**AL TAYYAR TRAVEL GROUP HOLDING COMPANY**
(A Saudi Joint Stock Company)
**AND IT'S SUBSIDIARIES**
**INTERIM CONDENSED CONSOLIDATED**
**FINANCIAL STATEMENTS**
**(UNAUDITED)**
**For the three month period and the year ended**
**31 December 2014**
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 31 December 2014, the related interim consolidated statements of income for the three month period and the year then ended, cash flows and changes in equity for the year then ended and the attached condensed notes (1) to (15) which form an integral part of these interim condensed consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

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

***Conclusion***

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

**For KPMG Al Fozan & Al Sadhan**

Abdullah H. Al Fozan
License No: 348

Date: 28 Rabi I 1436H
Corresponding to: 19 January 2015

**AL TAYYAR TRAVEL GROUP HOLDING COMPANY**
(A Saudi Joint Stock Company)
**INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)**
**As at 31 December 2014**
*(Saudi Arabian Riyals)*

| | Notes | 31 December 2014 | 31 December 2013 (Audited) (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **1,958,637,662** | 2,117,094,594 |
| Trade receivables, net | | **855,383,486** | 583,223,166 |
| Due from related parties | | **23,518,456** | 30,247,535 |
| Advances, prepayments and other receivables | 13 | **609,031,424** | 484,752,033 |
| **Total current assets** | | **3,446,571,028** | 3,215,317,328 |
| **Non current assets** | | | |
| Investments in equity accounted investees | | **89,040,731** | 101,795,636 |
| Investment properties | | **25,000,000** | 25,000,000 |
| Available for sale investments | | **1,000,000** | 1,000,000 |
| Intangible assets, net | 4 | **300,200,837** | 139,412,415 |
| Property and equipment, net | 6 | **1,318,308,692** | 757,319,670 |
| Capital work in progress for disposal | 6 | **359,747,097** | 359,747,097 |
| Capital work in progress | 6 | **661,258,495** | 874,694,885 |
| **Total non current assets** | | **2,754,555,852** | 2,258,969,703 |
| **Total assets** | | **6,201,126,880** | 5,474,287,031 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Bank overdrafts | 7a | **14,782,117** | 15,490,301 |
| Short term debts | 7b | **459,299,318** | 490,626,377 |
| Trade payables | | **1,040,946,343** | 772,054,735 |
| Accrued expenses and other liabilities | 8 | **1,604,312,434** | 1,479,858,028 |
| Provisions | | **25,000,000** | 25,000,000 |
| Due to related parties | | **91,155,236** | 112,293,803 |
| Zakat and income tax provision | | **43,300,067** | 44,631,177 |
| **Total current liabilities** | | **3,278,795,515** | 2,939,954,421 |
| **Non current liabilities** | | | |
| Employees' end of service benefits | | **57,300,201** | 47,111,501 |
| **Total non current liabilities** | | **57,300,201** | 47,111,501 |
| **Total liabilities** | | **3,336,095,716** | 2,987,065,922 |
| **EQUITY** | | | |
| **Equity attributable to the Company's shareholders** | | | |
| Share capital | 1 | **1,500,000,000** | 1,200,000,000 |
| Statutory reserve | | **420,141,901** | 307,813,092 |
| Translation adjustments for foreign operations | | **(18,719,964)** | (15,502,255) |
| Retained earnings | | **944,221,867** | 757,085,682 |
| **Total shareholders' equity** | | **2,845,643,804** | 2,249,396,519 |
| Non controlling interest | 5c | **19,387,360** | 237,824,590 |
| **Total equity** | | **2,865,031,164** | 2,487,221,109 |
| **Total liabilities and equity** | | **6,201,126,880** | 5,474,287,031 |

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

The financial statements on pages (1) to (20) were approved on behalf of the Shareholders by the Board of Directors on 28 Rabi I 1436H corresponding to 19 January 2015 and signed on behalf of the Board by:

