19,978,242**	22,616,992
	687,132,487	594,715,948
Changes in operating assets and liabilities		
Trade receivables	**(396,217,318)**	180,269,903
Due from related parties	**10,479,647**	28,088,545
Advances, prepayments and other receivables	**(53,672,798)**	(207,768,738)
Trade payables	**(63,071,104)**	172,346,177
Due to related parties	**(17,704,354)**	(34,238,677)
Accrued expenses and other liabilities	**(534,331,766)**	(550,748,539)
Employees' end of service benefits paid	**(1,875,649)**	(1,053,043)
Finance and bank charges paid	**(5,820,524)**	(5,496,081)
Zakat and income tax paid	**(34,655,504)**	(25,320,056)
Net cash (used in) / from operating activities	**(409,736,883)**	150,795,439
Cash flows from investing activities		
Payments for investments in equity accounted investees	**(3,670,772)**	(1,105,000)
Purchase of property and equipment	**(246,664,519)**	(75,645,759)
Dividends received from equity accounted investees	**28,096**	10,823,213
Proceeds from disposal of property and equipment	**123,131,644**	6,021,277
Acquisition of subsidiaries, net of cash acquired	**(47,773,700)**	(201,845,564)
Net movement in capital work in progress	**(66,320,328)**	(23,829,513)
Net cash used in investing activities	**(241,269,579)**	(285,581,346)
Cash flows from financing activities		
Net movement in short term debts	**216,118,277**	216,442,718
Net movement in bank overdrafts	**1,347,634**	13,701,184
Dividends paid to shareholders	**(240,000,000)**	(200,000,000)
Net cash (used in) / from financing activities	**(22,534,089)**	30,143,902
Net change in cash and cash equivalents	**(673,540,551)**	(104,642,005)
Cash and cash equivalents at the beginning of the period	**2,117,094,594**	746,837,577
Cash and cash equivalents at the end of the period	**1,443,554,043**	642,195,572

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

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2014
(Saudi Arabian Riyals)

	Notes	Share capital	Statutory reserve	Translation adjustment for foreign operations	Retained earnings	Total shareholders' equity	Non-controlling interest	Total
30 June 2013								
At the beginning of the period		800,000,000	210,091,652	(4,717,110)	717,592,722	1,722,967,264	14,454,481	1,737,421,745
Net income for the period – *restated*		--	--	--	554,082,574	554,082,574	4,195,714	558,278,288
Bonus shares		400,000,000	--	--	(400,000,000)	--	--	--
Acquisition of interest in subsidiary		--	--	--	--	--	219,761,688	219,761,688
Translation adjustment for foreign operations		--	--	(11,539,816)	--	(11,539,816)	--	(11,539,816)
Dividends to shareholders		--	--	--	(200,000,000)	(200,000,000)	--	(200,000,000)
At the end of the period		1,200,000,000	210,091,652	(16,256,926)	671,675,296	2,065,510,022	238,411,883	2,303,921,905
30 June 2014								
At the beginning of the period		**1,200,000,000**	**304,384,486**	**(15,502,255)**	**726,228,226**	**2,215,110,457**	**226,395,902**	**2,441,506,359**
Adjustment (see note 6)		--	--	--	34,286,062	34,286,062	11,428,688	45,714,750
At the beginning of the period – *restated*		**1,200,000,000**	**304,384,486**	**(15,502,255)**	**760,514,288**	**2,249,396,519**	**237,824,590**	**2,487,221,109**
Net income for the period		--	--	--	643,687,061	643,687,061	8,088,547	651,775,608
Bonus shares	*(1)*	300,000,000	--	--	(300,000,000)	--	--	--
Acquisition of interest in subsidiary		--	--	--	--	--	1,768,413	1,768,413
Translation adjustment for foreign operations		--	--	(3,096,587)	--	(3,096,587)	--	(3,096,587)
Dividends to shareholders					(240,000,000)	(240,000,000)	--	(240,000,000)
At the end of the period		**1,500,000,000**	**304,384,486**	**(18,598,842)**	**864,201,349**	**2,649,986,993**	**247,681,550**	**2,897,668,543**

