

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)
For the period ended 30 September 2013
together with
Review Report



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**REVIEW REPORT ON THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of **Al Tayyar Travel Group Holding Company** and its subsidiaries ('the Group') as at 30 September 2013, the related interim consolidated statement of income for the three month and the nine month periods then ended, the consolidated statement of cash flows for the nine month period then ended and the attached condensed notes (1) to (13) 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.

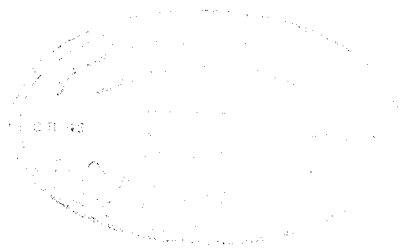
We conducted our review in accordance with the auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of 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



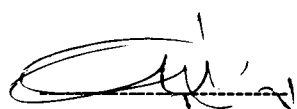
Date: 19 Dul Hijjah 1434H
Corresponding to: 24 October 2013

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 September 2013
(Saudi Riyals)

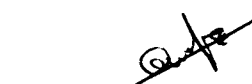
	<u>Notes</u>	<u>30 September</u> <u>2013</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2012</u> <u>(Audited)</u>	<u>30 September</u> <u>2012</u> <u>(Unaudited)</u>
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents		527,488,465	746,837,577	315,075,732
Trade receivables, net		639,620,823	974,134,826	995,860,943
Due from related parties		28,845,917	37,090,632	68,323,241
Prepayments and other receivables		445,245,916	275,834,933	319,260,628
Total current assets		1,641,201,121	2,033,897,968	1,698,520,544
Non current assets				
Investments in equity accounted investees	4	108,611,375	413,154,558	430,805,533
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	6	139,412,415	146,606,629	145,526,755
Property and equipment, net		724,872,809	589,345,126	583,607,429
Capital work in progress	5	1,172,290,163	40,589,219	36,522,568
Total non current assets		2,171,186,762	1,215,695,532	1,222,462,285
Total assets		3,812,387,883	3,249,593,500	2,920,982,829
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Bank overdrafts		18,552,202	4,814,134	42,388,061
Short term bank debts	7	525,066,377	1,385,160	600,328,292
Trade payables		278,736,432	223,437,889	164,020,638
Accrued expenses and other liabilities		514,186,438	991,657,182	427,449,385
Due to related parties		157,249,335	221,121,414	41,095,091
Zakat and income tax provision		39,785,021	34,413,686	26,142,865
Total current liabilities		1,533,575,805	1,476,829,465	1,301,424,332
Non current liabilities				
Employees' end of service benefits		46,188,525	35,342,290	37,169,901
Total non current liabilities		46,188,525	35,342,290	37,169,901
Total liabilities		1,579,764,330	1,512,171,755	1,338,594,233
<u>EQUITY</u>				
Equity attributable to the Company's shareholders				
Share capital	1	1,200,000,000	800,000,000	800,000,000
Statutory reserve		210,091,652	210,091,652	134,554,611
Translation adjustments for foreign operations		(15,131,115)	(4,717,110)	(2,793,511)
Retained earnings		612,256,561	717,592,722	635,919,742
Total shareholders' equity		2,007,217,098	1,722,967,264	1,567,680,842
Non controlling interest	4	225,406,455	14,454,481	14,707,754
Total equity		2,232,623,553	1,737,421,745	1,582,388,596
Total liabilities and equity		3,812,387,883	3,249,593,500	2,920,982,829

The accompanying notes (1) through (13) form an integral part of these interim condensed consolidated financial statements.