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

**Abdullah Nasser Al Dawood**
**Chief Executive Officer**

**Yousif Mousa Yousif**
**Group Chief Financial Officer**

**AL TAYYAR TRAVEL GROUP HOLDING COMPANY**
(A Saudi Joint Stock Company)
**INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**
**For the year ended 31 December 2014**
*(Saudi Arabian Riyals)*

| | | 3 Months | | 12 Months | |
|---|---|---|---|---|---|
| | | **31 December 2014** | 31 December 2013 | **31 December 2014** | 31 December 2013 (Audited) (Restated) |
| | *Note* | | | | |
| Revenue | | **2,185,930,136** | 1,592,985,147 | **7,711,371,959** | 6,260,265,171 |
| Cost of revenue | | **(1,777,869,155)** | (1,254,200,384) | **(6,090,511,568)** | (4,918,845,435) |
| **Gross profit** | | **408,060,981** | 338,784,763 | **1,620,860,391** | 1,341,419,736 |
| Selling and marketing expenses | | **(66,298,707)** | (52,536,178) | **(242,145,715)** | (196,329,131) |
| General and administrative expenses | | **(94,589,648)** | (86,888,659) | **(311,231,894)** | (250,085,249) |
| Share of income and loss on disposal of equity accounted investees | | **1,170,908** | (5,315,739) | **3,141,082** | (140,708) |
| Impairment loss of equity accounted investees | *1* | **(35,000,000)** | -- | **(35,000,000)** | -- |
| Impairment loss of intangible assets | | -- | -- | -- | (2,718,479) |
| Other operating income | | **31,617,482** | 19,310,384 | **107,393,378** | 96,195,959 |
| **Operating income** | | **244,961,016** | 213,354,571 | **1,143,017,242** | 988,342,128 |
| Gain on disposal of property and equipment | *9* | **3,307,965** | 3,236,891 | **33,176,165** | 6,952,197 |
| Negative goodwill | *2b & 5b* | -- | -- | -- | 34,286,062 |
| Finance income | | **372,503** | 1,011,720 | **9,797,409** | 3,471,095 |
| Finance and bank charges | | **(6,446,218)** | (3,429,215) | **(16,384,917)** | (13,014,800) |
| **Other (expenses) / income, net** | | **(2,765,750)** | 819,396 | **26,588,657** | 31,694,554 |
| **Income before Zakat, income tax and non controlling interest** | | **242,195,266** | 214,173,967 | **1,169,605,899** | 1,020,036,682 |
| Zakat and income tax | | **(7,366,489)** | (5,197,967) | **(37,630,316)** | (36,443,579) |
| **Net income before non controlling interest** | | **234,828,777** | 208,976,000 | **1,131,975,583** | 983,593,103 |
| Non controlling interest | | **1,006,379** | (711,501) | **(8,687,492)** | (6,378,703) |
| **Net income for the period / year** | | **235,835,156** | 208,264,499 | **1,123,288,091** | 977,214,400 |
| Earnings per share from operating income | *11* | **1.63** | 1.42 | **7.62** | 6.59 |
| (Loss) / earnings per share from other (expenses) / income, net | *11* | **(0.02)** | 0.01 | **0.18** | 0.21 |
| Basic earnings per share | *11* | **1.57** | 1.39 | **7.49** | 6.51 |

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

**AL TAYYAR TRAVEL GROUP HOLDING COMPANY**
(A Saudi Joint Stock Company)
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**
**For the year ended 31 December 2014**
*(Saudi Arabian Riyals)*

