

AL TAYYAR TRAVEL GROUP
(A Saudi Joint Stock Company)
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012
together with
Auditors' Report



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Al Tayyar Travel Group ("the Company") and its subsidiaries (collectively referred as "the Group") which comprise the consolidated balance sheet as at 31 December 2012 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes (1) through (31) which form an integral part of the financial statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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



Opinion

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

- 1) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
- 2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For KPMG Al Fozan & Al Sadhan

Abdullah H. Al Fozan
Licence No.: 348

Date: 4 Rabi II 1434H
Corresponding to: 14 February 2013



Al Tayyar Travel Group
(A Saudi Joint Stock Company)
CONSOLIDATED BALANCE SHEET
As at 31 December 2012
(Saudi Riyals)

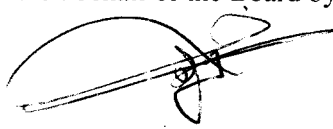
	<u>Notes</u>	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	(4)	746,837,577	407,436,158
Trade receivables, net	(5)	974,134,826	707,931,221
Due from related parties	(6b)	37,090,632	24,597,827
Prepayments and other receivables	(7)	275,834,933	272,441,448
Total current assets		2,033,897,968	1,412,406,654
Non current assets			
Investments in equity accounted investees	(8)	413,154,558	163,567,607
Investment properties	(9)	25,000,000	25,000,000
Available for sale investments	(10)	1,000,000	1,000,000
Intangible assets, net	(13)	146,606,629	143,663,879
Property and equipment, net	(11)	594,176,101	475,529,510
Capital work in progress	(12)	35,758,244	18,873,048
Total non current assets		1,215,695,532	827,634,044
Total assets		3,249,593,500	2,240,040,698
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Bank overdrafts		4,814,134	7,713,107
Short term bank debts	(14)	1,385,160	93,202,192
Accrued expenses and other liabilities	(15)	991,657,182	684,351,137
Zakat and income tax	(16b)	34,413,686	27,717,031
Trade payables		223,437,889	185,450,264
Due to related parties	(6c)	221,121,414	33,087,839
Total current liabilities		1,476,829,465	1,031,521,570
Non current liabilities			
Employees' end of service benefits		35,342,290	30,638,821
Total non current liabilities		35,342,290	30,638,821
Total liabilities		1,512,171,755	1,062,160,391
<u>EQUITY</u>			
Equity attributable to the company's shareholders			
Share capital	(1)	800,000,000	800,000,000
Statutory reserve	(18)	210,091,652	134,554,611
Foreign currency translation adjustment		(4,717,110)	(1,853,075)
Retained earnings		717,592,722	237,759,351
Total shareholders' equity		1,722,967,264	1,170,460,887
Minority interest	(19)	14,454,481	7,419,420
Total equity		1,737,421,745	1,177,880,307
Total liabilities and equity		3,249,593,500	2,240,040,698

The accompanying notes (1) through (31) form an integral part of these consolidated financial statements.

The financial statement on pages (1) to (28) were approved on behalf of the Shareholders by the Board of Directors on 14 February 2013 and signed on behalf of the Board by:



Dr. Nasser Al Tayyar
Vice Chairman & Managing Director



د/يوسف موسى يوسف
الرئيس التنفيذي





Yousif Mousa Yousif
Group Chief Financial Officer


Al Tayyar Travel Group
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2012
(Saudi Riyals)

	<i>Notes</i>	<u>31 December 2012</u>	<u>31 December 2011</u>
Revenue	(20,25)	5,389,948,204	4,607,409,134
Cost of Revenue	(21)	(4,241,401,819)	(3,578,059,252)
Gross profit		1,148,546,385	1,029,349,882
Selling and marketing expenses	(22)	(184,424,129)	(217,837,926)
General and administrative expenses	(23)	(188,809,840)	(153,626,302)
Share of loss of equity accounted investees	(8)	(9,914,537)	(6,373,535)
Impairment loss of equity accounted investees	(8)	(35,285,930)	(19,494,843)
Impairment loss of intangible assets	(13)	--	(15,000,000)
Impairment loss of available for sale investments	(10)	--	(12,272,715)
Other operating income		92,182,502	55,824,440
Operating income		822,294,451	660,569,001
Gain on disposal of property and equipment		2,302,726	7,291,796
Finance income		960,071	490,708
Finance and bank charges		(29,496,429)	(23,283,215)
Other (expense) / income, net		(26,233,632)	(15,500,711)
Income before Zakat, income tax and minority interest		796,060,819	645,068,290
Provision for Zakat and income tax	(16a)	(32,015,378)	(27,375,776)
Net income before minority interest		764,045,441	617,692,514
Minority interest		(8,675,029)	(5,714,905)
Net income for the year		755,370,412	611,977,609
Earnings per share from operating income	(24)	10.28	8.26
Earnings per share from other (expense) / income, net	(24)	(0.33)	(0.19)
Basic earnings per share from net income	(24)	9.44	7.65

The accompanying notes (1) through (31) form an integral part of these consolidated financial statements.