The financial statements on pages (1) to (15) were approved on behalf of the Shareholders by the Board of Directors on 19 Dul Hijjah 1434H, corresponding to 24 October 2013 and signed on behalf of the Board by:



Dr. Nasser Al Tayyar
Vice Chairman & Managing Director

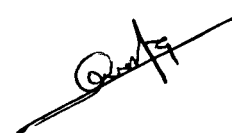


Yousif Mousa Yousif
Group Chief Financial Officer

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the period ended 30 September 2013
(Saudi Riyals)

	<i>Note</i>	3 Months		9 Months	
		30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
Revenue		1,441,907,197	1,300,422,327	4,667,280,024	4,060,882,875
Cost of revenue		(1,143,516,532)	(1,010,661,614)	(3,664,645,051)	(3,158,909,805)
Gross profit		298,390,665	289,760,713	1,002,634,973	901,973,070
Selling and marketing expenses		(42,644,770)	(38,432,371)	(143,792,953)	(146,977,705)
General and administrative expenses		(54,081,254)	(44,703,063)	(163,196,590)	(133,766,160)
Share of income / (loss) of equity accounted investees		2,242,355	(2,894,729)	5,175,031	(7,549,492)
Impairment loss of equity accounted investees		--	--	--	(20,000,000)
Impairment loss of Goodwill	6	(2,718,479)	--	(2,718,479)	--
Other operating income, net		23,805,110	16,598,261	76,885,575	60,051,770
Operating income		224,993,627	220,328,811	774,987,557	653,731,483
Gain on disposal of property and equipment		1,123,887	179,640	3,715,306	1,051,247
Finance income		1,295,702	179,849	2,459,375	585,334
Finance and Bank charges		(2,445,781)	(8,460,760)	(9,585,585)	(24,434,902)
Other income / (expenses), net		(26,192)	(8,101,271)	(3,410,904)	(22,798,321)
Income before Zakat, income tax and non controlling interest		224,967,435	212,227,540	771,576,653	630,933,162
Zakat and income tax		(8,628,620)	(6,251,503)	(31,245,612)	(23,844,469)
Net income before non controlling interest		216,338,815	205,976,037	740,331,041	607,088,693
Non controlling interest		(1,471,488)	(4,640,499)	(5,667,202)	(8,928,302)
Net income for the period		214,867,327	201,335,538	734,663,839	598,160,391
Earnings per share from operating income	9	1.87	1.84	6.46	5.45
Loss per share from other expenses, net	9	(0.00)	(0.07)	(0.03)	(0.19)
Basic Earnings per share	9	1.79	1.68	6.12	4.98

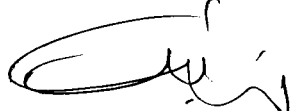
The accompanying notes (1) through (13) form an integral part of these interim condensed consolidated financial statements.

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the period ended 30 September 2013
(Saudi Riyals)

	30 September <u>2013</u>	30 September <u>2012</u>
<i>Cash flows from operating activities</i>		
Net income for the period	734,663,839	598,160,391
<i>Adjustments to reconcile net income to net cash from operating activities:</i>		
Depreciation	31,990,840	29,223,590
Gain on disposal of property and equipment	(3,715,306)	(1,051,247)
Gain on foreign currency translation	(2,629,032)	(354,776)
Share of (profit) / loss of equity accounted investees	(7,865,663)	7,549,492
Fair value adjustment of equity accounted investees	2,690,632	--
Loss on impairment of equity accounted investees	--	20,000,000
Loss on impairment of goodwill	2,718,479	--
Provision for trade receivables	20,000,000	10,000,000
Non controlling interest	5,667,202	8,928,302
Finance and bank charges	9,585,585	24,434,902
Provision for employees' end of service benefits	11,943,352	8,493,336
Provision for Zakat and income tax	31,245,612	23,844,469
	<u>836,295,540</u>	<u>729,228,459</u>
Changes in operating assets and liabilities		
Trade receivables	331,709,394	(297,929,722)
Due from related parties	8,244,715	(43,725,414)
Prepayments and other receivables	(169,410,983)	(46,819,180)
Trade payables	55,298,543	(21,429,626)
Due to related parties	(63,872,079)	8,007,252
Accrued expenses and other liabilities	(490,035,793)	(154,050,528)
Employees' end of service benefits paid	(1,568,901)	(1,962,256)
Finance and bank charges paid	(9,194,112)	(20,364,916)
Zakat and income tax paid	(25,874,277)	(25,418,635)
Net cash from operating activities	<u>471,592,047</u>	<u>125,535,434</u>
<i>Cash flows from investing activities</i>		
Payments for investments in equity accounted investees	(1,105,000)	(303,750,000)
Purchase of property and equipment	(86,151,964)	(144,687,227)
Dividends received from equity accounted investees	10,823,214	8,962,582
Proceeds from disposal of property and equipment	8,546,506	2,848,340
Acquisition of subsidiaries, net of cash acquired	(201,845,564)	(2,021,798)
Net movement in capital work in progress	(41,365,483)	(12,818,545)
Net cash used in investing activities	<u>(311,098,291)</u>	<u>(451,466,648)</u>
<i>Cash flows from financing activities</i>		
Net movement in short term bank debts	49,467,292	507,126,100
Net movement in bank overdrafts	13,738,068	34,674,954
Non controlling interest share of capital introduced	--	2,517,769
Dividends paid to non controlling interest	(3,048,228)	(3,826,825)
Dividends paid to shareholders	(440,000,000)	(306,921,210)
Net cash (used in) / from financing activities	<u>(379,842,868)</u>	<u>233,570,788</u>
Net change in cash and cash equivalents	(219,349,112)	(92,360,426)
Cash and cash equivalents at the beginning of the period	746,837,577	407,436,158
Cash and cash equivalents at the end of the period	<u>527,488,465</u>	<u>315,075,732</u>