| | 31 December 2014 | 31 December 2013 (Audited) (Restated) |
|---|---|---|
| ***Cash flows from operating activities*** | | |
| Net income for the year | **1,123,288,091** | 977,214,400 |
| *Adjustments to reconcile net income to net cash from operating activities:* | | |
| Depreciation and amortisation | **60,914,208** | 44,842,112 |
| Impairment loss of intangible assets | -- | 2,718,479 |
| Impairment loss of equity accounted investees | **35,000,000** | -- |
| Gain on disposal of property and equipment | **(33,176,165)** | (6,952,197) |
| Loss / (gain) on foreign currency translation | **3,935,081** | (2,809,220) |
| Negative goodwill | -- | (34,286,062) |
| Share of income and loss on disposal of equity accounted investees | **(3,141,082)** | (2,549,924) |
| Fair value adjustment of equity accounted investees | -- | 2,690,632 |
| Provision for trade receivables | **10,072,699** | 25,097,838 |
| Provision for claims | -- | 25,000,000 |
| Non controlling interest | **8,687,492** | 6,378,703 |
| Provision for employees' end of service benefits | **13,582,984** | 14,048,827 |
| Provision for Zakat and income tax | **37,630,316** | 36,443,579 |
| | **1,256,793,624** | 1,087,837,167 |
| **Changes in operating assets and liabilities** | | |
| Trade receivables | **(120,916,318)** | 384,466,209 |
| Due from related parties | **6,729,079** | 6,886,101 |
| Advances, prepayments and other receivables | **(111,723,871)** | (208,917,100) |
| Trade payables | **183,136,360** | 378,667,413 |
| Due to related parties | **(35,403,604)** | 61,121,822 |
| Accrued expenses and other liabilities | **27,094,529** | 476,027,270 |
| Employees' end of service benefits paid | **(3,631,516)** | (2,751,400) |
| Zakat and income tax paid | **(38,961,426)** | (26,226,088) |
| **Net cash from operating activities** | **1,163,116,857** | 2,157,111,394 |
| ***Cash flows from investing activities*** | | |
| Payments for investments in equity accounted investees | **(22,483,234)** | (1,105,000) |
| Dividends received from equity accounted investees | **3,379,221** | 10,823,214 |
| Purchase of property and equipment | **(376,263,323)** | (143,808,827) |
| Proceeds from disposal of property and equipment | **130,840,211** | 15,216,175 |
| Acquisition of subsidiaries, net of cash acquired | **(354,792,799)** | (201,845,564) |
| Net movement in capital work in progress | **(115,262,461)** | (49,067,552) |
| **Net cash used in investing activities** | **(734,582,385)** | (369,787,554) |
| ***Cash flows from financing activities*** | | |
| Net movement in short term debts | **(37,667,711)** | 15,027,292 |
| Net movement in bank overdrafts | **(4,378,770)** | 10,676,167 |
| Dividends paid to shareholders | **(540,000,000)** | (440,000,000) |
| Non-controlling interest share of capital | -- | 277,946 |
| Dividend paid to non-controlling interest | **(4,944,923)** | (3,048,228) |
| **Net cash used in financing activities** | **(586,991,404)** | (417,066,823) |
| Net change in cash and cash equivalents | **(158,456,932)** | 1,370,257,017 |
| Cash and cash equivalents at the beginning of the year | **2,117,094,594** | 746,837,577 |
| **Cash and cash equivalents at the end of the year** | **1,958,637,662** | 2,117,094,594 |

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

**AL TAYYAR TRAVEL GROUP HOLDING COMPANY**
(A Saudi Joint Stock Company)
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the year ended 31 December 2014**
*(Saudi Arabian Riyals)*

| | Notes | Share capital | Statutory reserve | Translation adjustment for foreign operations | Retained earnings | Total shareholders' equity | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| **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** |
| Net income for the year | | -- | -- | -- | 942,928,338 | 942,928,338 | 6,378,703 | 949,307,041 |
| Transferred to statutory reserve | | -- | 94,292,834 | -- | (94,292,834) | -- | -- | -- |
| Bonus shares | | 400,000,000 | -- | -- | (400,000,000) | -- | -- | -- |
| Acquisition of interest in subsidiary | | -- | -- | -- | -- | -- | 208,333,000 | 208,333,000 |
| Translation adjustment for foreign operations | | -- | -- | (10,785,145) | -- | (10,785,145) | -- | (10,785,145) |
| Dividends to shareholders | | -- | -- | -- | (440,000,000) | (440,000,000) | -- | (440,000,000) |
| Dividend paid to non-controlling interest | | -- | -- | -- | -- | -- | (2,770,282) | (2,770,282) |
| **At 31 December 2013 – as previously reported** | | **1,200,000,000** | **304,384,486** | **(15,502,255)** | **726,228,226** | **2,215,110,457** | **226,395,902** | **2,441,506,359** |
| Adjustment (see note 5b) | | -- | 3,428,606 | -- | 30,857,456 | 34,286,062 | 11,428,688 | 45,714,750 |
| **At 31 December 2013 – *restated*** | | **1,200,000,000** | **307,813,092** | **(15,502,255)** | **757,085,682** | **2,249,396,519** | **237,824,590** | **2,487,221,109** |
| Net income for the year | | -- | -- | -- | 1,123,288,091 | 1,123,288,091 | 8,687,492 | 1,131,975,583 |
| Bonus shares | *(1)* | 300,000,000 | -- | -- | (300,000,000) | -- | -- | -- |
| Transferred to statutory reserve | | -- | 112,328,809 | -- | (112,328,809) | -- | -- | -- |
| Acquisition of interest in subsidiary | | -- | -- | -- | -- | -- | 2,322,104 | 2,322,104 |
| Translation adjustment for foreign operations | | -- | -- | (3,217,709) | -- | (3,217,709) | -- | (3,217,709) |
| Gain on equity transaction | *(5c)* | -- | -- | -- | 16,176,903 | 16,176,903 | (224,501,903) | (208,325,000) |
| Dividend paid to non-controlling interest | | -- | -- | -- | -- | -- | (4,944,923) | (4,944,923) |
| Dividends to shareholders | | -- | -- | -- | (540,000,000) | (540,000,000) | -- | (540,000,000) |
| **At 31 December 2014** | | **1,500,000,000** | **420,141,901** | **(18,719,964)** | **944,221,867** | **2,845,643,804** | **19,387,360** | **2,865,031,164** |