د. ناصر محمد الطيار
مدير عام شركة
التأجير السياحي


د. فؤاد الجريدي
الرئيس التنفيذي


سيد سعد الجريدي
المدير المالي

Al Tayyar Travel Group
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012
(Saudi Riyals)

	31 December 2012	31 December 2011
Cash flows from operating activities		
Net income for the year	755,370,412	611,977,609
<i>Adjustments to reconcile net income to net cash from operating activities:</i>		
Depreciation	40,025,104	33,942,325
Gain on disposal of property and equipment	(2,302,726)	(6,229,905)
Gain on disposal of investments in properties	--	(1,061,891)
Impairment loss of intangible assets	--	15,000,000
Impairment loss of available for sale investments	--	12,272,715
Gain on foreign currency translation	(1,713,574)	(672,323)
Share of loss of equity accounted investees	9,914,537	6,324,681
Loss from disposal of equity accounted investees	--	48,854
Impairment loss of equity accounted investees	35,285,930	19,494,843
Provision for trade receivables	20,362,466	45,473,155
Minority interest	8,675,029	5,714,905
Finance and bank charges	29,496,429	23,283,215
Provision for employees' end of service benefits	6,607,534	7,344,486
Provision for Zakat and income tax	32,015,378	27,375,776
	<u>933,736,519</u>	<u>800,288,445</u>
Changes in operating assets and liabilities		
Trade receivables	(286,566,071)	(163,426,152)
Due from related parties	(12,492,805)	21,918,120
Prepayments and other receivables	(3,393,485)	78,276,300
Trade payables	37,987,625	43,313,662
Due to related parties	188,033,575	11,576,596
Accrued expenses and other liabilities	414,669,029	(125,193,983)
Employees' end of service benefits paid	(1,904,065)	(573,308)
Finance and bank charges paid	(30,082,828)	(24,493,374)
Zakat and income tax paid	(25,318,723)	(25,328,753)
Net cash from operating activities	<u>1,214,668,771</u>	<u>616,357,553</u>
Cash flows from investing activities		
Payments for investments in equity accounted investees	(303,750,000)	(1,750,699)
Purchase of property and equipment	(164,723,206)	(89,766,249)
Dividend received from equity accounted investees	8,962,582	7,946,071
Proceeds from disposal of equity accounted investees	--	179,206
Proceeds from disposal of investment properties	--	11,061,891
Proceeds from disposal of property and equipment	5,951,912	19,961,752
Acquisition of subsidiaries, net of cash acquired	(2,021,798)	(20,010,000)
Net movement in capital work in progress	(16,885,196)	(4,188,871)
Net cash used in investing activities	<u>(472,465,706)</u>	<u>(76,566,899)</u>
Cash flows from financing activities		
Net movement in short term bank debts	(91,817,032)	(18,538,968)
Net movement in bank over drafts	(2,898,973)	1,970,948
Minority interest share of capital introduced	2,517,769	--
Dividends paid to minority shareholders	(3,826,825)	(2,983,581)
Dividends paid to shareholders	(306,776,585)	(493,078,790)
Net cash used in financing activities	<u>(402,801,646)</u>	<u>(512,630,391)</u>
Net change in cash and cash equivalents	339,401,419	27,160,263
Cash and cash equivalents at the beginning of the year	407,436,158	380,275,895
Cash and cash equivalents at the end of the year	<u>746,837,577</u>	<u>407,436,158</u>

The accompanying notes (1) through (31) form an integral part of these consolidated financial statements

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الرئيس التنفيذي
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د. محمد بن عبد الله بن
الرئيس التنفيذي

Al Tayyar Travel Group
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012
(Saudi Riyals)

	<u>Note</u>	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Foreign currency translation adjustment</u>	<u>Retained Earnings</u>	<u>Shareholders' Equity</u>	<u>Minority Interest</u>	<u>Total</u>
At 31 December 2010		800,000,000	73,356,850	(599,329)	286,979,503	1,159,737,024	3,463,096	1,163,200,120
Net income for the year		--	--	--	611,977,609	611,977,609	5,714,905	617,692,514
Transferred to statutory reserve		--	61,197,761	--	(61,197,761)	--	--	--
Acquisition of interest in subsidiary		--	--	--	--	--	1,225,000	1,225,000
Foreign currency translation adjustment		--	--	(1,253,746)	--	(1,253,746)	--	(1,253,746)
Dividends to shareholders		--	--	--	(600,000,000)	(600,000,000)	--	(600,000,000)
Dividends paid to Minority interest		--	--	--	--	--	(2,983,581)	(2,983,581)
At 31 December 2011		800,000,000	134,554,611	(1,853,075)	237,759,351	1,170,460,887	7,419,420	1,177,880,307
Net income for the year		--	--	--	755,370,412	755,370,412	8,675,029	764,045,441
Transferred to statutory reserve		--	75,537,041	--	(75,537,041)	--	--	--
Acquisition of interest in subsidiary		--	--	--	--	--	2,186,857	2,186,857
Foreign currency translation adjustment		--	--	(2,864,035)	--	(2,864,035)	--	(2,864,035)
Dividends to shareholders	(17)	--	--	--	(200,000,000)	(200,000,000)	--	(200,000,000)
Dividends paid to Minority interest		--	--	--	--	--	(3,826,825)	(3,826,825)
At 31 December 2012		800,000,000	210,091,652	(4,717,110)	717,592,722	1,722,967,264	14,454,481	1,737,421,745

The accompanying notes (1) through (30) form an integral part of these consolidated financial statements.

Al Tayyar Travel Group
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012

1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES

Al Tayyar Travel Group (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’).

The authorised, issued and fully paid up capital of the Parent is SAR 800 million consists of 80,000,000 common shares of SAR 10 each. (Also see note 30).