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

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

Consolidated subsidiaries	Country of incorporation	Effective ownership June 2014	Effective ownership June 2013	Financial year end
National Travel and Tourism Bureau Limited (NTTB)	KSA	**100%**	100%	31 December
Al Sarh Travel and Tourism Limited (ASTT)	KSA	**80%**	80%	31 December
Al Tayyar International Air Transportation Agency Company Limited (ATI)	KSA	**100%**	100%	31 December
Al Tayyar Holiday for Travel and Tourism Company Limited (ATH)	KSA	**100%**	100%	31 December
Al Tayyar Travel, Tourism and Cargo Company Limited (ATC)	KSA	**100%**	100%	31 December
Al Tayyar Holidays Travel Group Company (ATE)	Egypt	**100%**	100%	31 December
Al Tayyar Cargo and Custom Clearance Company (ATCC)	Egypt	**100%**	100%	31 December
E Al Tayyar Tourism Company (ATT)	Egypt	**100%**	100%	31 December
E Al Tayyar Tours Company (ALC)	Egypt	**100%**	100%	31 December
Nile Holidays Tourism Company (NALC)	Egypt	**100%**	100%	31 December
Al Tayyar Rent A Car Company (ARC)	Egypt	**100%**	100%	31 December
Lena Tours and Travel (LTT)	Lebanon	**100%**	75%	31 December
Belantara Holidays SDN. BHD (BHSB)	Malaysia	**100%**	100%	31 December
Al Tayyar International Company Limited (ATS)	Sudan	**75%**	75%	31 December
Al Tayyar Travel and Tourism (ATD)	UAE	**100%**	100%	31 December
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
Al Mousim Travel and Tours (AMTT)	KSA	**100%**	100%	31 December
Jawlah Tours Establishment for Tourism (JTET)	KSA	**51%**	51%	31 December
Al Mawasim Tourism and Umrah Services (MWT)	KSA	**51%**	51%	31 December

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

Consolidated subsidiaries (continued)	Country of incorporation	Effective ownership June 2014	Effective ownership June 2013	Financial year end
Al Jazirah Travel (AJT)	KSA	**70%**	70%	31 December
Fly IT (FIT)	KSA	**60%**	60%	31 December
Muthmerah Real Estate Investment Company (MREIC)	KSA	**75%**	75%	31 December
Saudi World Travel and Tourism Company Limited (SWTT)	KSA	**100%**	100%	31 December
Mawasem Travel and Tourism Limited (MTT) *	UK	**100%**	--	30 September
Elegant Resorts Limited and subsidiaries (ERL) *	UK	**100%**	--	30 September
Al Nokhba Private Jet Services Company (ANPJ) *	KSA	**100%**	--	31 December
Al Hanove Tourism and Services Company (AHTS) *	Egypt	**70%**	--	31 December

* **MTT** – is a limited liability company, registered in England and Wales under Commercial Registration No. 8831424 dated 1 Rabi I 1435H corresponding to 3 January 2014. MTT is engaged in travel and tourism business.
* **ERL** – is a listed company registered in England and Wales under Commercial Registration No. 02100913. ERL is a luxury holiday tour operator.
* **ANPJ** – is a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010188648 dated 27 Jumada I 1434H corresponding to 8 April 2013. ANPJ is registered to own and operate aircraft, and provide cargo services.
* **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.

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

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

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

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

2. BASIS OF PREPARATION

(a) *Statement of compliance*

The accompanying interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) applicable for interim financial reporting. Certain prior period comparative amounts have been reclassified to be consistent with the current period presentation. The balance sheet comparative for December 2013 has been presented for illustrative purpose only.

These interim condensed consolidated financial statements were authorized for issue by the board of directors of the Parent Company on 19 Ramadan 1435H (corresponding to 17 July 2014).