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

## 1. THE COMPANY, ITS SUBSIDIARIES AND PRINCIPAL ACTIVITIES

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

On 20 March 2014, the general assembly meeting of Shareholders approved to issue one Ordinary bonus share for every four ordinary shares held. The bonus shares have been issued from the retained earnings of the Company. Following the bonus shares issue, the capital of the Parent is SAR 1.5 billion and consists of 150,000,000 Ordinary shares of SAR 10 each.

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

The Company's registered address is:

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

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

| Consolidated subsidiaries | Country of incorporation | Effective ownership December 2014 | Effective ownership December 2013 | Financial year end |
|---|---|---|---|---|
| National Travel and Tourism Bureau Limited (NTTB) | KSA | **100%** | 100% | 31 December |
| Al Sarh Travel and Tourism Limited (ASTT) | KSA | **80%** | 80% | 31 December |
| Al Tayyar International Air Transportation Agency Company Limited (ATI) | KSA | **100%** | 100% | 31 December |
| Al Tayyar Holiday for Travel and Tourism Company Limited (ATH) | KSA | **100%** | 100% | 31 December |
| Al Tayyar Travel, Tourism and Cargo Company Limited (ATC) | KSA | **100%** | 100% | 31 December |
| Al Tayyar Holidays Travel Group Company (ATE) | Egypt | **100%** | 100% | 31 December |
| Al Tayyar Cargo and Custom Clearance Company (ATCC) | Egypt | **100%** | 100% | 31 December |
| E Al Tayyar Tourism Company (ATT) | Egypt | **100%** | 100% | 31 December |
| E Al Tayyar Tours Company (ALC) | Egypt | **100%** | 100% | 31 December |
| Nile Holidays Tourism Company (NALC) | Egypt | **100%** | 100% | 31 December |
| Al Tayyar Rent A Car Company (ARC) | Egypt | **100%** | 100% | 31 December |
| Lena Tours and Travel (LTT) | Lebanon | **100%** | 100% | 31 December |
| Belantara Holidays SDN. BHD (BHSB) | Malaysia | **100%** | 100% | 31 December |
| Al Tayyar International Company Limited (ATS) | Sudan | **75%** | 75% | 31 December |
| Al Tayyar Travel and Tourism (ATD) | UAE | **100%** | 100% | 31 December |
| Taqniatech Company for Communication Technology Limited (TAQ) | KSA | **100%** | 100% | 31 December |
| Al Tayyar Real Estate, Tourism Development and Investment Company Hotels (ARE) | KSA | **100%** | 100% | 31 December |
| Al Tayyar Insurance Broker Company Limited (INS) | KSA | **100%** | 100% | 31 December |
| Al Tayyar Rent A Car (ARAC) | KSA | **100%** | 100% | 31 December |
| Al Musaffir Magazine (AMM) | KSA | **100%** | 100% | 31 December |
| High Speed Company for Transportation (HSC) | KSA | **100%** | 100% | 31 December |
| Al Mousim Travel and Tours (AMTT) | KSA | **100%** | 100% | 31 December |