On 14 April 2012, Capital Market Authority accepted the application of the management of the Company for an Initial Public Offering of 24 million shares at Saudi Riyal 57 per share with the subscription date from 14 May 2012 to 19 May 2012. From 4 June 2012, the shares of the Company have been listed on the Saudi Stock Exchange.

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

The Company’s registered address is:

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

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

<u>Consolidated subsidiaries</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>December 2012</u>	<u>December 2011</u>	
National Tourism and Travel 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 Holidays 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 Company (ARC)	Egypt	100%	100%	31 December

Al Tayyar Travel Group
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012

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

<u>Consolidated subsidiaries (continued)</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>December</u>	<u>December</u>	
		<u>2012</u>	<u>2011</u>	
Lena Tours & Travel (LTT)	Lebanon	75%	75%	31 December
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. (ARE)- Hotels	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%	--	31 December
Fly IT (FIT)	Kingdom of Saudi Arabia	60%	--	31 December

The 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>December</u>	<u>December</u>	
		<u>2012</u>	<u>2011</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)	UAE	49%	49%	31 December
Taqniatech Company for Communication Technology JV (TAQJV)*	Kingdom of Saudi Arabia	70%	70%	31 December
Muthmira Real Estate Investment Company (MREIC)	Kingdom of Saudi Arabia	36%	--	31 December

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

<u>Available for sale investment</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>		<u>Financial year end</u>
		<u>December</u>	<u>December</u>	
		<u>2012</u>	<u>2011</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

Al Tayyar Travel Group

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

NTTB – is a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010055724 dated 04/01/1405 H corresponding to 29/09/1984. NTTB is a travel agency. The Parent acquired this subsidiary during 2005 and the legal formalities for transfer of ownership have been finalized during 2008.

ASTT – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010015548 dated 17/04/1398 H corresponding to 26/03/1978. ASTT is engaged in the travel and tourism business. The Parent acquired this subsidiary during 2005 and the legal formalities for transfer of ownership have been finalized during 2008.

ATI – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010202741 dated 09/09/1425 H corresponding to 22/10/2004. ATI is engaged in travel and tourism, air cargo services, custom duty services, owning and leasing of aeroplanes, triptiques and international driving licences, import and export activities, trade agencies and setup of human resource training centres. The 5% ownership of the company is in the name of ATC.

ATH – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010169341 dated 02/07/1422 H corresponding to 19/09/2001. ATH is engaged in travel and tourism, air cargo services, custom duty services, owning and leasing of aeroplanes, triptiques and international driving licences, import and export activities, trade agencies and setup of human resource training centres. 5% of the company's ownership is held by the ATC.

ATC – is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010169340 dated 02/07/1422 H corresponding to 19/09/2001. ATC is engaged in air, sea and land cargo services, custom duty services, chartered planes and ships. 5% of the company's ownership is held by ATH.

ATE – is a limited liability company registered in Egypt under Commercial Registration No. 4846 dated 08/03/2000. ATE is engaged in travel and tourism business. The Parent acquired this subsidiary during 2005 and is controlling it. The legal formalities for the transfer of ownership have been finalized during 2009.

ATT – is a limited liability company registered in Egypt under Commercial Registration No. 328719 dated 23/01/2000. ATT is engaged in rent a car business. The Parent acquired this subsidiary during 2008 and is controlling it. The legal formalities for the transfer of ownership have been finalized during 2009.

ALC – is a limited liability company registered in Egypt under Commercial Registration No. 328138 dated 18/12/1999. ALC is engaged in rent a car business. The Parent acquired this subsidiary during 2008 and is controlling it. The legal formalities for the transfer of ownership have been finalized during 2009.

NALC – is a limited liability company registered in Egypt under Commercial Registration No. 13215 dated 10/04/2004. NALC is engaged in rent a car business. The Parent acquired this subsidiary during 2008 and is controlling it. The legal formalities for the transfer of ownership have been finalized during 2009.

ARC – is a limited liability company registered in Egypt under Commercial Registration No. 3965 dated 12/10/1999. ARC is engaged in rent a car business. The Parent acquired this subsidiary during 2008 and is controlling it. The legal formalities for the transfer of ownership have been finalized during 2009.

Al Tayyar Travel Group
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2012

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

LTT – is a limited liability company incorporated in Lebanon as per commercial registration # 030996 dated 14 February 1989. LTT is engaged in travel and tourism business. The legal formalities for the transfer of ownership have been finalized during 2009.

BHSB– is a private limited liability company registered in Malaysia under Commercial Registration No. 653642-T. BHSB is engaged in travel and tourism business. The Parent acquired control of this subsidiary during 2006. BHSB is registered in the name of third party Malaysian nationals who do not possess any controlling interest and do not have any stake in the operating assets of BHSB. The Parent has 100% beneficial ownership of BHSB.

ATS – is a limited liability company registered in Sudan under Commercial Registration No. 14412 dated 06/12/1999. ATS is engaged in travel and tourism business. The Parent owns 75% of ATS and the balance of 25% is owned by a Sudanese national. The legal formality for the transfer of ownership was completed in 2008.

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

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

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

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

ARAC – is a limited liability company registered in KSA under the commercial registration number 1010228226 dated 01/08/1422 H. The company is licensed by Ministry of Transport, license number 10102050800, dated 21/12/1421 H. to carry out all the rental related services. 5% of the company's ownership is held by the high speed company for transportation

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

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

Al Tayyar Travel Group
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES (Continued)

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

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

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

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

FAL - is a limited liability company registered in Yemen as per commercial registration # 792 dated 04 November 2007. FAL is engaged in providing domestic and international airline services within and outside Yemen. The Parent owns 20% of FAL and NTTB own 10%, thereby the Group has 30% effective ownership.