(b) *Basis of measurement*

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

The comparative numbers are re-stated after the final purchase price allocation relating to MREIC (see note 6).

(c) *Functional and presentation currency*

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

(d) *Use of estimates and judgements*

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

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

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

- Trade receivables
- Property and equipment
- Intangible assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of consolidation

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

Subsidiaries

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

Transactions eliminated on consolidation

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

(b) Cash and cash equivalents

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

(c) Trade receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) *Investments*

Investments in associates and jointly controlled entities (equity accounted investees)

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

Available for sale investments

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

(e) *Property and equipment*

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

Goodwill

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

Software

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

(g) Impairment of assets

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

(h) Provisions

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

(i) Employees' end of service benefits

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

(j) Revenue recognition

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

(k) Operating leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Expenses

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

(m) Zakat and income tax

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

(n) Foreign currency translation and foreign subsidiaries

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

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

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

(o) Segment reporting

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

(p) Dividends

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

(q) Financial instruments

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

4. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Prepayments includes SAR 95 million (31 December 2013: Nil; 30 June 2013: Nil) in respect of Co-op Group Travel 1 Limited (CTM). The Group signed an agreement on 27 May 2014 to acquire 100% shares of CTM, a Company registered in the UK. CTM operates in the UK offering travel and ticket services in respect of railway and transport services. The final legal formalities in relation to the acquisition are not yet complete as of 30 June 2014, hence CTM is not consolidated in the Group's interim consolidated financial statements. The transaction is expected to complete during the third quarter of 2014.

Following the delivery of the aircraft and operational availability during March 2014, the advance amounting to SAR 100 million as at 31 December 2013 has been capitalized in property and equipment.

5. INTANGIBLE ASSETS, NET

		30 June 2014	31 December 2013 (Audited)	30 June 2013
Goodwill	*(a)*	**268,048,613**	139,412,415	142,130,894
Software	*(b)*	**8,028,440**	--	--
		276,077,053	139,412,415	142,130,894

(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:

	30 June 2014	31 December 2013 (Audited)	30 June 2013
National Travel and Tourism Bureau	**6,212,311**	6,212,311	6,212,311
Al Sarh Travel and Tourism Limited	**11,600,000**	11,600,000	11,600,000
E Al Tayyar Tours Company *	**26,297,274**	26,297,274	26,297,274
Al Tayyar Rent a Car Company *	**13,390,372**	13,390,372	13,390,372
E Al Tayyar Tourism Company *	**13,805,118**	13,805,118	13,805,118
Nile Holidays Tourism Company *	**13,603,448**	13,603,448	13,603,448
Lena Tours and Travel *	**2,718,479**	2,718,479	2,718,479
Al Tayyar Rent A Car	**44,500,000**	44,500,000	44,500,000
Al Musaffir Magazine	**1,426,644**	1,426,644	1,426,644
Al Mousim Travel and Tours	**13,750,000**	13,750,000	13,750,000
Jawlah Tours Establishment for Tourism	**1,578,247**	1,578,247	1,578,247
Al Mawasim Tourism and Umrah Services	**21,235,000**	21,235,000	21,235,000
Al Jazirah Travel	**2,014,001**	2,014,001	2,014,001
Elegant Resorts Limited (see note 6)	**88,523,141**	--	--
Al Hanove Tourism and Services Co. (see note 6)	**36,829,020**	--	--
	297,483,055	172,130,894	172,130,894
Foreign currency translation	**3,284,037**	--	--
Total	**300,767,092**	172,130,894	172,130,894
Impairment losses *	**(32,718,479)**	(32,718,479)	(30,000,000)
Net	**268,048,613**	139,412,415	142,130,894

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

5. INTANGIBLE ASSETS, NET (Continued)

(a) Goodwill (continued)

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

(b) Software

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

6. BUSINESS COMBINATIONS

a. Current period acquisition:

Elegant Resorts Limited

On 6 February 2014, the Company acquired a 100% shareholding of Elegant Resorts Limited 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	United Kingdom
Acquisition date	6th February 2014
Consideration paid	89,141,591
Recognized value of net identifiable assets on acquisition	(618,450)
Goodwill	88,523,141

Al Hanove Tourism and Services Company

On 1 April 2014, the Company acquired a 70% shareholding of Al Hanove Tourism and Services Company for a consideration of SAR 40.96 million.