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

| Consolidated subsidiaries (continued) | Country of incorporation | Effective ownership December 2014 | 2013 | Financial year end |
|---|---|---|---|---|
| Jawlah Tours Establishment for Tourism (JTET) | KSA | **51%** | 51% | 31 December |
| Al Mawasim Tourism and Umrah Services (MWT) | KSA | **51%** | 51% | 31 December |
| Al Jazirah Travel (AJT) | KSA | **70%** | 70% | 31 December |
| Fly IT (FIT) | KSA | **60%** | 60% | 31 December |
| Muthmerah Real Estate Investment Company (MREIC) | KSA | **100%** | 75% | 31 December |
| Saudi World Travel and Tourism Company Limited (SWTT) | KSA | **100%** | 100% | 31 December |
| Mawasem Travel and Tourism Limited (MTT) | UK | **100%** | -- | 31 December |
| Elegant Resorts Limited and subsidiaries (ERL) | UK | **100%** | -- | 31 December |
| Al Nokhba Private Jet Services Company (ANPJ) | KSA | **100%** | -- | 31 December |
| Al Hanove Tourism and Services Company (AHTS) | Egypt | **70%** | -- | 31 December |
| Co-op Group Travel 1 Limited (CTM) | UK | **100%** | -- | 31 December |
| Connecting Trade & Services (CTS) | Lebanon | **51%** | -- | 31 December |
| Fayfa Travel & Tourism Agency Company (FTT) * | KSA | **100%** | -- | 31 December |

* **FTT -** is a limited liability company registered in Riyadh under Commercial Registration No. 1010313014. FTT is engaged in travel and tourism business (see note 5).

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

| Investment in equity accounted investees | Country of incorporation | Effective ownership December 2014 | 2013 | Financial year end |
|---|---|---|---|---|
| Felix Airways Limited (FAL) | Yemen | **30%** | 30% | 31 December |
| Al-Shamel Int'l. Holding Company K.S.C (ASI) * | Kuwait | **30%** | 30% | 31 December |
| Voyage Amro Travel (VAT) | Canada | **49%** | 49% | 31 December |
| Al Tayyar Travel & Tourism Abu Dhabi (TTAD) | UAE | **49%** | 49% | 31 December |
| Taqniatech Company for Communication Technology JV (TAQJV) ** | KSA | **70%** | 70% | 31 December |
| 2share Emerging Technology (TSET) | KSA | **35%** | 35% | 31 December |
| Net Tours (NT) | UAE | **44.3%** | -- | 31 December |
| Careem INC. (CIL) *** | BVI | **18%** | -- | 31 December |

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

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

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

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

## 2. BASIS OF PREPARATION

### *(a) Statement of compliance*

The accompanying interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) applicable for interim financial reporting. Certain prior period comparative amounts have been reclassified to be consistent with the current period presentation. The interim consolidated results for the period ended 31 December 2014 may not be an accurate indicator for the actual operating results for the whole year.

These interim condensed consolidated financial statements were authorized for issue by the board of directors of the Parent Company on 28 Rabi I 1436H (corresponding to 19 January 2015).

### *(b) Basis of measurement*

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

The comparative numbers are re-stated after the final purchase price allocation relating to MREIC during second quarter of 2014 (see note 5b).

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

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

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

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

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

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

- Trade receivables
- Property and equipment
- Intangible assets

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

### *(a) Basis of consolidation*

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

*Subsidiaries*

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

*Transactions eliminated on consolidation*

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

### *(b) Cash and cash equivalents*

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

### *(c) Trade receivables*

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

### *(d) Investments*

*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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

*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.

### *(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. Major overhaul expenditure on owned aircraft is depreciated over the shorter of the period to the next major overhaul or the useful life of the asset concerned. All other expenditure is recognized in the statement of income when incurred.

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

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

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

### *(f) Intangible assets*

*Goodwill*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

*Other intangibles*

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

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in Statement of Income. Goodwill is not amortised.

The estimated useful lives are as follows:

| | Years |
|---|---|
| Software | 5 |
| Brand name | 20 |
| Customer list | 10 |

### *(g) Impairment of assets*

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

### *(h) Provisions*

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

### *(i) Employees' end of service benefits*

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

### *(j) Revenue recognition*

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

### *(k) Operating leases*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *(l) Expenses*

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

### *(m) Zakat and income tax*

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

### *(n) Foreign currency translation and foreign subsidiaries*

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

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

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

### *(o) Segment reporting*

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

### *(p) Dividends*

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

### *(q) Financial instruments*

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

## 4. INTANGIBLE ASSETS, NET

| | | 31 December 2014 | 31 December 2013 (Audited) |
|---|---|---|---|
| Goodwill | *(a)* | **246,168,241** | 139,412,415 |
| Brand name | *(b)* | **24,081,992** | -- |
| Customer list | *(c)* | **21,285,358** | -- |
| Software | *(d)* | **8,665,246** | -- |
| | | **300,200,837** | 139,412,415 |