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

GTT – is a limited liability company incorporated in the United States of America as per the certificate of entity conversion issued by the Commonwealth of Virginia State Corporation Commission dated 26 October 2007. The effective date of conversion as LLC is 9 November 2007. The Company is engaged in providing travel and related services.

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

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

MREIC - is a limited liability company registered in KSA under the commercial registration number 1010327099 dated 08/03/1433 H. The main activity of MREIC is a religious tourism project in Makkah.

AWA – is a limited liability company registered in KSA under the commercial registration number 178108 dated 06/04/1429 H. AWA is engaged in providing Hajj and Umrah chartered flights. AWA commenced its commercial operations from October 2009. The legal formalities for the transfer of ownership to ATG are still in progress.

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

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2. BASIS OF PREPARATION

(a) *Statement of compliance*

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

These consolidated financial statements were authorized for issue on behalf of the shareholders by the board of directors of the Parent Company on 4 Rabi II 1434 H (corresponding to 14 February 2013).

(b) *Basis of measurement*

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

(c) *Functional and presentation currency*

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

(d) *Use of estimates and judgments*

The preparation of the consolidated financial statements requires management to make judgments, 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 notes

Note 5	:	Trade receivables
Note 11	:	Property, plant and equipment
Note 13	:	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 notes:

Note 5	:	Provision for receivables
Note 13	:	Impairment of intangible assets

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) *Basis of consolidation*

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

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

Transactions eliminated on consolidation

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

(b) *Cash and cash equivalents*

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

(c) *Trade receivables*

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

(d) *Investments*

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 years are as follow:

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

(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.

(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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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"). 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 currencies of the Group entities 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 entities at the foreign exchange rate ruling at that date. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Exchange differences arising on translation are recognized in the current consolidated statement of income.

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 year in which they are approved by the shareholders.

(q) *Financial instruments*

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

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4 CASH AND CASH EQUIVALENTS

	<u>31 December</u> <u>2012</u>	31 December <u>2011</u>
Cash on hand	11,307,081	5,000,930
Bank balances – Current accounts	317,528,472	390,157,748
Bank balances – Time deposit accounts*	418,002,024	12,277,480
	<u>746,837,577</u>	<u>407,436,158</u>

* The Murabah time deposit accounts include certain amounts used as a security against the short term loan facilities obtained during the year from one of the local commercial banks (note 14).

5 TRADE RECEIVABLES, NET

	<u>31 December</u> <u>2012</u>	31 December <u>2011</u>
Trade receivables	1,176,087,417	889,855,946
Provision for doubtful receivables	(201,952,591)	(181,924,725)
	<u>974,134,826</u>	<u>707,931,221</u>

The Group's exposure to credit risk in respect of trade receivables is shown in note 29.

6 RELATED PARTY TRANSACTIONS AND BALANCES

<u>Name of Related Party</u>	<u>Relationship</u>
Abdullah Aqeel Abdullah Al Tayyar	Vice president administration
Ahmed Al Tigani Ahmed	Minority shareholder of Al-Tayyar International Company Ltd. – Sudan (ATS)
Al Tayyar Real Estate Development Co.	Ownership interest by majority shareholder of ATG
Al Shamel international Holding Co.	Associate
Al Wafeer Air	Investee
Bonyan Almdaen Company	Ownership interest by majority shareholder of ATG
Emerging Technology Ltd.	Ownership interest by majority shareholder of ATG
Felix Airways limited	Associate
Forbes Middle East	Ownership interest by majority shareholder of ATG
Grand Travel & Tours, Inc.	Associate
Majid Bin Aziz Al Nafai	Minority shareholder of Al Mawasim Tourism
Medina Publishing & Printing Co.	Ownership interest by majority shareholder of ATG
Nile Air	Ownership interest by majority shareholder of ATG
Omar Ali Balsharaf Trading Company	Ownership interest by Board member
Samama Company	Ownership interest by Board member
Saudi Batal Design Co.	Ownership interest by majority shareholder of ATG
Voyage Amro Travel	Associate

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6 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	For the year ended 31 December 2012				
	<u>Sales</u>	<u>Purchases</u>	<u>Receipts</u>	<u>Payments</u>	<u>Other costs / (revenues)</u>
Abdullah Aqeel Abdullah Al Tayyar	--	--	--	--	(57,000)
Ahmed Al Tegani	--	--	--	--	243,969
Al Shamel International Holding Co.	--	9,866,336	--	10,051,108	(2,184)
Al Tayyar Real Estate Development Co.	2,371,032	--	1,082,800	1,350	(9,082,735)
Al Wafeer Air	--	--	--	--	(7,982)
Bonyan Almdaen Company	--	14,887,699	--	15,560,375	(303,934)
Emerging Technology Ltd.	198,405	--	125,000	816,997	(624,677)
Forbes Middle East	50,087	1,065,915	--	784,646	352,932
Felix Airways limited	16,893	22,149,674	--	18,877,236	4,742,930
Grand Travels & Tours	--	720,103,851	--	563,399,608	(2)
Majid Bin Aziz Al Nafai Medina Publishing & Printing Co.	--	--	--	--	(44,286)
Nile Air	314,172	--	348,508	--	84,706
Omar Ali Balsharaf Trading Company	120,041	101,678,169	--	108,327,132	(35,263)
Saudi Batal Design Co.	3,856,227	--	3,797,540	--	697,351
Samama Company	362,693	--	409,155	--	91,843
Voyage Amro Travel	5,762,785	--	4,126,934	--	1,092,805
	--	178,027,521	--	154,109,074	--
	13,052,335	1,047,779,165	9,889,937	871,927,526	(2,851,527)