The accompanying notes (1) through (13) form an integral part of these interim condensed consolidated financial statements.




AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
30 September 2013

1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES

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

On 2 April 2013, the extra ordinary general assembly meeting of Shareholders approved to issue one Ordinary bonus share for every two 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 1.2 billion and consists of 120,000,000 Ordinary shares of SAR 10 each.

On the 2 April 2013, the extra ordinary general assembly meeting of Shareholders approved the change in the name of the Company to Al Tayyar Travel Group Holding Company. The Commercial Registration Certificate of the Company was updated on 19 Jumada' II 1434H (corresponding to 29 April 2013).

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

The Company's registered address is:

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

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

<u>Consolidated subsidiaries</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>September 2013</u>	<u>September 2012</u>	
National Travel and Tourism Bureau Ltd. (NTTB)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Sarh Travel and Tourism Ltd. (ASTT)	Kingdom of Saudi Arabia	80%	80%	31 December
Al-Tayyar International Air Transportation Agency Co. Ltd (ATI)	Kingdom of Saudi Arabia	100%	100%	31 December
Al-Tayyar Holiday for Travel and Tourism Co. Ltd. (ATH)	Kingdom of Saudi Arabia	100%	100%	31 December
Al-Tayyar Travel, Tourism and Cargo Co. Ltd. (ATC)	Kingdom of Saudi Arabia	100%	100%	31 December
Al-Tayyar Tourism and Travel Group – Egypt (ATE)	Egypt	100%	100%	31 December
E Al-Tayyar For Tourist Transportation Company (ATT)	Egypt	100%	100%	31 December
E Al-Tayyar Limousine Company (ALC)	Egypt	100%	100%	31 December
New Al-Tayyar Limousine Company (NALC)	Egypt	100%	100%	31 December
Al Tayyar Rent A Car Company (ARC)	Egypt	100%	100%	31 December
Lena Tours & Travel (LTT)	Lebanon	75%	75%	31 December