*(a)* *Goodwill*

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

| | 31 December 2014 | 31 December 2013 (Audited) |
|---|---|---|
| National Travel and Tourism Bureau Limited | **6,212,311** | 6,212,311 |
| Al Sarh Travel and Tourism Limited | **11,600,000** | 11,600,000 |
| E Al Tayyar Tours Company * | **26,297,274** | 26,297,274 |
| Al Tayyar Rent a Car Company * | **13,390,372** | 13,390,372 |
| E Al Tayyar Tourism Company * | **13,805,118** | 13,805,118 |
| Nile Holidays Tourism Company * | **13,603,448** | 13,603,448 |
| Lena Tours and Travel * | **2,718,479** | 2,718,479 |
| Al Tayyar Rent A Car | **44,500,000** | 44,500,000 |
| Al Musaffir Magazine | **1,426,644** | 1,426,644 |
| Al Mousim Travel and Tours | **13,750,000** | 13,750,000 |
| Jawlah Tours Establishment for Tourism | **1,578,247** | 1,578,247 |
| Al Mawasim Tourism and Umrah Services | **21,235,000** | 21,235,000 |
| Al Jazirah Travel | **2,014,001** | 2,014,001 |
| Elegant Resorts Limited (see note 5) | **37,517,662** | -- |
| Al Hanove Tourism and Services Co. (see note 5) | **36,156,624** | -- |
| Co-op Group Travel 1 Limited (see note 5) | **11,652,929** | -- |
| Connecting Trade & Services (see note 5) | **7,569,646** | -- |
| Fayfa Travel & Tours (see note 5) | **16,846,286** | -- |
| | **281,874,041** | 172,130,894 |
| Foreign currency translation | **(2,987,321)** | -- |
| Total | **278,886,720** | 172,130,894 |
| Impairment losses * | **(32,718,479)** | (32,718,479) |
| Net | **246,168,241** | 139,412,415 |

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

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

*(b)* *Brand name*

This primarily reflects the capitalization of brand name after completion of purchase price allocation in relation to Elegant Resorts Limited in December 2014 (see note 5a). An amount SAR 1.16 million has been amortized during the year ended 31 December 2014.

*(c)* *Customer list*

This primarily reflects the capitalization of customer list after completion of purchase price allocation in relation to Elegant Resorts Limited in December 2014 (see note 5a). An amount SAR 2.15 million has been amortized during the year ended 31 December 2014.

*(d)* *Software*

This primarily reflects the capitalization of software previously held in capital work in progress. An amount SAR 1.77 million has been amortized during the year ended 31 December 2014.

## 5. BUSINESS COMBINATIONS

### a. Current year acquisitions:

*Elegant Resorts Limited (ERL)*

On 6 February 2014, the Group acquired a 100% shareholding of ERL for a consideration of SAR 89 million. The acquisition was effected through a new holding Company Mawasem Travel and Tourism Limited (MTT).

| | |
|---|---|
| Country of incorporation | United Kingdom |
| Acquisition date | 6th February 2014 |
| Consideration paid | 89,141,713 |
| Fair value of intangible assets on acquisition | (51,498,542) |
| Fair value of net identifiable tangible assets on acquisition | (125,509) |
| Goodwill | 37,517,662 |

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

*Al Hanove Tourism and Services Company (AHTS)*

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

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

## 5. BUSINESS COMBINATIONS (Continued)

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

On 1 July 2014, the Group acquired a 100% shareholding of CTM for a consideration of SAR 82 million. The acquisition was effected through a new holding Company Mawasem Travel and Tourism Limited (MTT).

| | |
|---|---|
| Country of incorporation | United Kingdom |
| Acquisition date | 1st July 2014 |
| Consideration paid | 81,927,900 |
| Fair value of net identifiable assets on acquisition | (70,274,971) |
| Goodwill | 11,652,929 |