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6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	For the year ended 31 December 2011				
	<u>Sales</u>	<u>Purchases</u>	<u>Receipts</u>	<u>Payments</u>	<u>Other costs / (revenues)</u>
Abdullah Aqeel Abdullah Al Tayyar	--	--	--	--	(42,400)
Ahmed Al Tegani	--	--	--	--	(23,467)
Al Tayyar Real Estate Development Co.	709,092	--	2,180	--	4,913,023
Al Shamel International Holding Co.	15,029	10,265,644	10,000	9,580,093	611,571
Al Wafeer Air	7,982	--	--	--	--
Felix Airways limited	--	13,047,507	--	11,903,937	2,917,634
Grand Travels & Tours	--	364,095,232	--	326,467,072	13,245,189
Majid Bin Aziz Al Nafai	--	--	--	--	(467,009)
Nile Air	108,801	50,133,199	--	73,142,181	--
Voyage Amro Travel	--	161,825,336	--	135,335,273	4,597,707
	<u>840,904</u>	<u>599,366,918</u>	<u>12,180</u>	<u>556,428,556</u>	<u>25,752,248</u>

<i>b) Due from related parties</i>	<u>31 December 2012</u>	<u>31 December 2011</u>
Nile Air	29,851,524	23,117,784
Felix Airways Limited	2,830,181	1,342,796
Samama Company	2,728,656	--
Omar Ali Balsharaf Trading Company	756,038	--
Bonyan Almdaen Company	368,742	--
Emerging Technology Ltd.	265,725	--
Forbes Middle East	121,750	--
Abdullah Aqeel Abdullah Al Tayyar	72,265	129,265
Medina Publishing & Printing Co.	50,370	--
Saudi Batal Design Co.	45,381	--
Al Wafeer Air	--	7,982
	<u>37,090,632</u>	<u>24,597,827</u>

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6. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

<i>c) Due to related parties</i>	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Grand Travel & Tours Inc.	169,949,433	13,245,188
Voyage Amro Travel	28,517,324	4,598,877
Al Tayyar Real Estate Development Co.	21,315,953	13,522,799
Majid Bin Aziz Al Nafai	511,295	467,009
Al Shamel International Holding Co.	453,465	636,053
Ahmed Al Tegani	373,944	617,913
	<u>221,121,414</u>	<u>33,087,839</u>

d) Aggregate amount charged to the consolidated financial statements for the year for remuneration to Board members and key management personnel amounted to SAR 13,864,000 (2011: SAR 53,864,000). This has been charged to the general & administrative and selling & marketing expenses. The reduction reflects revised remuneration arrangements following the IPO.

7. PREPAYMENTS AND OTHER RECEIVABLES

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
<i>Prepayments</i>		
Rents	9,317,696	7,839,003
Insurance	4,517,636	2,183,980
Subscription fees	63,630	102,309
Advertising	79,629	--
Others	910,280	3,951,575
	<u>14,888,871</u>	<u>14,076,867</u>
<i>Other receivables</i>		
Advances to suppliers	214,867,203	70,884,035
Advance for letter of guarantee margins (see note 27)	11,821,401	11,598,442
Accrued incentives	9,060,824	306,616
Employee receivables	4,774,175	6,373,057
Advances – Other	1,887,811	6,227,155
Amount held for unclaimed refunded tickets	984,291	132,870
Amounts due on sale of land	--	75,000,000
Cheque under collection on sale of land	--	75,000,000
Others	17,550,357	12,842,406
	<u>260,946,062</u>	<u>258,364,581</u>
	<u>275,834,933</u>	<u>272,441,448</u>

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8 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

	Share holding %	December 31, 2011	Current year profit / (loss)	Dividends received	Others*	31 December 2012
Felix Airways (FAL)	30%	55,740,287	(20,454,357)	--	(35,285,930)	--
Al Shamel International Holding Co. KSC (ASI)	30%	95,245,807	4,828,284	(3,987,078)	--	96,087,013
Grand Travel & Tours, LLC. (GTT)	40%	6,925,026	4,165,364	(2,575,427)	--	8,514,963
Taqniatech Company for Communication Technology Ltd. (TAQ)	70%	1,752,110	--	--	--	1,752,110
Al Tayyar Travel and Tourism - Abu Dhabi	49%	512,269	--	--	--	512,269
Voyage Amro Travel (VAT)	49%	3,392,108	2,605,540	(2,400,077)	--	3,597,571
Muthmira Real Estate Investment Company (MREIC)	36%	--	(1,059,368)	--	303,750,000	302,690,632
		<u>163,567,607</u>	<u>(9,914,537)</u>	<u>(8,962,582)</u>	<u>268,464,070</u>	<u>413,154,558</u>

*FAL - Impairment loss of SAR 35,285,930 has been recognized due to the continuing political uncertainty in Yemen impacting the operations of FAL.

* MREIC – Additional investment made during the year. The main activity of MREIC is a religious tourism project in Makkah.