Country of incorporation	Egypt
Acquisition date	1st April 2014
Consideration paid	40,955,316
Recognized value of net identifiable assets on acquisition	(4,126,296)
Goodwill	36,829,020

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.

6. BUSINESS COMBINATIONS (Continued)

c. Previous period 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 results in the Company consolidating MREIC financial statements as a subsidiary instead of equity accounting the investment.

The assets and liabilities of MREIC as at acquisition date are consolidated by the group. The net assets recognized in the 30 June 2013 financial statements were based on the provisional assessment. Following the final purchase price allocation carried out by management during May 2014, the balances as at 30 June and 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:

	Fair Value Recognized on Acquisition May 2013 (Final)	Initial Fair Value Recognized on Acquisition May 2013 (Provisional)
Assets		
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	123,154,436	123,154,436
	1,365,907,035	1,320,192,285
Liabilities		
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)
	(486,859,285)	(486,859,285)
Fair value of the identifiable net assets	879,047,750	833,333,000
Negative goodwill	(34,286,062)	--
Non controlling interest	(219,761,688)	(208,333,000)
Purchase consideration transferred	625,000,000	625,000,000
Total acquisition cost		
Cash consideration	325,000,000	325,000,000
Fair value of previously held equity interest	300,000,000	300,000,000
Total	625,000,000	625,000,000
Cash outflow on acquisition		
Net cash acquired with the subsidiary	123,154,436	123,154,436
Cash paid	(325,000,000)	(325,000,000)
Net cash outflow	(201,845,564)	(201,845,564)

7. CAPITAL WORK IN PROGRESS

	30 June 2014	31 December 2013 (Audited) (Restated)	30 June 2013 (Restated)
MREIC	**1,224,323,384**	1,169,871,413	1,148,129,232
MREIC capital work in progress for disposal *	**(359,747,097)**	(359,747,097)	--
	864,576,287	810,124,316	1,148,129,232
Others	**81,663,391**	64,570,569	49,974,711
	946,239,678	874,694,885	1,198,103,943

The capital work in progress at 30 June and 31 December 2013 is restated to reflect the fair value adjustment arising from the final purchase price allocation (see note 6c). The MREIC capital work in progress totals SAR 864 million as at 30 June 2014, reflecting the land acquisition and hotel development costs to date for projects in Makkah (also see note 8).

* 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.

8. SHORT TERM DEBTS

		30 June 2014	31 December 2013 (Audited)	30 June 2013
Short term bank loans – MREIC	*(a)*	**500,137,455**	489,241,217	464,241,217
Short term bank debts – Others	*(b)*	**211,947,851**	1,385,160	227,800,586
		712,085,306	490,626,377	692,041,803

(a) Short term bank loans – MREIC:

The MREIC short term loan facilities were novated to MREIC by Muthmerah Holding Company (the previous majority shareholder of MREIC) as part of the acquisition transaction. The legal formalities of the transfer of this loan facility by the bank to MREIC were completed during June 2014.

This amount outstanding is at agreed commercial rates. As at 30 June 2014, guarantees have been provided along with charges on certain assets given including land assets amounting to SAR 882 million have been pledged against these loan facilities.

(b) Short-term bank debts - others:

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

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and liabilities include advances from certain customers. The balance of these advances as at 30 June 2014 totalled SAR 831 million (31 December 2013: SAR 1.29 billion; 30 June 2013: SAR 290 million).

10. GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT

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 6c).