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
30 September 2013

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>September 2013</u>	<u>September 2012</u>	
Belantara Holidays SDN. BHD (BHSB)	Malaysia	100%	100%	31 December
Al-Tayyar International Company Ltd. – Sudan (ATS)	Sudan	75%	75%	31 December
Al-Tayyar – Dubai, UAE (ATD)	United Arab Emirates	100%	100%	31 December
Taqniatech Company for Communication Technology Ltd. (TAQ)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Tayyar Real Estate, Tourism Development and Investment Co. (Hotels)- (ARE)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Tayyar Insurance Broker Company Ltd.(INS)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Tayyar Rent A Car (ARAC)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Musaffir Magazine (AMM)	Kingdom of Saudi Arabia	100%	100%	31 December
Al Mousim Travel & Tours (AMTT)	Kingdom of Saudi Arabia	100%	100%	31 December
Jawlah Tours Establishment for Tourism (JTET)	Kingdom of Saudi Arabia	51%	51%	31 December
Al Mawasim Tourism and Umrah Services (MWT)	Kingdom of Saudi Arabia	51%	51%	31 December
Al Jazirah Travel (AJT)	Kingdom of Saudi Arabia	70%	70%	31 December
Fly IT (FIT)	Kingdom of Saudi Arabia	60%	60%	31 December
Muthmira Real Estate Investment Company (MREIC) – (see notes 4 and 5)	Kingdom of Saudi Arabia	75%	36%	31 December
Saudi World Travel and Tourism Company Limited (SWTTCL)	Kingdom of Saudi Arabia	100%	--	31 December

The interim condensed consolidated financial statements include the following investments:

<u>Investment in equity accounted investees</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>September 2013</u>	<u>September 2012</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
Grand Travel & Tours, LLC. (GTT)	USA	40%	40%	31 December
Voyage Amro Travel (VAT)	Canada	49%	49%	31 December
Al Tayyar Travel & Tourism Abu Dhabi (TTAD)	United Arab Emirates	49%	49%	31 December
Taqniatech Company for Communication Technology Ltd. (TAQ)*	Kingdom of Saudi Arabia	70%	70%	31 December
2share Emerging Technology (TSET)	Kingdom of Saudi Arabia	35%	--	31 December

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

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
30 September 2013

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

<u>Available for sale investments</u>	<u>Country of Incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>September 2013</u>	<u>September 2012</u>	
Al Wafeer Air (AWA)	Kingdom of Saudi Arabia	12.75%	12.75%	31 December
Taif Investments and Tourism Company (TITC)	Kingdom of Saudi Arabia	0.5%	0.5%	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 figures for December 2012 have been presented for illustrative purposes only.

These interim condensed consolidated financial statements were authorized for issue on behalf of the shareholders by the board of directors of the Parent Company on 19 Dul Hijjah 1434H (corresponding to 24 October 2013).

(b) *Basis of measurement*

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

(c) *Functional and presentation currency*

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

(d) *Use of estimates and judgements*

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

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

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

- Trade receivables
- Property and equipment
- Intangible assets

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

- Provision for trade receivables
- Impairment of intangible assets

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
30 September 2013

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 2012.

The interim condensed consolidated financial statements should be read together with the consolidated financial statements for the year ended 31 December 2012.

(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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) *Investments*

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

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

Available for sale investments

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

(e) *Property and equipment*

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

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

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

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

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

AL TAYYAR TRAVEL GROUP HOLDING COMPANY
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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.

(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.

(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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 period.

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.

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4 BUSINESS COMBINATION

On 31 May 2013 the Company increased its shareholding in Muthmira Real Estate Investment Company (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 its investment. The acquisition has resulted in an increase in the non controlling interest of SAR 208.3 million.

The Company is currently in the process of allocating the purchase consideration to the identifiable assets and liabilities acquired. Any difference between the consideration paid and the fair value of the net assets acquired will be recognised as goodwill or negative goodwill as appropriate. However, the Company has initially accounted for the fair value of transaction based on the carrying values of the assets and liabilities as of the acquisition date which are summarized below:

	Initial Fair Value Recognized on Acquisition
<u>Assets</u>	
Property and equipment	89,506,997
Capital work in progress	1,090,335,461
Accounts receivables and prepayments	17,195,391
Cash and cash equivalents	123,154,436
	<u>1,320,192,285</u>
<u>Liabilities</u>	
Short term loans	(474,213,925)
Accrued expenses and other liabilities	(12,173,576)
Employees' end of service benefits	(471,784)
	<u>(486,859,285)</u>
Initial fair value of the identifiable net assets	833,333,000
Non controlling interest of MREIC	(208,333,000)
Purchase consideration transferred	<u>625,000,000</u>
<u>Total Acquisition Cost:</u>	
Cash consideration	325,000,000
Fair value of previously held equity interest	300,000,000
Total	<u>625,000,000</u>
<u>Cash outflow on Acquisition</u>	
Net cash acquired with the subsidiaries	123,154,436
Cash paid	(325,000,000)
Net cash outflow	<u>(201,845,564)</u>