9 INVESTMENT PROPERTIES

	31 December 2012	31 December 2011
Land in Dammam	<u>25,000,000</u>	<u>25,000,000</u>

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

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

10 AVAILABLE FOR SALE INVESTMENTS

	Shareholding %	31 December 2012	31 December 2011
Al Wafeer Air (AWA) – brought forward	12.75%	-	12,272,715
Loss on impairment of available for sale investments (AWA)		-	(12,272,715)
Taif Investmnets and Tourism company (TITC)	0.5%	<u>1,000,000</u>	<u>1,000,000</u>
		<u>1,000,000</u>	<u>1,000,000</u>

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11 PROPERTY AND EQUIPMENT, NET

	31 December 2012							31 December 2011
	Land & buildings	Safes, decorations & furniture & fixtures	Computers & office Equipment	Vehicles	Air Conditioners	Telecom & security systems	Tools & Hardware	31 December 2011
Cost:								
At 31 December 2011	390,139,139	63,109,058	24,349,239	99,380,689	5,530,206	6,707,963	7,646,749	530,709,723
Transfer from leased assets	--	--	--	--	--	--	--	3,665,850
Foreign currency translation difference	(561,163)	(39,162)	(31,400)	(1,757,841)	(6,396)	(5,421)	(942)	(1,556,789)
Acquisition through business combination	--	255,495	137,116	51,156	--	--	--	1,041,561
Additions during the year	106,582,489	7,499,826	8,502,763	40,597,392	612,024	275,641	209,304	88,724,687
Disposals during the year	--	(649)	(3,600)	(9,931,881)	(2,125)	(11,520)	--	(25,721,989)
At 31 December 2012	496,160,465	70,824,568	32,954,118	128,339,515	6,133,709	6,966,663	7,855,111	596,863,043
Accumulated depreciation:								
At 31 December 2011	24,373,996	36,662,754	16,067,855	32,044,980	3,602,090	4,826,603	3,755,255	97,367,645
Transfer from leased assets	--	--	--	--	--	--	--	2,013,705
Charge for the year	6,200,649	7,316,042	3,712,604	20,612,020	560,521	602,953	1,020,315	33,942,325
Disposals during the year	--	(274)	(34)	(6,288,184)	(1,018)	(11,079)	--	(11,990,142)
At 31 December 2012	30,574,645	43,978,522	19,780,425	46,368,816	4,161,593	5,418,477	4,775,570	121,333,533
Net book value at								
31 December 2012	465,585,820	26,846,046	13,173,693	81,970,699	1,972,116	1,548,186	3,079,541	475,529,510
<i>31 December 2011</i>	<i>365,765,143</i>	<i>26,446,304</i>	<i>8,281,384</i>	<i>67,335,709</i>	<i>1,928,116</i>	<i>1,881,360</i>	<i>3,891,494</i>	

Land and buildings include land amounting to SAR 362 million (December 2011: SAR 255 million) which is not depreciated. Included within this is land amounting to SAR 16 million in relation to assets under construction held within Capital Work in Progress (see note 12).

Included within the vehicles caption is a net book value amount of SAR 64.3 million (2011: 58.7 million) in respect of vehicles used in the car rental business to customers.

Depreciation charge for the year has been allocated as follows:

	31 December 2012	31 December 2011
Depreciation charged to cost of revenue	14,162,681	10,912,675
Depreciation charged to general & admin expenses (note 23)	15,517,454	13,817,790
Depreciation charged to selling and marketing expenses (note 22)	10,344,969	9,211,860
Total Depreciation	40,025,104	33,942,325

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12 CAPITAL WORK IN PROGRESS

		<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
New head office building	(a)	11,699,950	1,125,750
TAPRO accounting software cost	(b)	8,423,367	7,378,635
Hotel building under construction	(c)	7,167,901	2,479,820
Call center project	(d)	4,665,294	4,336,738
Staff accommodation building	(e)	3,801,732	3,552,105
		<u>35,758,244</u>	<u>18,873,048</u>

- (a) New head office building construction is estimated to cost SAR 17 million and to be completed during 2013.
- (b) TAPRO accounting software is estimated to cost SAR 10 million and to be completed by the end of 2013.
- (c) Hotel building construction is estimated to cost SAR 11 million and to be completed by the end of 2013.
- (d) Call center project is estimated to cost SAR 5 million and to be completed by the first half of 2013.
- (e) Staff accommodation building is estimated to cost SAR 9 million and to be completed during 2014.

13 INTANGIBLE ASSETS

Goodwill

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

		<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
National Travel and Tourism Bureau (NTTB)		6,212,311	6,212,311
Al Sarh Travel Agency (ASTA)		11,600,000	11,600,000
Al Tayyar Limousine Company (ALC)	(a)	26,297,274	26,297,274
Al Tayyar Rent a Car Company (ARC)	(a)	13,390,372	13,390,372
Al Tayyar for Tourist and Transportation Company (ATT)	(a)	13,805,118	13,805,118
New Al Tayyar Limousine Company (NALC)	(a)	13,603,448	13,603,448
Lena Tours and Travel (LTT)		2,718,479	2,718,479
Al Tayyar Rent A Car (ARAC)		44,500,000	44,500,000
Al Musaffir Magazine (AMM)		1,426,644	1,426,644
Al Mousim Travel and Tours (AMTT)		13,750,000	13,750,000
Jawlah Tours Establishment for Tourism (JTET)		1,578,247	1,909,159
Al Mawasim Tourism and Umrah Services (MWT)		21,235,000	21,235,000
Al Jazirah Travel (AJT)	(b)	2,014,001	--
		<u>172,130,894</u>	<u>170,447,805</u>
Foreign currency translation		4,475,735	3,216,074
Total		<u>176,606,629</u>	<u>173,663,879</u>
Impairment losses	(a)	(30,000,000)	(30,000,000)
Net		<u>146,606,629</u>	<u>143,663,879</u>