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:

	30 June 2014	30 June 2013
Revenue		
Air Ticketing, Travel and Tours	**3,668,567,361**	3,139,221,704
Cargo	**72,554,076**	57,363,209
Transportation and other ('Others')	**27,135,473**	28,787,914
	3,768,256,910	3,225,372,827

	30 June 2014	30 June 2013
Gross Profit		
Air Ticketing, Travel and Tours	**822,250,838**	683,384,800
Cargo	**6,971,457**	6,405,413
Transportation and other ('Others')	**10,232,303**	14,454,095
	839,454,598	704,244,308

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 28% of the revenue for the period is generated from one governmental entity (30 June 2013: 31%). The contract with this governmental entity has expired during the period. However, the Company continues to provide a normal level of service to this customer. There is no current indication that the contract will not be renewed in due course.

A segment for Hotels is currently under formation following the acquisition of the majority stake of MREIC in 2013 (see note 6). As at 30 June 2014, MREIC represents more than 10% of the consolidated assets. MREIC has started to generate some revenue from the hotels. However, the majority of the hotels are currently under construction. These are expected to be fully operational from 2015.

11. SEGMENT REPORTING (Continued)

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

	As at and for the period ended 30 June 2014				
	ATI	**ATH**	**MREIC**	**Other entities/ consolidation adjustments**	**Total**
Revenues	**1,630,725,119**	**1,319,155,033**	**470,006**	**817,906,752**	**3,768,256,910**
Gross profit	**538,017,474**	**203,686,905**	**467,193**	**97,283,026**	**839,454,598**
Depreciation	**3,893,431**	**1,968,131**	**489,254**	**16,839,976**	**23,190,792**
Total Assets	**3,271,637,830**	**2,146,467,051**	**1,375,296,899**	**(1,167,436,391)**	**5,625,965,389**
Total Liabilities	**1,274,078,589**	**1,349,994,138**	**522,478,288**	**(418,254,169)**	**2,728,296,846**

	As at and for the period ended 30 June 2013				
	ATI	ATH	MREIC	Other entities/ Consolidation Adjustments	Total
Revenues	1,400,725,003	1,067,988,451	550,847	756,108,526	3,225,372,827
Gross profit	480,583,409	160,581,565	550,847	62,528,487	704,244,308
Depreciation	3,785,263	1,757,295	268,885	14,410,112	20,221,555
Total Assets	1,632,157,925	1,375,563,472	1,311,065,217	(191,077,420)	4,127,709,194
Total Liabilities	346,961,418	826,732,978	478,632,253	171,460,640	1,823,787,289

Air ticketing, travel and tours

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

	30 June 2014	30 June 2013
Net commission earned on sale of airline tickets, travel and tours	**822,250,838**	683,384,800

Geographical Segments

The Group mainly operates in the geographical areas including Kingdom of Saudi Arabia, Sudan, 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.

	As at and for the period ended	
	30 June 2014	30 June 2013
Revenues	**3,591,021,653**	3,182,240,371
Gross profit	**814,060,333**	695,522,498
Depreciation	**21,001,718**	17,927,600
Total Assets	**5,211,178,301**	3,955,607,603
Total Liabilities	**2,350,933,113**	1,676,973,853

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 30 June 2014 of 150 million shares (150 million shares at 30 June 2013 adjusted for bonus shares issued on 20 March 2014).

13. COMMITMENTS

The Group has capital commitments as at 30 June 2014 of SAR 221.9 million (31 December 2013: SAR 202 million; 30 June 2013: SAR 88.9 million) principally in respect of MREIC hotel developments and construction of new office premises.

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. 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 30 June 2014 (2013: Nil). This amount is included in prepayments and other current assets.

14. CONTINGENT LIABILITIES

At 30 June 2014, the Group has letter of guarantees totaling SAR 153.5 million (31 December 2013: SAR 150 million; 30 June 2013: SAR 146.7 million) issued by the Company's banks in favor of certain suppliers.

15. CURRENT PERIOD RESULTS

The interim consolidated results for the period ended 30 June 2014 may not be an accurate indicator for the actual operating results for the whole year.