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5 CAPITAL WORK IN PROGRESS

	30 September 2013	31 December 2012	30 September 2012
MREIC	1,122,207,736	--	--
Others	50,082,427	40,589,219	36,522,568
	<u>1,172,290,163</u>	<u>40,589,219</u>	<u>36,522,568</u>

The movement in Capital work in progress reflects the full consolidation of the MREIC financial statements. The MREIC capital work in progress totals SAR 1.12 billion as at 30 September 2013, reflecting the land acquisition and hotel development costs to date for projects in Makkah (also see note 7).

6 INTANGIBLE ASSETS, NET

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 September 2013	31 December 2012	30 September 2012
National Travel and Tourism Bureau (NTTB)	6,212,311	6,212,311	6,212,311
Al Sarh Travel Agency (ASTA)	11,600,000	11,600,000	11,600,000
Al Tayyar Limousine Company (ALC) (a)	26,297,274	26,297,274	26,297,274
Al Tayyar Rent a Car Company (ARC) (a)	13,390,372	13,390,372	13,390,372
Al Tayyar for Tourist and Transportation Company (ATT) (a)	13,805,118	13,805,118	13,805,118
New Al Tayyar Limousine Company (NALC) (a)	13,603,448	13,603,448	13,603,448
Lena Tours and Travel (LTT) (a)	2,718,479	2,718,479	2,718,479
Al Tayyar Rent A Car (ARAC)	44,500,000	44,500,000	44,500,000
Al Musaffir Magazine (AMM)	1,426,644	1,426,644	1,426,644
Al Mousim Travel and Tours (AMTT)	13,750,000	13,750,000	13,750,000
Jawlah Tours Establishment for Tourism (JTET)	1,578,247	1,578,247	1,578,247
Al Mowasim Tourism and Umrah Services (MWT)	21,235,000	21,235,000	21,235,000
Al Jazirah Travel (AJT)	2,014,001	2,014,001	2,014,001
	<u>172,130,894</u>	<u>172,130,894</u>	<u>172,130,894</u>
Foreign currency translation	--	4,475,735	3,395,861
Total	172,130,894	176,606,629	175,526,755
Impairment losses (a)	(32,718,479)	<u>(30,000,000)</u>	<u>(30,000,000)</u>
Net	<u>139,412,415</u>	<u>146,606,629</u>	<u>145,526,755</u>

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

The Group management considers that pre acquisition carrying amounts of assets, liabilities and contingent liabilities recognized on acquisition 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.

(a) The loss on impairment is a result of the continuing political uncertainty in Egypt and the impairment of the LTT goodwill in the period.

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7 SHORT TERM BANK DEBTS

	30 September 2013	31 December 2012	30 September 2012
Short term loans			
- MREIC	464,241,217	--	--
- Others	1,385,160	1,385,160	143,885,160
Murabaha-Islamic finance	59,440,000	--	456,443,132
	<u>525,066,377</u>	<u>1,385,160</u>	<u>600,328,292</u>

Short-term bank debts represent amounts outstanding under short-term bank loan facilities with certain local commercial banks at agreed commercial rates. As at 30 September 2013 certain land assets of MREIC have been pledged against some of these loan facilities amounting to SAR 606.2 million. The remaining balance of the short term loans is utilized to finance the working capital requirements of the Group.

8 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 September 2013	30 September 2012
<u>Revenue</u>		
Air Ticketing, Travel and Tours	4,528,028,713	3,934,955,503
Cargo	91,819,707	81,456,414
Transportation and other ('Others')	47,431,604	44,470,958
	<u>4,667,280,024</u>	<u>4,060,882,875</u>
	30 September 2013	30 September 2012
<u>Gross Profit</u>		
Air Ticketing, Travel and Tours	967,122,179	869,229,115
Cargo	9,361,670	8,616,637
Transportation and other ('Others')	26,151,124	24,127,318
	<u>1,002,634,973</u>	<u>901,973,070</u>

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

None of the above segments comprises 10% or more of the total consolidated revenue except for Air Ticketing, Travel and Tours. Further 30% of the revenue for the period is generated from one governmental entity (2012: 34%). The contract with this governmental entity is valid till May 2014.