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13 INTANGIBLE ASSETS (Continued)

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 as a result of the current political uncertainty in Egypt.

b) **ACQUISITION OF SUBSIDIARIES**

Business combination

During the year, the Group acquired 70% of the shares of Al Jazirah Travel:

Country of incorporation	KSA
Acquisition date	1 st July 2012
Consideration payable in cash	2,450,000
Recognized values of net identifiable assets on acquisition	<u>(435,999)</u>
Goodwill on acquisition	<u>2,014,001</u>

14 SHORT TERM BANK DEBTS

	<u>31 December</u> <u>2012</u>	31 December <u>2011</u>
Short term loans	1,385,160	91,697,032
Murabah-Islamic finance	--	1,505,160
	<u>1,385,160</u>	<u>93,202,192</u>

Short-term bank debts represent amounts outstanding under short-term bank debt facilities with certain local commercial banks to finance the working capital requirement of the Group at agreed commercial rates. The short term loans are guaranteed in part by a time deposit. The maximum guarantee during the year amounted to SAR 17 million (2011: SAR 12 million).

15 ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>31 December</u> <u>2012</u>	31 December <u>2011</u>
Advances from customers	861,354,094	448,105,338
Employees social security and welfare fund	(a) 36,898,309	44,362,254
Charities	30,342,191	23,120,602
Salaries and benefits	24,584,540	12,923,960
Non trade payable	13,559,193	17,877,809
Tickets under settlement	9,902,377	10,997,226
Loans commission payable	--	586,399
Rents and utilities	1,014,956	584,762
Dividends (see note 17)	144,625	106,921,210
Others	13,856,897	18,871,577
	<u>991,657,182</u>	<u>684,351,137</u>

- (a) The Company is in the process of establishing the operating principles of this fund.

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16 ZAKAT AND INCOME TAX

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
a) Charge for the year		
1 Zakat charge comprises the following:		
Zakat for the Company and Saudi based subsidiaries	31,608,005	26,830,868
Income tax for the overseas subsidiaries	407,373	544,908
Total	<u>32,015,378</u>	<u>27,375,776</u>

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

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Capital	800,000,000	800,000,000
Adjusted net income year	870,957,303	766,299,532
Adjusted equity and provision at beginning of year	649,174,839	638,325,725
Deduction for property and equipment and Capital work in progress	(570,701,388)	(427,131,641)
Deduction for investment	(328,690,632)	(189,567,607)
Deduction for intangible assets	(146,606,629)	(143,663,879)
Deduction from dividend paid	(237,759,351)	(286,979,503)

b) Accrued Zakat and Income Tax

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
--	-----------------------------------	-----------------------------------

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

At the beginning of the year	27,717,031	25,670,008
Charges for the year	32,015,378	27,375,776
Payments during the year	(25,318,723)	(25,328,753)
At the end of the year	<u>34,413,686</u>	<u>27,717,031</u>

c) Status of Assessments

Zakat assessments for the Company have been finalized with the Department of Zakat and Income Tax (DZIT) and final zakat certificates obtained for the years up to 2007. The company has submitted the zakat returns for the years 2008 to 2011.

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

17 DIVIDENDS

An amount of SAR 107 million has been paid during 2012 in respect of the dividends accrued as of 31 December 2011. The board of directors of the Company during their meeting dated 22 July 2012 approved an interim dividend for the first half of the year ended 31 December 2012 amounting to SAR 200 million (2011 : Interim dividend SAR 200 million). This was paid on 5 September 2012.

The board of directors of the Company during their meeting dated 14 February 2013 proposed for approval by shareholders a final dividend for the second half of the year ended 31 December 2012 amounting to SAR 200 million. (2011: Final dividend paid 200 million).

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

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

19 MINORITY INTEREST

	<u>Company</u>	<u>Minority</u> <u>%</u>	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Mohaideb Ali Al Mohaideb	ASTT	20	5,148,228	4,126,825
Saud Al-Harbi	JTET	49	80,186	(195,686)
Majid Bin Aziz Al Nafai	MWT	49	7,114,103	3,149,889
Ahmed Al Tigani Ahmed	ATS	25	391,767	337,823
Fouad Kurban	LTT	25	(277,947)	569
Fahad Hader Alarifi	AJT	30	473,778	--
Hassan A. Sokkery	FIT	40	1,524,366	--
			<u>14,454,481</u>	<u>7,419,420</u>

20 REVENUE, NET

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Gross revenue	7,305,958,692	6,533,899,106
Refunds	<u>(1,916,010,488)</u>	<u>(1,926,489,972)</u>
	<u>5,389,948,204</u>	<u>4,607,409,134</u>

Air ticketing, travel and tours

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

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Commission earned on sale of airline tickets, travel and tours	<u>1,099,453,522</u>	<u>987,649,876</u>

21 COST OF REVENUE, NET

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Cost of revenue	6,157,412,307	5,504,549,224
Refunds	<u>(1,916,010,488)</u>	<u>(1,926,489,972)</u>
	<u>4,241,401,819</u>	<u>3,578,059,252</u>

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22 SELLING AND MARKETING EXPENSES