*Connecting Trade and Services (CTS)*

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

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

*Fayfa Travel & Tourism Agency Company (FTT)*

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

| | |
|---|---|
| Country of incorporation | Saudi Arabia |
| Acquisition date | 1st Dec 2014 |
| Consideration paid | 20,500,000 |
| Initial fair value of net identifiable assets on acquisition | (3,653,714) |
| Goodwill | 16,846,286 |

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

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

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

## 5. BUSINESS COMBINATIONS (Continued)

### b. Previous period acquisition – Muthmerah Real Estate Investment Company (MREIC) – (continued)

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

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

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

## 6. CAPITAL WORK IN PROGRESS

| | **31 December 2014** | 31 December 2013 (Audited) (Restated) |
|---|---|---|
| MREIC | **943,571,305** | 1,169,871,413 |
| MREIC capital work in progress for disposal * | **(359,747,097)** | (359,747,097) |
| | **583,824,208** | 810,124,316 |
| Others | **77,434,287** | 64,570,569 |
| | **661,258,495** | 874,694,885 |

The capital work in progress as at 31 December 2013 is restated to reflect the fair value adjustment arising from the final purchase price allocation (see note 5b). The MREIC capital work in progress totals SAR 584 million as at 31 December 2014, reflecting the land acquisition and hotel development costs to date for projects in Makkah (also see note 7). During October 2014, projects totaling SAR 333.5 million have been completed and transferred to property and equipment. Further, commission charges totaling SAR 24.3 million has been capitalized in MREIC capital work in progress during the year.

* This represents certain land parcels and hotel which were under construction totaling SAR 360 million. During 2013, these assets have been included in the Haram expansion project and other projects in Makkah and as a result, are likely to be acquired by the respective local authorities. MREIC is not expecting such disposal to conclude within the next twelve months. Further, the management is not expecting any losses as a result of these projects. These assets have therefore been classified as capital work in progress for disposal.

## 7. BORROWINGS

### (a) Bank overdrafts:

| | **31 December 2014** | 31 December 2013 (Audited) |
|---|---|---|
| Tawarruq | **9,846,757** | 15,488,446 |
| Murabaha | **40,948** | 1,855 |
| Other overdrafts * | **4,894,412** | -- |
| | **14,782,117** | 15,490,301 |

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

### (b) Short term debts:

| | | **31 December 2014** | 31 December 2013 (Audited) |
|---|---|---|---|
| Short term bank loans (Murabaha) – MREIC | *(i)* | **452,014,157** | 489,241,217 |
| Short term bank debts (Murabaha) – others | | **1,000,000** | -- |
| Short term bank debts (Tawarruq) | | **5,000,000** | -- |
| Short term bank debts – others | *(ii)* | **1,285,161** | 1,385,160 |
| | | **459,299,318** | 490,626,377 |

## 7. BORROWINGS

### (b) Short term debts (Continued)

*i. Murabaha – MREIC:*

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

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

*ii. Short term bank debts – others:*

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

## 8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and liabilities include advances from certain customers. The balance of these advances as at 31 December 2014 totalled SAR 1.33 billion (31 December 2013: SAR 1.29 billion).

## 9. GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT

During January 2014, MREIC disposed one of its hotel property recognizing a gain of SAR 25 million on disposal. This is the adjusted gain following the purchase price allocation (see note 5b).

## 10. 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:

| | **For the year ended 31 December 2014** | For the year ended 31 December 2013 (Audited) |
|---|---|---|
| **Revenue** | | |
| Air Ticketing, Travel and Tours | **7,457,860,093** | 6,065,751,159 |
| Cargo | **161,410,758** | 129,186,499 |
| Transportation and other ('Others') | **92,101,108** | 65,327,513 |
| | **7,711,371,959** | 6,260,265,171 |

## 10. SEGMENT REPORTING (Continued)

| | **For the year ended 31 December 2014** | For the year ended 31 December 2013 (Audited) |
|---|---|---|
| **Gross Profit** | | |
| Air Ticketing, Travel and Tours | **1,566,106,694** | 1,291,758,169 |
| Cargo | **15,557,360** | 13,100,221 |
| Transportation and other ('Others') | **39,196,337** | 36,561,346 |
| | **1,620,860,391** | 1,341,419,736 |

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

None of the above segments comprises 10% or more of the total consolidated revenue except for Air Ticketing, Travel and Tours. Further 30% of the revenue for the year is generated from one governmental entity (31 December 2013: 34%). The contract with this governmental entity has expired during the second quarter of 2014. However, the Company continues to provide a normal level of service to this customer.