A segment for Hotels is currently under formation following the acquisition of the majority stake of MREIC in 2013 (see note 4). As at 30 September 2013 MREIC represents more than 10% of the consolidated assets. MREIC has not started any material revenue generating activities as the hotels are currently under construction.

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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 September 2013

	<u>ATI</u>	<u>ATH</u>	<u>MREIC</u>	<u>Other entities/ Consolidation Adjustments</u>	<u>Total</u>
Revenues	2,152,882,461	1,419,707,138	2,221,752	1,092,468,673	4,667,280,024
Gross profit	661,443,426	230,415,535	2,221,752	108,554,260	1,002,634,973
Depreciation	5,680,502	2,653,640	1,112,489	22,544,209	31,990,840
Total Assets	1,886,941,431	864,657,871	1,311,403,330	(250,614,749)	3,812,387,883
Total Liabilities	484,235,490	254,049,718	478,445,404	363,033,718	1,579,764,330

As at and for the period ended 30 September 2012

	<u>ATI</u>	<u>ATH</u>	<u>MREIC</u>	<u>Other entities/ Consolidation Adjustments</u>	<u>Total</u>
Revenues	1,616,291,386	1,332,705,057	--	1,111,886,432	4,060,882,875
Gross profit	591,760,312	186,380,431	--	123,832,327	901,973,070
Depreciation	5,020,389	2,233,387	--	21,969,814	29,223,590
Total Assets	1,342,752,693	485,002,466	--	1,093,227,670	2,920,982,829
Total Liabilities	508,360,315	109,167,260	--	721,066,658	1,338,594,233

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 commission earned on the sale of these tickets, travels and tours is shown below:

	<u>30 September 2013</u>	<u>30 September 2012</u>
Commission earned on sale of airline tickets, travel and tours	<u>967,122,179</u>	<u>869,229,115</u>

Geographical Segments

The Group mainly operates in the following geographical areas:

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

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

	<u>Kingdom of Saudi Arabia</u>	
	<u>30 September 2013</u>	<u>30 September 2012</u>
Revenues	4,602,256,148	3,994,206,918
Gross profit	990,355,971	889,819,714
Depreciation	28,355,254	25,732,995
Total Assets	3,634,596,052	2,762,688,762
Total Liabilities	1,429,335,220	1,211,772,197

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9 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 September 2013 of 120 million shares (120 million shares at 30 September 2012 adjusted for bonus share issued on 2 April 2013 – see note 1).

10 COMMITMENTS

The Group has capital commitments as at 30 September 2013 of SAR 88.8 million (31 December 2012: SAR 16.7 million; 30 September 2012: SAR 17.5 million) in respect of the construction of new office premises and others.

During 2013, the Group has entered into an operating lease arrangement for the lease of certain properties in Makkah. The lease arrangement is for an initial duration of five years effective from November 2013 with an option to renew the lease after the expiry of initial lease period. Lease payments are fixed and increase annually to reflect market rentals. The total amount payable over the initial five year lease period is SAR1.27 billion. An advance payment of SAR 45 million has been made as at 30 September 2013.

11 CONTINGENT LIABILITIES

At 30 September 2013, the Group has letter of guarantees totaling SAR 149 million (31 December 2012: SAR 138 million; 30 September 2012: SAR 121 million) issued by the Company's banks in favor of certain suppliers.

12 DIVIDENDS

The board of directors of the Company during their meeting dated 24 July 2013 approved an interim dividend for the year ending 31 December 2013 amounting to SAR 240 million (2012 Interim dividend SAR 200 million). This was paid on 8 September 2013.

13 CURRENT PERIOD RESULTS

The interim consolidated results for the period ended 30 September 2013 may not be an accurate indicator for the actual operating results for the whole year.