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Employee costs	60,134,450	50,644,529
Sales commission	42,159,148	70,363,142
Advertising	30,546,841	23,133,876
Rentals	20,876,255	19,011,364
Provision / write off for doubtful receivables	20,362,466	45,473,155
Depreciation (note 11)	10,344,969	9,211,860
	<u>184,424,129</u>	<u>217,837,926</u>

23 GENERAL AND ADMINISTRATIVE EXPENSES

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Employee costs	109,099,523	87,591,050
Depreciation (note 11)	15,517,454	13,817,790
Consultancy	12,146,759	8,407,658
Charities and donations	11,596,623	10,315,315
Communication	10,375,167	8,439,943
Contribution for employees social security and welfare fund (note 15)	7,502,005	5,200,000
Repairs and maintenance	4,915,734	3,404,797
Stationery	4,006,372	4,012,481
Insurance	2,996,109	2,629,621
Utilities	2,863,730	2,473,448
Vehicles maintenance	2,444,500	2,350,939
Travel	1,090,374	1,326,065
Entertainment expenses	841,007	1,095,912
Information technology	243,846	161,611
Other expenses	3,170,637	2,399,672
	<u>188,809,840</u>	<u>153,626,302</u>

24. EARNINGS PER SHARE

Earnings per share from operating income, other income / expense and net income for the current and comparative years has been calculated by using the average number of ordinary shares outstanding as at 31 December 2012 of 80 million shares (80 million shares on 31 December 2011).

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25 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:

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Revenue		
Air Ticketing, Travel & Tours	5,208,503,034	4,415,827,920
Cargo	116,594,908	137,364,301
Transportation and other ('Others')	64,850,262	54,216,913
	<u>5,389,948,204</u>	<u>4,607,409,134</u>
	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Gross Profit		
Air Ticketing, Travel & Tours	1,099,453,522	987,649,876
Cargo	11,935,241	11,535,431
Transportation and other ('Others')	37,157,622	30,164,575
	<u>1,148,546,385</u>	<u>1,029,349,882</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 two key subsidiaries ATI and ATH below.

None of the segments' revenue equals to 10% or more of the total consolidated assets or revenue except for Air Ticketing, Travel & Tours. Invoicing to a governmental entity amounts to 40% of total revenue (2011: 40%). The contract with this governmental entity is valid till May 2014.

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

	<u>For the year ended 31 December 2012</u>			
	ATI	ATH	Others	<u>Total</u>
Revenues	2,117,683,963	1,798,785,730	1,473,478,511	5,389,948,204
Gross profit	753,536,641	222,461,819	172,547,925	1,148,546,385
Depreciation	6,969,769	3,099,794	29,955,541	40,025,104
Total Assets	1,860,634,266	789,314,887	599,644,347	3,249,593,500
Total Liabilities	910,230,082	387,101,392	214,840,281	1,512,171,755
	<u>For the year ended 31 December 2011</u>			
	ATI	ATH	Others	<u>Total</u>
Revenues	1,834,431,713	1,435,624,515	1,337,352,906	4,607,409,134
Gross profit	669,675,363	218,076,673	141,597,846	1,029,349,882
Depreciation	9,658,911	2,643,199	21,640,215	33,942,325
Total Assets	955,284,852	387,532,229	897,223,617	2,240,040,698
Total Liabilities	531,410,770	178,017,659	352,731,962	1,062,160,391

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25 SEGMENT REPORTING (Continued)

Geographical Segments

The Group subsidiaries operate in the following principal geographical areas:

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

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

	<u>Kingdom of Saudi Arabia</u>	
	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Revenues	5,289,399,737	4,505,214,101
Gross profit	1,130,556,732	1,009,799,991
Depreciation	34,852,014	30,863,296
Total Assets	3,088,511,759	2,110,814,627
Total Liabilities	1,380,108,190	959,023,849

26 OPERATING LEASES

The Group has various operating leases for office space, warehouse, retail outlets and employees' accommodations. The leases are for an initial period of one year with options to renew the leases after expiry of the initial lease periods. Lease payments are either fixed or increase annually to reflect market rentals. Rental expenses for the year ended 31 December 2012 amounted to SAR 20.9 million (2011: SAR 19.4 million).

27 CONTINGENT LIABILITIES

At 31 December 2012, the Group has SAR 138 million (31 December 2011: SAR 122.2 million) of bank guarantees issued in the favour of certain suppliers by the Group's banks in respect of bid bonds, contracts advance payments and performance bonds. Included within these advances are amounts for letter of guarantee margins totalling SAR 11.8 million (2011: SAR 11.6 million). See note 7.

28 CAPITAL COMMITMENTS

The Group has capital commitments as at 31 December 2012 of SAR 16.7 million (31 December 2011: SAR 17.5 million) in respect of the construction of new office premises and others.

29 FINANCIAL INSTRUMENTS

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

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risks with a large proportion of its debtors being governmental entities in the Kingdom of Saudi Arabia. As of 31 December 2012, two customers (31 December 2011: two) accounted for 36% (31 December 2011: 31%) of the gross trade receivables. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade and other receivables are mainly due from local customers and related parties and are stated at their estimated realisable values.

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

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

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

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

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

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

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

30 SUBSEQUENT EVENTS

On 14 February 2013, the meeting of the Board of Directors proposed to issue as bonus shares one Ordinary share for every two Ordinary shares held subject to approval by the Shareholders at the forthcoming Annual General meeting. The bonus shares are proposed to be issued from the retained earnings of the Company. Following the bonus issue the total Ordinary share capital of the Company will consist of 120 million Ordinary shares.

31 COMPARATIVE FIGURES

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