A segment for Hotels is currently under formation following the acquisition of MREIC (see note 5). As at 31 December 2014, MREIC represents more than 10% of the consolidated assets. MREIC has started to generate some revenue from the hotels. However, the majority of the hotels are currently under construction. These are expected to be fully operational from 2015.

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

| | As at and for the year ended 31 December 2013 | | | | |
|---|---|---|---|---|---|
| | ATI | ATH | MREIC | Other entities/ consolidation Adjustments | Total |
| Revenues | 3,347,493,636 | 1,534,639,947 | 2,728,582 | 1,375,403,006 | 6,260,265,171 |
| Gross profit | 940,716,042 | 244,038,449 | 2,728,582 | 153,936,663 | 1,341,419,736 |
| Depreciation | 7,534,154 | 3,562,150 | 2,022,600 | 31,723,208 | 44,842,112 |
| Total Assets * | 2,581,075,253 | 1,822,186,656 | 1,386,493,450 | (315,468,328) | 5,474,287,031 |
| Total Liabilities | 948,523,216 | 1,244,207,540 | 509,023,606 | 285,311,560 | 2,987,065,922 |

** Restated – see note 5b*

## 10. SEGMENT REPORTING (Continued)

### Air ticketing, travel and tours

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

| | **For the year ended 31 December 2014** | For the year ended 31 December 2013 (Audited) |
|---|---|---|
| Net commission earned on sale of airline tickets, travel and tours | **1,566,106,694** | 1,291,758,169 |

### Geographical Segments

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

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

| | **As at and for the year ended** | |
|---|---|---|
| | **31 December 2014** | 31 December 2013 (Audited) |
| Revenues | **6,948,026,378** | 6,169,979,809 |
| Gross profit | **1,533,112,511** | 1,322,256,067 |
| Depreciation | **49,588,685** | 39,469,066 |
| Total Assets (restated – see note 5b) | **5,601,415,829** | 5,291,769,062 |
| Total Liabilities | **2,780,169,685** | 2,835,556,733 |

## 11. 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 average number of ordinary shares outstanding as at 31 December 2014 of 150 million shares (150 million shares at 31 December 2013 adjusted for bonus shares issued on 20 March 2014).

## 12. COMMITMENTS

The Group has capital commitments as at 31 December 2014 of SAR 180 million (31 December 2013: SAR 202 million) principally in respect of MREIC hotel developments and construction of new office premises.

During 2013, the Group entered into an operating lease arrangement for the lease of certain properties in Makkah. During December 2013, this lease agreement was amended. The revised agreement is for an initial duration of approximately 8 years effective from January 2014. The Group is currently in discussion to revise the commencement date of the lease agreement. This is due to certain requirements by government authorities which the lessor is responsible to complete. The completion process has delayed the access and handover of the properties to the Group. As per the current agreement, the lease payments are fixed and increase annually to reflect market rentals. The total amount payable over the lease period is SAR 2.47 billion. An advance of SAR 77 million has been paid by the Group as at 31 December 2014 (31 December 2013: SAR 77 million). This amount is included in advances, prepayments and other current assets.

## 13. CONTINGENT LIABILITIES

At 31 December 2014, the Group has letter of guarantees totaling SAR 223 million (31 December 2013: SAR 150 million) issued by the Company's banks in favor of certain suppliers. This includes an additional SAR 60 million in relation to certain new subsidiaries acquired during 2014. These amounts are included in other receivables.

## 14. DIVIDENDS

The board of directors of the Company during their meeting dated 6 August 2014 approved an interim dividend for the year ended 31 December 2014 amounting to SAR 300 million. This was paid on 8 September 2014.

## 15. SUBSEQUENT EVENTS

*Bonus shares*

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

*Investment in Saudi Heritage Hospitality Company (SHHC)*

On 19 January 2015, the Group entered as founding partner in SHHC with 5,000,000 shares of value amounting to SAR 50 million. The said amount represents 20% of the Company's share capital. The subscription procedures are now being carried out.

SHHC has been launched by the Saudi Commission for Tourism and Antiquities with a capital of SAR 250,000,000 for the purpose of developing and investing in state-owned traditional buildings in lodging and traditional hospitality.